



Science For A Better Life

BAYER AG
FINANCIAL STATEMENTS

2009



COVER PICTURE

As an inventor company Bayer aims for innovation, supported by its 12,400-strong global research and development team. One member of that team is Dr. Xin Ma, Head of the Global Drug Discovery Innovation Center China in Beijing. The photo shows the scientist preparing an experiment during drug development.

The management report of Bayer AG is combined with the management report of the Bayer Group. The combined management report is published in Bayer's Annual Report for 2009. The financial statements and the combined management report of the Bayer Group and Bayer AG for fiscal 2009 have been submitted to the operator of the electronic Federal Gazette and are accessible via the Company Register website.

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Income Statements

	Note	2008	2009
		€ million	€ million
Income from investments in affiliated companies – net	[1]	2,711	2,984
Interest expense – net	[2]	(1,092)	(683)
Other non-operating income (expense) – net	[3]	(84)	276
Other operating income	[4]	209	169
General administration expenses		(194)	(177)
Other operating expenses	[5]	(266)	(142)
Income before income taxes		1,284	2,427
Income taxes	[6]	(123)	(201)
Net income		1,161	2,226
Allocation to retained earnings		(91)	(1,068)
Distributable profit		1,070	1,158

Statements of Financial Position

	Note	Dec. 31, 2008	Dec. 31, 2009
		€ million	€ million
ASSETS			
Noncurrent assets			
Intangible assets	[12]	26	24
Property, plant and equipment	[13]	355	371
Investments	[14]	34,532	34,594
		34,913	34,989
Current assets			
Receivables and other assets			
Trade accounts receivable	[15]	19	19
Receivables from subsidiaries		1,697	1,928
Other assets	[16]	581	361
	[17]	2,297	2,308
Marketable securities	[18]	4	0
Cash and cash equivalents	[19]	1,302	1,862
		3,603	4,170
Deferred charges	[20]	24	20
Surplus from offsetting	[21]	0	•
		38,540	39,179
EQUITY AND LIABILITIES			
Equity			
Capital stock	[22]	1,957	2,117
Capital reserves		4,037	6,176
Other retained earnings		3,718	4,940
Distributable profit		1,070	1,158
		10,782	14,391
Provisions			
Provisions for pensions and other post-employment benefits	[23]	3,158	2,869
Other provisions	[24]	389	389
		3,547	3,258
Other liabilities			
Bonds and promissory notes	[25]	7,117	6,137
Liabilities to banks		1,261	892
Trade accounts payable	[26]	40	17
Payables to subsidiaries	[27]	15,110	13,965
Miscellaneous liabilities	[28]	681	517
	[29]	24,209	21,528
Deferred income		2	2
		38,540	39,179

Notes to the Financial Statements

Accounting Policies

The financial statements of Bayer AG are prepared in accordance with the German Commercial Code (HGB) and Stock Corporation Act (AktG). 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 the BilMoG has resulted in changes in the recognition or measurement of items in the statement of financial position, the prior-year figures have not been restated. Prior-year income statement items have been reclassified on a case-by-case basis, as described in the Notes. As a result of the first-time application of the BilMoG provisions or the respective transitional rulings, €154 million was recognized outside profit or loss in other retained earnings.

Certain items in the income statement and statement of financial position are combined for the sake of clarity, as explained in the Notes. Non-operating income and expenses whose disclosure is not covered by a mandatory item are reported under other non-operating income or expenses.

The income statement has been drawn up using the cost-of-sales method. In line with Bayer AG's role as a holding company, the summarized items of the non-operating result are presented first.

A declaration of compliance with the German Corporate Governance Code has been issued pursuant to Section 161 of the German Stock Corporation Act (AktG) and made permanently available to stockholders as part of the Declaration on Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB). It can be downloaded from [HTTP://WWW.BAYER.DE/DE/CORPORATE-GOVERNANCE.ASPX](http://www.bayer.de/de/corporate-governance.aspx).

The management report of Bayer AG for 2009 has been combined with the management report of the Bayer Group in application of Section 315 Paragraph 3 of the German Commercial Code (HGB) in conjunction with Section 298 Paragraph 3 HGB.

Recognition and Valuation Principles

Intangible assets that have been acquired are recognized at cost and amortized on a straight-line basis over their estimated useful lives. Self-generated intangible assets are not capitalized.

