



Science For A Better Life

# FINANCIAL STATEMENTS 2010 OF BAYER REAL ESTATE GMBH, LEVERKUSEN

**Bayer Real Estate GmbH,**  
**Leverkusen**  
**Income statement for the fiscal year**  
**January 1 - December 31, 2010**

|  | <u>2010</u><br>€   | <u>2009</u><br>€   |
|--|--------------------|--------------------|
| Sales  | 179.019.737        | 227.691.076        |
| Cost of sales  | <u>171.294.460</u> | <u>220.368.558</u> |
| <b>Gross profit</b>  | 7.725.277          | 7.322.518          |
| Selling expenses   | 2.362.030          | 2.444.586          |
| General administration expenses  | 2.336.107          | 2.461.860          |
| Other operating income   | 394.094            | 542.511            |
| Other operating expenses   | <u>265.037</u>     | <u>232.372</u>     |
| <b>Operating result</b>  | 3.156.197          | 2.726.211          |
| Non-operating result   | <u>-332.607</u>    | <u>-116.910</u>    |
| <b>Income before income taxes</b>  | 2.823.590          | 2.609.301          |
| Income taxes   | 0                  | 87                 |
| Losses assumed/profit transferred under the profit and loss transfer agreement | <u>-2.823.590</u>  | <u>-2.609.214</u>  |
| <b>Net income</b>  | <u>0</u>           | <u>0</u>           |

**Bayer Real Estate GmbH, Leverkusen**  
**Balance sheet as of December 31, 2010**

**ASSETS**

**STOCKHOLDERS' EQUITY AND LIABILITIES**

|   | <u>Dec. 31, 2010</u>      | <u>Dec. 31, 2009</u>      |   | <u>31.12.2010</u>         | <u>31.12.2009</u>         |
|---|---------------------------|---------------------------|---|---------------------------|---------------------------|
|   | €                         | €                         |   | Euro                      | Euro                      |
| <b><u>Noncurrent assets</u></b>             |                           |                           | <b><u>Equity</u></b>  |                           |                           |
| Intangible assets                           | 555.536                   | 737.795                   | Capital stock   | 1.534.000                 | 1.534.000                 |
| Property, plant and equipment               | 11.920.177                | 9.328.368                 | Other retained earnings                                       | 6.382.969                 | 6.382.969                 |
| Investments                                 | 10.736                    | 11.556                    | Profit carried forward  | 41.635.420                | 41.635.420                |
|   | <u>12.486.449</u>         | <u>10.077.719</u>         | Balance sheet profit  | -                         | -                         |
|   | -----                     | -----                     |   | <u>49.552.389</u>         | <u>49.552.389</u>         |
| <b><u>Current assets</u></b>                |                           |                           |   |                           |                           |
| Land held for sale<br>and other inventories | 45.476.584                | 44.431.957                | <b><u>Provisions</u></b>                                      |                           |                           |
| Receivables and other assets                |                           |                           | Provisions for pensions and<br>other post-employment benefits | 10.537.062                | 9.394.627                 |
| Trade accounts receivable                   | 2.640.634                 | 3.690.946                 | Other provisions  | 5.955.814                 | 5.057.632                 |
| Receivables from affiliated companies       | 47.986.564                | 48.816.837                |   | <u>16.492.876</u>         | <u>14.452.259</u>         |
| Other assets                                | 209.510                   | 524.605                   | <b><u>Liabilities</u></b>                                     |                           |                           |
| Cash and cash equivalents                   |                           |                           | Liabilities to banks  | 91                        | 303                       |
| Bank balances                               | 25.311                    | 21.992                    | Trade accounts payable  | 4.899.172                 | 4.619.217                 |
|   | <u>96.338.603</u>         | <u>97.486.337</u>         | Payables to affiliated companies                              | 4.130.548                 | 6.896.794                 |
|   | -----                     | -----                     | Miscellaneous liabilities                                     | 34.104.032                | 32.550.744                |
| <b><u>Deferred charges</u></b>              | 847.955                   | 1.163.945                 |   | <u>43.133.843</u>         | <u>44.067.058</u>         |
|   | -----                     | -----                     |   | -----                     | -----                     |
| <b><u>Surplus from offsetting</u></b>       | 96.002                    | -                         | <b><u>Deferred income</u></b>                                 | 589.901                   | 656.295                   |
|   | -----                     | -----                     |   | -----                     | -----                     |
|   | <u><u>109.769.009</u></u> | <u><u>108.728.001</u></u> |   | <u><u>109.769.009</u></u> | <u><u>108.728.001</u></u> |

