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# FINANCIAL STATEMENTS 2009 OF BAYER REAL ESTATE GMBH, LEVERKUSEN

**Bayer Real Estate GmbH,**  
**Leverkusen**  
**Income statement for the fiscal year**  
**January 1 - December 31, 2009**

	<u>2009</u>	<u>2008</u>
	€	€
Sales	227.691.076	78.406.506
Cost of sales	<u>220.368.558</u>	<u>76.660.636</u>
<b>Gross profit</b>	7.322.518	1.745.870
Selling expenses	2.444.586	1.186.290
General administration expenses	2.461.860	2.301.558
Other operating income	542.511	1.054.399
Other operating expenses	<u>232.372</u>	<u>2.486.399</u>
<b>Operating result</b>	2.726.211	-3.173.978
Non-operating result	<u>-116.910</u>	<u>965.586</u>
<b>Income before income taxes</b>	2.609.301	-2.208.392
Income taxes	87	0
Losses assumed/profits transferred under the profit and loss transfer agreement	<u>-2.609.214</u>	<u>2.208.392</u>
<b>Net income</b>	<u>0</u>	<u>0</u>

**Bayer Real Estate GmbH, Leverkusen**  
**Balance sheet as of December 31, 2009**

**ASSETS**

**STOCKHOLDERS' EQUITY AND LIABILITIES**

	<u>Dec. 31,</u> <u>2009</u> €	<u>Dec. 31,</u> <u>2008</u> €		<u>Dec. 31,</u> <u>2009</u> €	<u>Dec. 31,</u> <u>2008</u> €
<b><u>Noncurrent assets</u></b>			<b><u>Stockholders' equity</u></b>		
Intangible assets	737.795	50.894	Capital stock	1.534.000	1.534.000
Property, plant and equipment	9.328.368	5.659.682	Other retained earnings	6.382.969	5.467.984
Investments	<u>11.556</u>	<u>50.434</u>	Profit carried forward	41.635.420	41.635.420
	<u>10.077.719</u>	<u>5.761.010</u>	Balance sheet profit	<u>-</u>	<u>-</u>
	-----	-----		-----	-----
				49.552.389	48.637.404
<b><u>Current assets</u></b>			<b><u>Provisions</u></b>		
Land held for sale and other inventories	44.431.957	61.428.076	Provisions for pensions and other post-employment benefits	9.394.627	10.197.823
Receivables and other assets			Other provisions	<u>5.057.632</u>	<u>4.888.754</u>
Trade accounts receivable	3.690.946	3.188.706		<u>14.452.259</u>	<u>15.086.577</u>
Receivables from affiliated companies	48.816.837	41.982.969	<b><u>Other liabilities</u></b>		
Other assets	524.605	5.201.088	Liabilities to banks	303	355
Cash and cash equivalents			Liabilities relating to advance payments received for orders	31.917.692	43.260.991
Bank balances	<u>21.992</u>	<u>5.902</u>	Trade accounts payable	4.619.217	5.196.613
	<u>97.486.337</u>	<u>111.806.741</u>	Payables to affiliated companies	6.896.794	5.225.357
	-----	-----	Miscellaneous liabilities	<u>633.052</u>	<u>542.872</u>
				-----	-----
				44.067.058	54.226.188
<b><u>Deferred charges</u></b>	<u>1.163.945</u>	<u>383.446</u>	<b><u>Deferred income</u></b>	<u>656.295</u>	<u>1.028</u>
	-----	-----		-----	-----
	<u>108.728.001</u>	<u>117.951.197</u>		<u>108.728.001</u>	<u>117.951.197</u>
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**Bayer Real Estate GmbH, Leverkusen**  
**Change in noncurrent assets in the period January 1 - December 31, 2009**

	<u>As of</u> <u>Jan. 1, 2009</u> €	<u>Additions</u> €	<u>Retirements</u> €	<u>As of</u> <u>Dec. 31, 2009</u> €	<u>Accumulated</u> <u>depreciation,</u> <u>amortization and write-</u> <u>downs</u> €	<u>Net carrying amounts</u> <u>Dec. 31, 2009</u> €	<u>Dec. 31, 2008</u> €k
<b>Intangible assets</b>							
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	153.542	967.879	-	1.121.421	383.626	737.795	51
<b>Property, plant and equipment</b>							
Land with residential buildings	1.282.569	-	-	1.282.569	86.792	1.195.777	1.218
Land with industrial and other buildings	76.412	-	-	76.412	18.727	57.685	71
Undeveloped land	2.820.983	-	-	2.820.983	2.088.285	732.698	733
Land with third-party hereditary building rights	33.316	-	-	33.316	-	33.316	33
Machinery and technical equipment	171.246	275.739	-	446.985	84.791	362.194	139
Furniture, fixtures and other equipment	3.763.326	2.539.103	1.467	6.300.962	2.092.104	4.208.858	2.664
Construction in progress	802.379	1.935.461	-	2.737.840	-	2.737.840	802
<b>Total property, plant and equipment</b>	<b>8.950.231</b>	<b>4.750.303</b>	<b>1.467</b>	<b>13.699.067</b>	<b>4.370.699</b>	<b>9.328.368</b>	<b>5.660</b>
<b>Investments</b>							
Other loans	50.434	-	38.878	11.556	-	11.556	50
<b>Total noncurrent assets</b>	<b>9.154.207</b>	<b>5.718.182</b>	<b>40.345</b>	<b>14.832.044</b>	<b>4.754.325</b>	<b>10.077.719</b>	<b>5.761</b>