Property, plant and equipment is carried at its cost of acquisition or construction less depreciation of assets that are subject to wear and tear. The straight-line method of depreciation is normally used. Movable assets that were already recognized as of December 31, 2007 are depreciated by the declining balance method at the maximum depreciation rates permitted under tax laws, switching to the straight-line method as soon as this leads to higher annual depreciation. Depreciation is based on the following useful lives of property, plant and equipment:

Useful Life of Property, Plant and Equipment

Factory, commercial and residential buildings	25 to 50 years
Outdoor infrastructure	10 to 20 years
Plant installations	7 to 20 years
Vehicles	5 years
Computer equipment	3 to 4 years

Assets that can be utilized separately and are subject to depletion are depreciated in full in the year of acquisition if their cost of acquisition or construction does not exceed €150. As from 2008, assets with an acquisition or construction cost of between €150 and €1,000 are aggregated annually in a single item, which is then depreciated over five years.

Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation and are expected to be permanent.

The cost of construction of self-constructed property, plant and equipment comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation of assets used in construction.

Investments in subsidiaries and affiliated companies are carried at cost, less write-downs for any decline in value that is expected to be permanent. Where the reasons for write-downs made in previous years no longer apply or only partially apply, the respective items are written back accordingly provided that the write-back does not cause the carrying amount to exceed the cost of acquisition.

Loans receivable that are interest-free or bear low rates of interest are carried at present value; other loans receivable are carried at nominal value. The loans also include profit-sharing capital granted to Bayer Pensionskasse VVaG, Leverkusen, Germany, and the latter's drawings on a retroactive contribution to its effective initial fund made available by Bayer AG. These are recognized at nominal value.

Receivables and other assets are stated at nominal value, less any necessary write-downs for amounts unlikely to be recovered. Receivables due in more than one year are recognized at discounted value.

The amounts required to meet pension obligations and credit balances on employees' long-term worktime accounts are invested in segregated investment funds. They are administered on behalf of Bayer AG by Bayer Pension Trust e.V., Leverkusen, Germany, and are protected from other creditors. As from 2009 these amounts are recognized at fair value and offset against the underlying obligations. If the obligations exceed the assets, a provision is recorded. If the value of the securities exceeds the obligations, it is recorded in the statement of financial position as a surplus from offsetting. In the previous year the segregated investment funds were recognized in securities at cost without netting.

Where the redemption value of liabilities exceeds their issue price, the difference is capitalized and amortized over the term of the liabilities.

From 2009, deferred taxes are calculated for temporary differences between the amounts of assets, liabilities and deferred income and charges in the commercial accounts and those prepared for tax purposes. As well as items reflected in its own statement of financial position, Bayer AG also includes those relating to subsidiaries with which it forms a fiscal entity for tax purposes and partnerships in which it holds an equity interest. In addition to temporary differences, tax loss carryforwards are taken into account. Deferred taxes are calculated on the basis of the combined income tax rate for the fiscal entity headed by Bayer AG, which is currently 31.11%. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. In the case of partnerships, however, deferred taxes relating to temporary differences in the statement of financial position are calculated using a combined income tax rate that includes only corporate income tax and the solidarity surcharge. This currently amounts to 15.83%. Any resulting overall tax liability would be reflected in the statement of financial position as a deferred tax liability. In the event of a tax receivable, the corresponding option to recognize a deferred tax asset would not be used. In fiscal 2009, the overall impact of this method was a deferred tax asset, which is not recognized in the statement of financial position.

The German Accounting Law Modernization Act (BilMoG) prohibits further allocations to the special item with an equity component. Since no special item of this type was recognized in 2008, the option of retaining such items is not applicable.

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 2.50% (2008: 3.00%) and annual pension increases of 1.75% (2008: 2.00%). The discount factor 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 rate of the past seven years for euro-denominated fixed interest-rate swaps with a maturity of 15 years.

Other provisions are established to cover all foreseeable risks and uncertain liabilities, based on reasonable estimates of the settlement amount. Future price and cost increases are taken into account where there are sufficient objective indications that such increases will most probably occur. Provisions maturing in more than one year are discounted using the average market interest rate of the past seven years, according to their remaining maturities.

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 €154 million. In accordance with Section 67 Paragraph 1 Sentence 3 of the Introductory Law to the German Commercial Code (EKGWB), these were recognized in other retained earnings and thus outside profit or loss.