**Bayer Real Estate GmbH, Leverkusen**  
**Change in noncurrent assets in the period January 1 - December 31, 2010**

|   | <u>As of</u><br><u>Jan. 1, 2010</u><br>€ | <u>Additions</u><br>€ | <u>Transfers/<br/>reclassifications</u><br>€ | <u>Retirements</u><br>€ | <u>As of</u><br><u>Dec. 31, 2010</u><br>€ | <u>Accumulated<br/>depreciation,<br/>amortization and<br/>write-downs</u><br>€ | <u>Net carrying amounts</u> |                            |
|---|--|-----------------------|--|-------------------------|---|--|-----------------------------|----------------------------|
|   |  |                       |  |                         |   |  | <u>Dec. 31, 2010</u><br>€   | <u>Dec. 31, 2009</u><br>€k |
| <b>Intangible assets</b>  |  |                       |  |                         |   |  |                             |                            |
| Concessions, industrial property rights,<br>similar rights and assets, and<br>licenses thereunder | 1.121.421                                | 190.431               | -  | -                       | 1.311.852                                 | 756.316  | 555.536                     | 738                        |
| <b>Property, plant and equipment</b>  |  |                       |  |                         |   |  |                             |                            |
| Land with residential buildings   | 1.282.569                                | -                     | -  | -                       | 1.282.569                                 | 108.490  | 1.174.079                   | 1.196                      |
| Land with industrial and other buildings  | 76.412                                   | -                     | -  | -                       | 76.412                                    | 31.720   | 44.692                      | 58                         |
| Undeveloped land  | 2.820.983                                | -                     | -  | -                       | 2.820.983                                 | 2.088.285  | 732.698                     | 733                        |
| Land with third-party hereditary building rights  | 33.316                                   | 385.079               | -  | -                       | 418.395                                   | -  | 418.395                     | 33                         |
| Machinery and technical equipment   | 446.985                                  | 416.864               | 1.450.179                                    | -                       | 2.314.028                                 | 263.625  | 2.050.403                   | 362                        |
| Furniture, fixtures and<br>other equipment  | 6.300.962                                | 2.668.844             | 1.259.982                                    | 30.168                  | 10.199.620                                | 3.292.436  | 6.907.184                   | 4.209                      |
| Construction in progress  | 2.737.840                                | 565.047               | - 2.710.161                                  | -                       | 592.726                                   | -  | 592.726                     | 2.737                      |
| <b>Total property, plant and equipment</b>  | <b>13.699.067</b>                        | <b>4.035.834</b>      | <b>-</b>                                     | <b>30.168</b>           | <b>17.704.733</b>                         | <b>5.784.556</b>   | <b>11.920.177</b>           | <b>9.328</b>               |
| <b>Investments</b>  |  |                       |  |                         |   |  |                             |                            |
| Other loans   | 11.556                                   | -                     | -  | 820                     | 10.736                                    | -  | 10.736                      | 12                         |
| <b>Total noncurrent assets</b>  | <b>14.832.044</b>                        | <b>4.226.265</b>      | <b>-</b>                                     | <b>30.988</b>           | <b>19.027.321</b>                         | <b>6.540.872</b>   | <b>12.486.449</b>           | <b>10.078</b>              |