**Bayer Real Estate GmbH, Leverkusen**

**Change in noncurrent assets**

**Depreciation, amortization and write-downs in the period January 1 - December 31, 2009**

	<u>As of</u> <u>Jan. 1, 2009</u> €	<u>Additions</u> €	<u>Write-backs</u> €	<u>Retirements</u> €	<u>As of</u> <u>Dec. 31, 2009</u> €
<b>Intangible assets</b>					
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	102.648	280.978	-	-	383.626
<b>Property, plant and equipment</b>					
Land with residential buildings	65.094	21.698	-	-	86.792
Land with industrial and other buildings	5.507	13.220	-	-	18.727
Undeveloped land	2.088.285	-	-	-	2.088.285
Machinery and technical equipment	32.575	52.216	-	-	84.791
Furniture, fixtures and other equipment	1.099.088	994.483	-	1.467	2.092.104
<b>Total property, plant and equipment</b>	<b>3.290.549</b>	<b>1.081.617</b>	<b>-</b>	<b>1.467</b>	<b>4.370.699</b>
<b>Total noncurrent assets</b>	<b>3.393.197</b>	<b>1.362.595</b>	<b>-</b>	<b>1.467</b>	<b>4.754.325</b>

# **Notes to the annual financial statements of Bayer Real Estate GmbH as of December 31, 2009**

## **General**

The valuation and accounting principles used for the annual financial statements of Bayer Real Estate GmbH, Leverkusen, Germany, comply with the commercial regulations for German limited liability companies (GmbH).

As in the previous year, the ordinance issued by the Federal Ministry of Justice dated March 6, 1987 on the presentation of the annual financial statements of housing companies has been taken into account.

The provisions of the German Accounting Law Modernization Act (BilMoG), which came into force on May 29, 2009, have been applied for fiscal 2009, one year before they become mandatory, in application of Section 66 Paragraph 3 Sentence 6 of the Introductory Law to the German Commercial Code (EGHGB). Where the application of this law has resulted in changes in recognition and measurement of items on the balance sheet, the prior-year figures have not been restated. As a result of the first-time application of the BilMoG provisions or the respective transitional rulings, €915k was recognized outside profit or loss in other retained earnings.

Certain balance sheet and income statement items are combined to enhance the clarity of presentation. These are stated separately and explained in the Notes.

Bayer Real Estate GmbH is included in the consolidated financial statements of its parent company, Bayer AG, Leverkusen, Germany, from which the consolidated financial statements may be obtained.

Details of audit fees are included in Bayer's consolidated financial statements. Accordingly, exemption from the disclosure obligation is hereby utilized in application of Section 285 No. 17 HGB.

The transfer of the real estate activities of Bayer AG effective August 1, 2008 and the related substantial increase in business volume limits the comparability of the results of operations of Bayer Real Estate GmbH shown in the present financial statements and those for the previous year

## Recognition and valuation principles

Intangible assets that have been acquired are recognized at cost and amortized.

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation for wear and tear.

Amounts added to property, plant and equipment on or after January 1, 2008 are depreciated using the straight-line method. Assets that were acquired up to December 31, 2007 are depreciated using the declining-balance method, where this is permitted under tax laws, at the maximum permissible depreciation rates. Movable assets that can be utilized separately and are subject to depletion are written down in full in the year of acquisition if the cost of acquisition or construction does not exceed €150. Since 2008 movable assets where the cost of acquisition or construction is between €150 and €1,000 have been aggregated annually in a single item and depreciated over five years.

Write-downs are recognized for any declines in value which are expected permanent.

Land held for sale and other inventories are recognized at their cost of acquisition or construction. Construction costs contain both the individual cost of construction and expenses for planning and construction supervision work by the company. Write-downs are made if the fair value is below the carrying amount. Utility charges not yet invoiced to tenants are included in inventories.