Liabilities are recognized at the settlement amount as of the closing date. Noncurrent liabilities are discounted to present value using the average market interest rate of the past seven years, according to their remaining maturities.

Foreign currency receivables and liabilities, forward exchange contracts and other currency derivatives are recognized using the limited mark-to-market method. For this purpose, foreign currency receivables and payables are valued using spot rates on the closing date while the fair value of the corresponding currency derivatives on the closing date is determined. Unrealized gains and losses are then offset in each currency. Provisions are set up for any net unrealizable losses; net unrealizable gains are only recognized if they relate to receivables and liabilities with a remaining maturity of up to one year.

Cash and cash equivalents and bank balances held in foreign currencies are translated at the average exchange rate on the closing date of the financial statements.

Contingent liabilities arising from sureties and debt guarantees are shown at the amounts equivalent to the loans or commitments actually outstanding as of the closing date.

Notes to the Income Statements

(1) Income from investments in affiliated companies – net

Income from Investments in Affiliated Companies – Net

	2008	2009
	€ million	€ million
Dividends and similar income		
• of which €141 million (2008: €291 million) from subsidiaries	291	141
Income from profit and loss transfer agreements with subsidiaries	1,856	3,312
Expenses from profit and loss transfer agreements with subsidiaries	(778)	(456)
Write-downs of investments in affiliated companies	(3)	(15)
Gains from the sale of investments in affiliated companies/capital decreases	1,348	2
Losses from the sale of investments in affiliated companies	(3)	-
	2,711	2,984

Details of the income and losses from investments in affiliated companies are given in the combined management report of Bayer AG and the Bayer Group.

Write-downs of investments in affiliated companies in 2009 comprised €15 million relating to ZAO Bayer, Russian Federation.

Bayer MaterialScience AG, a wholly owned subsidiary of Bayer AG, reduced its capital stock by €3,722 million in 2008 and repaid this amount to Bayer AG. The carrying amount of shares in this company was reduced by €2,374 million to €110 million. The €1,348 million remaining after the reduction in the carrying amount was recognized in income and reflected in gains from the sale of investments in affiliated companies.

(2) Interest expense – net

Interest Expense – Net

	2008	2009
	€ million	€ million
Income from other securities and loans included in investments	7	-
Other interest and similar income		
• of which €89 million (2008: €391 million) from subsidiaries	868	504
Interest and similar expenses		
• of which €313 million (2008: €907 million) to subsidiaries	(1,823)	(1,035)
Interest portion of pension and other noncurrent personnel-related provisions (net)	(144)	(152)
	(1,092)	(683)

Details of the net interest position are given in the combined management report of Bayer AG and the Bayer Group.

Interest expense reflected for the first time the expenses for the discounting of receivables and the interest portion of pension and other noncurrent personnel-related provisions. This interest portion comprises the net expense after offsetting against income from assets invested by Bayer Pension Trust e.V., Leverkusen, Germany. The assets held by Bayer Pension Trust serve the sole purpose of meeting obligations relating to pensions and credit balances on employee's long-term worktime accounts. They are protected from other creditors. In accordance with the provisions of the German Accounting Law Modernization Act (Section 246 Paragraph 2 Sentence 2 HGB), income from the investment of these assets was offset against the interest portion of the corresponding provisions as follows:

Netting of the Interest Portion of Pension and Personnel-Related Provisions with Income from Plan Assets

	2008	2009
	€ million	€ million
Interest portion of pension and other noncurrent personnel-related provisions (gross)	(144.2)	(152.9)
Income from assets held by Bayer Pension Trust	-	0.6
Interest portion of pension and other noncurrent personnel-related provisions (net)	(144.2)	(152.3)

Until 2008 the interest portion of pension and other noncurrent personnel-related provisions was contained in other non-operating expense. It has been reclassified in line with the provisions of the German Accounting Law Modernization Act (Section 277 Paragraph 5 Sentence 1 HGB) and was included separately in net interest expense. The prior-year figures have been restated.