**Bayer Real Estate GmbH, Leverkusen**  
**Change in noncurrent assets**  
**Depreciation, amortization and write-downs in the period January 1 - December 31, 2010**

|   | <u>As of</u><br><u>Jan. 1, 2010</u><br>€ | <u>Additions</u><br>€ | <u>Write-backs</u><br>€ | <u>Retirements</u><br>€ | <u>As of</u><br><u>Dec. 31, 2010</u><br>€ |
|---|--|-----------------------|-------------------------|-------------------------|---|
| <b>Intangible assets</b>  |  |                       |                         |                         |   |
| Concessions, industrial property rights,<br>similar rights and assets,<br>and licenses thereunder | 383.626                                  | 372.690               |                         |                         | 756.316                                   |
| <b>Property, plant and equipment</b>  |  |                       |                         |                         |   |
| Land with residential buildings   | 86.792                                   | 21.698                | -                       | -                       | 108.490                                   |
| Land with industrial<br>and other buildings   | 18.727                                   | 12.993                |                         | -                       | 31.720                                    |
| Undeveloped land  | 2.088.285                                | -                     | -                       | -                       | 2.088.285                                 |
| Machinery and technical equipment   | 84.791                                   | 178.834               |                         | -                       | 263.625                                   |
| Furniture, fixtures and<br>other equipment  | 2.092.104                                | 1.225.996             | -                       | 25.664                  | 3.292.436                                 |
| <b>Total property, plant and equipment</b>  | 4.370.699                                | 1.439.521             | -                       | 25.664                  | 5.784.556                                 |
| <b>Total noncurrent assets</b>  | 4.754.325                                | 1.812.211             | -                       | 25.664                  | 6.540.872                                 |

# **Notes to the annual financial statements of Bayer Real Estate GmbH as of December 31, 2010**

## **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.

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.

## **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. Movable assets where the cost of acquisition or construction is between €150 and €1,000 were in 2008 and 2009 aggregated annually in a single item and depreciated over five years. From January 1, 2010 the threshold for movable assets that are written down in full in the year of acquisition was increased from €150 to €410. Write-downs are recognized for any declines in value which are expected to be 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 3.0% (2009: 2.5%) and annual pension increases of 1.75% (2009: 1.75%). The discount rate used for pension provisions was 5.15% as of December 31, 2010 (2009: 5.25%), 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 other provisions take account of all foreseeable risks and uncertain liabilities. Provisions are established for taxes, uncertain liabilities, vacation entitlements and claims under guarantees in the amount expected to be utilized.

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, 2010     | Dec. 31, 2009 |
|---|-------------------|---------------|
|   | €                 | €k            |
| Undeveloped land                                | 9,026,945         | 9,725         |
| Land with unfinished buildings                  | 812,262           | 1,542         |
| Construction work in progress                   | 33,862,895        | 32,788        |
| Other work in progress                          |                   |               |
| Utility charges that have not yet been invoiced | 1,754,028         | 355           |
| Other inventories                               | 20,454            | 22            |
|   | <u>45,476,584</u> | <u>44,432</u> |

The construction work in progress comprises work being undertaken by Bayer Real Estate GmbH. On January 11, 2011 Bayer AG decided not to continue the projected construction of the media facade at its former headquarters. Bayer Real Estate GmbH as property developer on behalf of Bayer AG accounted for construction work in progress and advance payments received with almost the same amounts.

The construction company commissioned, AG4 media facade GmbH, filed for insolvency on January 25, 2011. Bayer Real Estate GmbH and Bayer AG are currently in negotiations with the liquidator.

### Trade accounts receivable

|  | Dec. 31, 2010    | Dec. 31, 2009 |
|--|------------------|---------------|
|  | €                | €k            |
| Receivables from the letting of property | 2,424,454        | 2,266         |
| Receivables from the sale of land        | 216,180          | 1,425         |
|  | <u>2,640,634</u> | <u>3,691</u>  |

All receivables are due in less than one year.