Receivables and other assets are carried at nominal value or at fair value, whichever is lower.

Provisions for pensions and other post-employment benefits are computed using the projected unit credit method, based on the actuarial method that calculates biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. We currently assume annual salary increases of 2.5% (2008: 3.0%) and annual pension increases of 1.75% (2008: 2.0%). The discount rate used for pension provisions was 5.25% as of December 31, 2009, which is the average market interest rate of the past seven years for instruments with an assumed remaining maturity of 15 years, as determined and published by the German Bundesbank. The discount rate of 4.75% applied in 2008 was derived from the average market interest rates of the past seven years for euro-denominated fixed interest-rate swaps with a maturity of 15 years.

The other provisions take account of all foreseeable risks and uncertain liabilities. Provisions are recognized for maintenance that has not yet been carried out if it is performed within the first three months of the following fiscal year. Provisions are established for taxes, uncertain liabilities, vacation entitlements and claims under guarantees in the amount expected to be utilized.

As a result of the first-time application of the German Accounting Law Modernization Act (BilMoG), the valuation of provisions as of January 1, 2009 resulted in reversals amounting to €915k. In accordance with Section 67 Paragraph 1 Sentence 3 of the Introductory Law to the German Commercial Code (EGHGB), these were recognized in other retained earnings and thus outside profit or loss.

Liabilities are carried at nominal value or redemption cost, whichever is higher.

Advance payments received for utility charges that have not yet been invoiced are reflected in advance payments received.



## Notes to the balance sheet

### Noncurrent assets

The breakdown of assets and how they have changed is shown in the statement of changes in assets.

### Land held for sale and other inventories

	Dec. 31, 2009	Dec. 31, 2008
	€	€k
Undeveloped land	9,724,291	11,287
Land with unfinished buildings	1,542,347	4,104
Construction work in progress	32,787,489	45,744
Other work in progress		
Utility charges that have not yet been invoiced	355,350	261
Other inventories	22,480	32
	<u>44,431,957</u>	<u>61,428</u>

The construction work in progress comprises work being undertaken by BRE (mainly construction of a parking garage and renewal of the media facade on Bayer's former headquarters building).

### Trade accounts receivable

	Dec. 31, 2009	Dec. 31, 2008
	€	€k
Receivables from the letting of property	2,265,533	2,962
Receivables from the sale of land	1,425,413	227
	<u>3,690,946</u>	<u>3,189</u>

All receivables are due in less than one year.

## Receivables from affiliated companies

	Dec. 31, 2009	Dec. 31, 2008
	€	€k
Bayer AG (stockholder), Leverkusen	42,926,185	40,856
Bayer Animal Health GmbH, Leverkusen	72,443	18
Bayer Business Services GmbH, Leverkusen	118,191	282
Bayer CropScience AG, Monheim	965,527	-
Bayer CropScience Deutschland GmbH, Monheim	255	-
Bayer Direct Services GmbH, Leverkusen	119,670	103
Bayer HealthCare AG, Leverkusen	18,165	-
Bayer MaterialScience AG, Leverkusen	2,131,950	332
Bayer Schering Pharma AG, Berlin	1,552,582	-
Bayer Vital GmbH, Leverkusen	340,597	-
Chemion Logistik GmbH, Leverkusen	369,384	-
Dynevo GmbH, Leverkusen	103,458	98
Euroservices Bayer GmbH, Leverkusen	-	91
Job@ctive GmbH, Leverkusen	52,834	-
Pallas Versicherung AG, Leverkusen	27,000	-
LYTTRON Technology GmbH, Leverkusen	-	203
Travel Board GmbH, Leverkusen	18,596	-
	<u>48,816,837</u>	<u>41,983</u>

The receivables from affiliated companies comprise overnight funds (€45,424k), profit transfers (€-2,609k) and trade accounts receivable (€6,003k).

## **Provisions for pensions and other post-employment benefits**

Provisions for pensions comprise obligations for current pension payments and future pension entitlements. This item also contains post-employment benefits relating to early retirement.

Some obligations arising from pension commitments are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, under a contractual trust arrangement. These assets may only be used for the purpose of meeting pension obligations and are protected from other creditors. In accordance with the provisions of the German Accounting Law Modernization Act (Section 246 Paragraph 2 Sentence 2 HGB), they were offset against the underlying obligation for the first time in 2009.

## **Other provisions**

The other provisions contain amounts relating to outstanding invoices from suppliers, guarantees, obligations relating to long-service anniversaries, pre-retirement leave, vacation and flextime entitlements, the cost of preparing and auditing the annual financial statements, contributions to employers' liability insurance funds and provisions for other uncertain liabilities.