(3) Other non-operating income (expense) – net

Other Non-Operating Expense – Net

	2008	2009
	€ million	€ million
Changes in provisions for pensions and other noncurrent personnel-related provisions (excluding interest portion)	(609)	72
Allocation to pension provisions assigned to subsidiaries	622	77
Expenses from currency translation		
- Realized exchange losses	(2,081)	(1,492)
- Unrealized expenses from valuation	(3)	(54)
Income from currency translation		
- Realized exchange gains	1,948	1,666
- Unrealized income from valuation	-	1
Miscellaneous non-operating expenses	(5)	(11)
Miscellaneous non-operating income	44	17
	(84)	276

In 2009 the interest portion of allocations to pension and other noncurrent personnel-related provisions was included in interest expense for the first time. Until 2008 it was included in other non-operating expense. The prior-year figures have been restated to improve comparability. Other non-operating income and expense also contains further, non-interest-related changes in pension provisions pertaining to former employees of Bayer AG who retired before the hive-down of the business areas and service areas in 2002 or 2003 or who left the company before then and have vested pension rights. Changes of this kind occur in the event of changes in actuarial valuation principles. In 2008, this item also included one-time expense of €545 million arising from the remeasurement of pension obligations.

The expenses for allocations to the above provisions for employees who retired or left the company before 2002 or 2003 are reimbursed by the subsidiaries on a pro rata basis under the respective carve-out agreements. In this connection income of €77 million was recorded in 2009. Of the decrease in this item, €434 million was largely due to pro rata allocation to the subsidiaries of the effect of the remeasurement of pension obligations in 2008.

Income and expenses relating to foreign currency translation, which still were netted in 2008, were stated separately in 2009 in compliance with the provisions of the German Accounting Law Modernization Act (Section 277 Paragraph 5 Sentence 2 HGB). These comprised gains and losses from the translation of foreign currency receivables and payables and the related derivatives. Overall, currency translation resulted in a gain of €121 million in 2009 compared with a loss of €136 million in 2008.

Of the miscellaneous non-operating expenses, €11 million (2008: €3 million) comprised bank charges. Miscellaneous non-operating income included €6 million (2008: €11 million) in repayments of a loan granted to Bayer AB, Sweden, that had previously been written down. It also contained gains of €2 million (2008: €6 million) from the sale or exercise of stock options used to hedge price risks relating to the company's stock-based compensation programs and €6 million (2008: €7 million) from fees for guarantees. In the previous year it included €13 million from the reversal of a provision for the payment of a guaranteed dividend to minority stockholders of Bayer Schering Pharma AG, which was no longer required following the squeeze-out.

(4) Other operating income

Other operating income comprised:

Other Operating Income

	2008	2009
	€ million	€ million
Income from the leasing of real estate	106	82
Income from the provision of services	88	78
Reversals of unutilized provisions	9	7
Reversals of the special item with an equity component	4	-
Miscellaneous income	2	2
	209	169

The income from the leasing of real estate owned by Bayer AG principally related to real estate leased to Currenta GmbH & Co. OHG (until July 31, 2008) and Bayer Real Estate GmbH (from August 1, 2008), which subleased them to the operating subgroups and service companies in the Bayer Group. The corresponding expense items principally comprised depreciation of the real estate assets, which were included in other operating expenses.

Income from the provision of services related to those provided by the Corporate Center departments of Bayer AG, mainly to subsidiaries. The expenses incurred in rendering these services were reflected in other operating expenses.

Income from reversals of the special item with an equity component, which was stated at €4 million in the statement of financial position in 2008, could no longer occur in 2009, since the special item was transferred in full to newly acquired assets at year end 2008. The German Accounting Law Modernization Act (BilMoG), applied for the first time in 2009, does not permit the establishment of new special items.

(5) Other operating expenses

Other operating expenses comprise:

Other Operating Expenses

	2008	2009
	€ million	€ million
Expenses in connection with the leasing of real estate	64	63
Expenses for the provision of services	71	62
Expenses for corporate advertising	10	10
Transfer of the special item with an equity component	4	-
Expenses arising from the remeasurement of pension obligations	108	-
Miscellaneous expenses	9	7
	266	142

In 2008, €4 million of the special item with an equity component was offset against the cost of newly acquired assets. The resulting expense was balanced by income of the same amount – reflected in other operating income – from the reversal of the special item. Since the special item with an equity component had been fully transferred to such assets by year end 2008 and the German Accounting Law Modernization Act does not permit further allocations to the special item with an equity component, no expense will be incurred for this line item from 2009.