## Receivables from affiliated companies

|  | Dec. 31, 2010     | Dec. 31, 2009 |
|--|-------------------|---------------|
|  | €                 | €k            |
| Bayer AG (stockholder), Leverkusen             | 38,348,718        | 42,926        |
| Bayer Animal Health GmbH, Leverkusen           | 76,485            | 72            |
| Bayer Business Services GmbH, Leverkusen       | 90,518            | 118           |
| Bayer CropScience AG, Monheim                  | 855,631           | 966           |
| Bayer CropScience Deutschland GmbH, Langenfeld | 25,767            | -             |
| Bayer de Mexiko, Mexico City                   | 2,446             | -             |
| Bayer Direct Services GmbH, Leverkusen         | 107,322           | 120           |
| Bayer Fussball GmbH, Leverkusen                | 250               | -             |
| Bayer HealthCare AG, Leverkusen                | -                 | 18            |
| Bayer MaterialScience AG, Leverkusen           | 2,724,041         | 2,132         |
| Bayer Schering Pharma AG, Berlin               | 1,861,598         | 1,553         |
| Bayer Vital GmbH, Leverkusen                   | -                 | 341           |
| Chemion Logistik GmbH, Leverkusen              | -                 | 369           |
| Currenta GmbH & Co. OHG, Leverkusen            | 3,681,711         | -             |
| Dynevo GmbH, Leverkusen                        | 95,018            | 103           |
| Euroservices Bayer GmbH, Leverkusen            | 117,059           | -             |
| Job@ctive GmbH, Leverkusen                     | -                 | 53            |
| Pallas Versicherungs AG, Leverkusen            | -                 | 27            |
| Travel Board GmbH, Leverkusen                  | -                 | 19            |
|  | <u>47,986,564</u> | <u>48,817</u> |

The receivables from affiliated companies comprise overnight funds (€36,942k), profit transfers (€-2,824k) and trade accounts receivable (€13,869k).

## 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.

|   | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---------------|---------------|
|   | €             | €k            |
| Settlement value of pension and other post-employment benefit obligations   | 10,978,138    | 9,643         |
| Fair value of assets invested with Bayer Pension Trust (as far as nettable) | -441,076      | -248          |
| Net value of pension and other post-employment benefit obligations          | 10,537,062    | 9,395         |

## 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, 2010    | Dec. 31, 2009 |
|--|------------------|---------------|
|  | €                | €k            |
| Bayer Gastronomie GmbH, Leverkusen         | 230,030          | 1,093         |
| Bayer HealthCare AG, Leverkusen            | 272,693          | 53            |
| Bayer Technology Services GmbH, Leverkusen | 527,497          | 1,593         |
| Bayer Vital GmbH, Leverkusen               | 352,604          | -             |
| Bayfin GmbH, Leverkusen                    | 385,079          | -             |
| Chemion Logistik GmbH, Leverkusen          | 86,838           | -             |
| Currenta GmbH & Co. OHG, Leverkusen        | -                | 2,688         |
| Euroservices Bayer GmbH, Leverkusen        | -                | 24            |
| Job@ctive GmbH, Leverkusen                 | -                | -             |
| Pallas Versicherung AG, Leverkusen         | 17,000           | -             |
| Tectrion GmbH, Leverkusen                  | 2,238,807        | 1,446         |
| TravelBoard GmbH, Leverkusen               | 20,000           | -             |
|  | <u>4,130,548</u> | <u>6,897</u>  |

All payables to affiliated companies are trade accounts payable.