## Payables to affiliated companies

	Dec. 31, 2009	Dec. 31, 2008
	€	€k
Bayer CropScience AG, Monheim	-	43
Bayer CropScience Deutschland GmbH, Langenfeld	-	5
Bayer Gastronomie GmbH, Leverkusen	1,093,274	2,306
Bayer HealthCare AG, Leverkusen	53,080	263
Bayer Technology Services GmbH, Leverkusen	1,592,706	1,637
Bayer Vital GmbH, Leverkusen	-	14
Chemion Logistik GmbH, Leverkusen	-	84
Currenta GmbH & Co. OHG, Leverkusen	2,687,232	59
Euroservices Bayer GmbH, Leverkusen	24,356	-
Job@ctive GmbH, Leverkusen	-	14
Tectrion GmbH, Leverkusen	1,446,146	788
TravelBoard GmbH, Leverkusen	-	12
	<u>6,896,794</u>	<u>5,225</u>

All payables to affiliated companies are trade accounts payable.

## Miscellaneous liabilities

	Dec.31, 2009	Dec. 31, 2008
	€	€k
Liabilities		
for social security expenses	125,376	117
for taxes	296,972	287
Other	<u>210,704</u>	<u>139</u>
	<u>633,052</u>	<u>543</u>

## Remaining term of liabilities

	Due in 2010 €	Due after 2010 €
Liabilities to banks	303	-
Advance payments received	31,917,692	-
Trade accounts payable to other suppliers	4,619,217	-
Payables to affiliated companies	6,896,794	-
Miscellaneous liabilities	623,301	9,751
	<u>44,057,307</u>	<u>9,751</u>

## Contingent liabilities

Contingent liabilities relate to guarantee obligations for apartments rented by the company amounting to €106k (2008: €156k).

## Other financial obligations

In addition to the provisions and liabilities shown on the balance sheet, other financial obligations exist with respect to open orders for property development amounting to €1,614k (2008: €10,122k).

## Notes to the income statement

### Sales

All sales were generated in the Federal Republic of Germany.

#### Sales by business activity

	2009	2008
	€	€k
Property management	178,644,630	73,868
Sale of land	4,141,045	3,721
Ancillary services	44,558,053	776
Other business activities and services	347,348	42
	<u>227,691,076</u>	<u>78,407</u>

### Other operating income

	2009	2008
	€	€k
From the retirement of noncurrent assets	-	1
Miscellaneous operating income	542,511	1,053
	<u>542,511</u>	<u>1,054</u>

The miscellaneous operating income comprises non-period income amounting to €472k (2008: €50k), principally from the reversal of provisions and write-downs.

## Other operating expenses

	2009	2008
	€	€k
Other taxes	114,136	124
Miscellaneous operating expenses	118,236	2,362
	<u>232,372</u>	<u>2,486</u>

The miscellaneous operating expenses comprise losses from write-downs of/default on receivables, bank charges and expenses for other business activities and services.

## Non-operating result

	2009	2008
	€	€k
Other interest and similar income	412,753	1,302
thereof from affiliated companies	(391,532)	(1,142)
Interest and similar expenses	-828	-9
Miscellaneous financial expenses	<u>-528,835</u>	<u>-327</u>
	<u>-116,910</u>	<u>966</u>

The miscellaneous financial expenses include the interest portion of additions of discounted pension and personnel-related provisions.

## Other disclosures

### Expenses for outsourced work and services

	2009	2008
	€	€k
Expenses for property management	35,406,041	16,086
Expenses for the sale of land	42,872,975	49,139
Expenses for other business activities and services	102,233	130
	<u>78,381,249</u>	<u>65,355</u>

The expenses for the sale of land resulted principally from the construction of a new office building for Bayer-Pensionskasse VVaG (€10,921k), erection of a media facade on the former headquarters building of Bayer AG (€19,566k) and construction of a new parking garage (€6,437k).

### Personnel expenses

	2009	2008
	€	€k
Wages and salaries	10,401,876	5,251
Social security contributions and expenses for pensions and assistance	2,075,739	3,412
thereof for pensions	(1,536,591)	(2,638)
	<u>12,477,615</u>	<u>8,663</u>

### Number of employees

The average number of employees during the fiscal year was 132 (2008: 73).



## **Total compensation of the management**

The company refrains from disclosing the compensation of present members of the management as permitted by Section 286 Paragraph 4 of the German Commercial Code (HGB).

Provisions amounting to €327k have been made for pension obligations to former managing directors. Total benefits paid in the fiscal year amounted to €120k.

## **Supervisory Board**

Our stockholder has refrained from holding new elections to the Supervisory Board.

## **Managing Director**

Michael Müller, engineering graduate

Leverkusen, March 31, 2010

**Bayer Real Estate GmbH**

**The management**