The remeasurement of pension obligations resulted in one-time expense of €653 million in 2008. Of this amount, €108 million related to pension obligations toward current employees of Bayer AG and former employees who have retired from the company since Bayer AG was transformed into a holding company in 2002 and 2003 or who have left the company since then and have vested pension rights. Expenses arising from the change in accounting that relate to employees who left the company prior to the transformation are included in miscellaneous non-operating expenses.

(6) Income taxes

The taxes reflected here are corporate income tax, trade tax, the solidarity surcharge and income taxes paid outside Germany.

Deferred taxes are not included in this item. As of December 31, 2009 Bayer AG expected a future tax refund of €444 million from temporary differences – relating to its own financial statements and those of companies that form a fiscal entity with Bayer AG and partnerships – and tax loss carryforwards. This is calculated using a combined income tax rate of 31.11% (Bayer AG and companies comprising a fiscal entity with Bayer AG) or 15.83% (equity stakes in partnerships; here the tax rate only includes corporate income tax and the solidarity surcharge).

Deferred tax liabilities principally arise from different valuations of pension provisions and of interests in stock companies and partnerships. The differences regarding pension provisions mainly relate to the netting of pension obligations against the underlying plan assets as prescribed by the German Accounting Law Modernization Act, which is not permitted for tax purposes. Pension provisions before netting result in a deferred tax asset because higher obligations are stated in the commercial accounts than in the valuation applied for tax purposes. Other deferred tax assets result from provisions that are not tax-deductible, for example, provisions for anticipated losses and pre-retirement leave, and from differences in the measurement of, for example, provisions for part-time working by older employees and long-service anniversaries. Further, there is a deferred tax asset relating to currently unused tax loss carryforwards. Overall, deferred tax assets are far higher than deferred tax liabilities. As permitted by the option in Section 274 Paragraph 1 Sentence 2 HGB, deferred tax assets for this are not recognized in the financial statements.

(7) Other taxes

Where other taxes can be allocated to general administration expenses they are assigned to the corresponding functional cost item. In other cases, they are assigned to other operating expenses. Other taxes totaled €9 million (2008: €8 million).

(8) Cost of materials

Cost of Materials

	2008	2009
	€ million	€ million
Expenses for raw materials, supplies and goods purchased for resale	3	1
Expenses for purchased services	4	3
	7	4

(9) Personnel expenses

Personnel Expenses

	2008	2009
	€ million	€ million
Wages and salaries	92	90
Social expenses	7	7
Pension expenses	114	7
	213	104

The personnel expenses shown here do not contain the interest portion of the allocation to personnel-related provisions, especially pension provisions, which is included in net interest expense.

The pension expenses for 2008 include one-time expense of €108 million relating to the remeasurement of pension obligations.

The average number of employees at Bayer AG was 653 in 2009 (2008: 642). Part-time employees are included in this figure on a prorated basis. The prior-year figure has been adjusted accordingly.

(10) Stock-based compensation

Since 2000 Bayer AG has offered its employees long-term stock-based compensation programs as additional compensation components. Different collective programs are offered to different groups of employees.

The program offered to members of the Board of Management and other senior executives from 2000 through 2004 was essentially a stock option program with variable stock-based awards. This program provides for cash payments. In the same period, middle managers and other groups of employees were offered a stock incentive program or a stock participation program, respectively.

A new stock-based compensation program for members of the Board of Management, other senior executives and middle managers, known as "Aspire", was introduced in 2005. It comprises two variants. Since 2005 a different type of stock participation program has been offered to other managers and non-managerial employees on the basis of annual decisions made by the Board of Management. Under this program Bayer subsidizes employee purchases of shares in Bayer AG. In 2009 this program was extended to all employees as "BayShare 2009".

Provisions are recorded for all obligations existing under the stock-based compensation programs at the closing date. The amount of such provisions is based on the fair value of the obligations and the proportion of the total duration of the respective program that has elapsed since its introduction. Allocations to provisions are expensed.

The fair value of obligations under the stock-based compensation programs has been calculated by the Monte Carlo simulation method using the following key parameters:

Parameters Used to Determine Fair Value

	2008	2009
Dividend yield	3.80%	2.49%
Risk-free interest rate	1.93%	1.57%
Volatility of Bayer shares	31.56%	34.93%
Volatility of the Dow Jones EURO STOXX 50	25.72%	29.46%
Correlation between Bayer share price and the Dow Jones EURO STOXX 50	0.68	0.68

Aspire I

To participate in Aspire I, members of the Board of Management and other senior executives are required to purchase a certain number of Bayer shares that is predetermined according to specific guidelines and to retain them for the full term of the program. A percentage of the executive's annual base salary – based on his/her position – is defined as a target for variable payments (Aspire target opportunity). Depending on the performance of Bayer stock, both in absolute terms and relative to the Dow Jones EURO STOXX 50 benchmark index during a three-year performance period, participants are granted an award of up to 200% of their individual Aspire target opportunity at the end of the program.