## Miscellaneous liabilities

|                                      | Dec. 31, 2010  | Dec. 31, 2009 |
|--------------------------------------|----------------|---------------|
|                                      | €              | €k            |
| Liabilities                          |                |               |
| relating to social security expenses | 124,881        | 125           |
| relating to taxes                    | 299,255        | 297           |
| Other                                | 97,717         | 211           |
|                                      | <u>521,853</u> | <u>633</u>    |

**Remaining term of liabilities**

|  | Due in<br>2011<br>€ | Due after<br>2011<br>€ |
|--|---------------------|------------------------|
| Liabilities to banks                         | 91                  |                        |
| Advance payments received                    | 33,582,179          |                        |
| Trade accounts payable<br>to other suppliers | 4,899,172           |                        |
| Payables to affiliated companies             | 4,130,548           |                        |
| Miscellaneous liabilities                    | 512,667             | 9,186                  |
|  | <u>43,124,657</u>   | <u>9,186</u>           |

**Contingent liabilities**

Contingent liabilities relate to guarantee obligations for apartments rented by the company amounting to €84k (2009: €106k).

**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 € 174k (2009: €1,614k).

## Notes to the income statement

### Sales

All sales were generated in the Federal Republic of Germany.

#### Sales by business activity

|  | 2010               | 2009           |
|--|--------------------|----------------|
|  | €                  | €k             |
| Property management                    | 177,065,156        | 178,645        |
| Sale of land                           | 1,294,311          | 4,141          |
| Ancillary services                     | 515,226            | 44,558         |
| Other business activities and services | 145,045            | 347            |
|  | <u>179,019,738</u> | <u>227,691</u> |

### Other operating income

|  | 2010           | 2009       |
|--|----------------|------------|
|  | €              | €k         |
| From the retirement of noncurrent assets | 936            | -          |
| Miscellaneous operating income           | 393,158        | 543        |
|  | <u>394,094</u> | <u>543</u> |

The miscellaneous operating income comprises non-period income amounting to €286k (2009: €472k), principally from the reversal of provisions and write-downs.

## Other operating expenses

|                                  | 2010           | 2009       |
|----------------------------------|----------------|------------|
|                                  | €              | €k         |
| Other taxes                      | 108,347        | 114        |
| Miscellaneous operating expenses | 156,690        | 118        |
|                                  | <u>265,037</u> | <u>232</u> |

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

## Non-operating result

|  | 2010            | 2009        |
|--|-----------------|-------------|
|  | €               | €k          |
| Other interest and similar income  | 231,987         | 413         |
| thereof from affiliated companies  | (227,818)       | (392)       |
| Interest and similar expenses  | -473            | -1          |
| Interest portion of additions<br>to pension and other long-term personnel-related provisions | -564,121        | -529        |
|  | <u>-332,607</u> | <u>-117</u> |

## Other disclosures

### Expenses for outsourced work and services

|   | 2010               | 2009           |
|---|--------------------|----------------|
|   | €                  | €k             |
| Expenses for property management                    | 153,415,344        | 164,916        |
| Expenses for the sale of land                       | 4,406,618          | 42.873         |
| Expenses for other business activities and services | 14,371             | 102            |
|   | <u>157,836,333</u> | <u>207,891</u> |

Expenses for outsourced work and services contain for the first time expenses for the real estate business taken over from Currenta GmbH & Co. OHG. The prior year amounts have been adjusted.

### Personnel expenses

|   | 2010               | 2009           |
|---|--------------------|----------------|
|   | €                  | €k             |
| Wages and salaries  | 10,473,205         | 10,402         |
| Social security contributions and expenses<br>for pensions and assistance | 2,984,922          | 2,076          |
| thereof for pensions  | <u>(1,552,847)</u> | <u>(1,537)</u> |
|   | <u>13,458,127</u>  | <u>12,478</u>  |

### Number of employees

The average number of employees during the fiscal year was 133 (2009:132).

## **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 €346k have been made for pension obligations to former managing directors. Total benefits paid in the fiscal year amounted to €109k.

## **Supervisory Board**

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

## **Managing Director**

Michael Müller, engineering graduate

Leverkusen, February 23, 2011

**Bayer Real Estate GmbH**

**The management**