The 2006 Aspire tranche expired at the start of 2009 with participants receiving 150% of their target opportunities. The 2007 tranche expired at the end of the year. The payment of 200% of the target opportunity was made at the beginning of 2010.

Aspire II

Other senior managers are offered Aspire II, a variant of Aspire I that does not require a personal investment in Bayer shares. In this case the amount of the award is based entirely on the absolute performance of Bayer stock. The maximum award is 150% of each manager's Aspire target opportunity.

At the start of 2009 managers participating in the Aspire II program received a payment of 100% of their target opportunity for the 2006 tranche. The 2007 tranche ended at the end of 2009 and the payment of 150% of the target opportunity was made at the beginning of 2010.

BayShare 2009

Under the BayShare 2009 program (2008: Stock Participation Program 2008), Bayer subsidized eligible employees' personal investments in Bayer stock. The discount under this program is set separately each year. In 2009 it was 20% (2008: 15%) of the subscription amount. The conditions differed from the Stock Participation Program 2008 in that employees stated a fixed amount they wished to invest in shares instead of subscribing for a fixed number of shares. The maximum subscription amount was set at €2,500 (2008: €5,000) or €5,000 (2008: €10,000) depending on the employee's position. The shares thus acquired are held in a special share deposit account and must be retained until December 31 of the year following the year of purchase.

Stock Option Program

The stock option programs offered to members of the Board of Management and other senior executives up to 2004 ran for five-year periods, and were also subject to a three-year retention condition, followed by a two-year exercise period. The last options under the 2004 program were exercised at the end of the exercise period in August 2009, and the Stock Option Program was thus terminated. The right to exercise the options and the cash payment to which each participant was entitled depended on the absolute performance of Bayer stock and its performance relative to the Dow Jones EURO STOXX 50.

The maximum personal investment in Bayer stock eligible for the program was set individually for each participant at the start of each tranche, according to his/her position. This determined the number of options allocated. For the tranche issued in 2004, participants received up to three options for each share held as a personal investment. For each option, a cash payment – equivalent to the market price of one Bayer share – and an outperformance premium were awarded at the exercise date, subject to the attainment of certain performance and outperformance targets.

Stock Incentive Program

Participants in this program receive a cash payment equivalent to a defined number of Bayer shares on certain dates during the ten-year duration of the program. For every ten shares held in a special account (personal investment), they receive the cash equivalent of two shares after two years, and the cash equivalent of a further four shares after six and ten years respectively. To qualify for these payments, they must still hold the personal investment on the incentive payment dates and the percentage rise in the price of Bayer stock by the payment date must be above the performance of the Dow Jones EURO STOXX 50 since the start of the program. The Stock Incentive Program differs from the Stock Option Program in that participants may sell their shares during the term of the program. However, the shares sold do not qualify for incentive payments on subsequent distribution dates. The number of shares that each employee could transfer to the program was equivalent to half of their performance-related bonus for the preceding fiscal year.

Stock Participation Program (until 2004)

The structure of this program, which was offered until 2004, is similar to the Stock Incentive Program. However, the incentive payments are based exclusively on the period for which employees hold their personal investment in Bayer shares. Incentive payments are half those allocated under the Stock Incentive Program. After two years, participants are entitled to receive the cash equivalent of one Bayer share for every ten shares held. After six and again after ten years they are entitled to receive the cash equivalent of two Bayer shares on each occasion.

Bayer AG spent €9 million (2008: €5 million) on stock-based compensation programs. This amount is reflected in personnel expenses. Provisions for these programs amounted to €11 million as of December 31, 2009 (2008: €9 million).

(11) Valuation write-downs

In 2009 write-downs of €15 million were made to reflect declines in the value of shares in subsidiaries that were expected to be permanent. Write-downs of €1 million were made on buildings. In 2008, write-downs of €3 million were made on investments in affiliated companies.

Notes to the Statements of Financial Position

(12) Intangible assets

Intangible Assets

	Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder	Advance payments made	Total
	€ million	€ million	€ million
Gross carrying amounts, Dec. 31, 2008	39	1	40
Capital expenditures	1	1	2
Transfers	1	(1)	-
Gross carrying amounts, Dec. 31, 2009	41	1	42
Accumulated amortization and write-downs, Dec. 31, 2008	14	-	14
Amortization and write-downs in 2009	4	-	4
Accumulated amortization and write-downs, Dec. 31, 2009	18	-	18
Net carrying amounts, Dec. 31, 2009	23	1	24
Net carrying amounts, Dec. 31, 2008	25	1	26

(13) Property, plant and equipment

Property, Plant and Equipment

	Land and buildings	Furniture, fixtures and other equipment	Construction in progress and advance payments to vendors and contractors	Total
	€ million	€ million	€ million	€ million
Gross carrying amounts, Dec. 31, 2008	2,070	14	15	2,099
Capital expenditures	38	1	1	40
Retirements	(19)	(1)	-	(20)
Transfers	15	-	(15)	-
Gross carrying amounts, Dec. 31, 2009	2,104	14	1	2,119
Accumulated depreciation and write-downs, Dec. 31, 2008	1,737	7	-	1,744
Depreciation and write-downs in 2009	22	1	-	23
Retirements	(18)	(1)	-	(19)
Accumulated depreciation and write-downs, Dec. 31, 2009	1,741	7	-	1,748
Net carrying amounts, Dec. 31, 2009	363	7	1	371
Net carrying amounts, Dec. 31, 2008	333	7	15	355

(14) Investments

Investments

	Investments in subsidiaries	Investments in other affiliated companies	Other loans	Total
	€ million	€ million	€ million	€ million
Gross carrying amounts, Dec. 31, 2008	34,126	179	467	34,772
Additions	138	-	-	138
Retirements	(57)	(110)	(1)	(168)
Gross carrying amounts, Dec. 31, 2009	34,207	69	466	34,742
Accumulated write-downs, Dec. 31, 2008	65	174	1	240
Write-downs in 2009	17	-	-	17
Retirements	(2)	(107)	-	(109)
Accumulated write-downs, Dec. 31, 2009	80	67	1	148
Net carrying amounts, Dec. 31, 2009	34,127	2	465	34,594
Net carrying amounts, Dec. 31, 2008	34,061	5	466	34,532

The additions to investments in subsidiaries amounting to €138 million contain €82 million from capital increases at subsidiaries, including in particular €32 million at ZAO Bayer, Russian Federation, €20 million at Bayer (China) Limited, and €18 million at Bayer Sp.z.o.o., Poland. Intragroup share transactions totaled €30 million, including €21 million for shares in Schering ZAO, Russian Federation, and €9 million for shares in Bayer S.A., Argentina. A further €26 million was attributable to mergers between Group companies. These are offset by retirements of the same amount. The other retirements comprise €21 million relating to ZAO Bayer, Russian Federation, and €9 million relating to Bayer S.A., Argentina. Write-downs comprised €15 million relating to ZAO Bayer, Russian Federation.

Retirements of investments in other affiliated companies relate to the sale of shares in CuraGen Corporation, U.S.A. (acquisition cost: €93 million, write-down €91 million), Avigen Inc., U.S.A. (acquisition cost and write-down both €16 million) and Baywoge GmbH, Germany (acquisition cost: €1 million).

A list of Bayer AG's direct and indirect holdings can be found in Note 36 and forms part of these Notes.

(15) Trade accounts receivable

Trade Accounts Receivable

	Dec. 31, 2008	Dec. 31, 2009
	€ million	€ million
Accounts receivable from subsidiaries	16	17
Accounts receivable from other customers	3	2
	19	19

(16) Other assets

The other assets totaling €361 million (2008: €581 million) mainly consist of €175 million (2008: €195 million) in accrued interest, €84 million (2008: €275 million) in claims for tax refunds and €78 million (2008: €77 million) in premiums paid to conclude options transactions. Also included are a large number of other items such as payroll receivables, current receivables from loans, advance payments and amounts that cannot yet be invoiced.

(17) Receivables and other assets maturing in more than one year

Total receivables and other assets amounting to €2,308 million (2008: €2,297 million) include €92 million (2008: €60 million) due in more than one year. Of this, €84 million (2008: €23 million) comprises receivables from subsidiaries and €8 million (2008: €37 million) comprises other assets.

(18) Securities

To secure pension obligations and credit balances on employees' long-term accounts, Bayer AG has made contributions to Bayer Pension Trust e.V., Leverkusen, Germany, under a contractual trust arrangement. These amounts totaled €5 million on December 31, 2009 (2008: €4 million), almost all of which is invested in investment funds. They may only be used for the defined purpose and are protected from other creditors. Until 2008 these investments were recognized in other securities. In compliance with the changes made by the German Accounting Law Modernization Act (Section 246 Paragraph 2 Sentence 2 HGB), from 2009 they are offset against the underlying obligations.

(19) Cash and cash equivalents

Cash and cash equivalents as of December 31, 2009 include €27 million (2008: €57 million) to settle civil law compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes in the United States and Canada. Bayer has placed this amount in an escrow account administered in the United States pending acceptance or judicial confirmation of the settlements offered.

(20) Deferred charges

Deferred charges as of December 31, 2009 include unamortized discounts totaling €18 million pertaining to bonds issued by Bayer AG between 2002 and 2008. The amount of €23 million recognized at the beginning of the year was diminished during the year by amortization of €5 million.

The remaining deferred charges are prepaid premiums for business insurance and other accrued charges

(21) Surplus from offsetting

Obligations relating to credit balances on employees' long-term accounts are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, through a contractual trust arrangement. These assets may only be used for the purpose of meeting obligations relating to long-term accounts 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 obligations for the first time in 2009. The assets principally comprise units held in segregated investment funds and, to a small extent, bank balances. Where the assets held by Bayer Pension Trust are invested in such funds, the fair values shown in the following table are derived from stock market prices of the fund assets as of the closing date.

Surplus from Offsetting

	Dec. 31, 2009
	€ million
Settlement value of obligations relating to credit balances on employees' long-term accounts	0.9
Fair value of assets invested with Bayer Pension Trust	1.0
Difference between assets and obligations relating to long-term accounts (surplus from offsetting)	0.1
Acquisition cost of assets invested with Bayer Pension Trust	0.9

(22) Equity

Equity changed as follows in 2009:

Equity

	Dec. 31, 2008	First-time application of BilMoG	Capital increase	Dividend for 2008	Net income	Dec. 31, 2009
	€ million	€ million	€ million	€ million	€ million	€ million
Capital stock	1,957	-	160	-	-	2,117
Capital reserves	4,037	-	2,139	-	-	6,176
Other retained earnings	3,718	154	-	-	1,068	4,940
Distributable profit	1,070	-	-	(1,070)	1,158	1,158
	10,782	154	2,299	(1,070)	2,226	14,391

The capital stock of Bayer AG amounts to 2,116,986,388.48 (2008: €1,956,718,656.00), divided into 826,947,808 (2008: 764,343,225) no-par registered shares and is fully paid up. Each share confers one voting right. The €2.3 billion mandatory convertible bond issued by Bayer Corporation B.V., Netherlands, in 2006 had to be converted by 2009. Following conversion of €50,000.00 in 2008, the outstanding amount in 2009 was €2,299,950.00. The issuance of 62,604,583 new shares increased the capital stock by €160,267,732.48 and the capital reserves by €2,138,518,507.96. The difference of €1,163,759.56 between this amount and the outstanding value of the bond was disbursed to bondholders in cash.

Authorized capital of €465 million was approved by the Annual Stockholders' Meeting on April 28, 2006. It expires on April 27, 2011. It can be used to increase the capital stock by issuing new no-par registered shares against cash contributions and/or contributions in kind, but capital increases against contributions in kind may not exceed a total of €370 million (Authorized Capital I). Stockholders must normally be granted subscription rights. However, subject to the approval of the Supervisory Board, the Board of Management is authorized to exclude subscription rights for the stockholders with respect to any excess shares remaining after rights have been allocated (fractional amounts) and also to the extent necessary to grant subscription rights for new shares to holders of convertible bonds or bonds with attached warrants or mandatory convertible bonds issued by Bayer AG or its Group companies, who would be entitled to subscription rights upon exercise of the conversion rights or warrants. In addition the Board of Management is authorized

to exclude stockholders' subscription rights, subject to the approval of the Supervisory Board, in cases where an increase in capital against contributions in kind is carried out for the purpose of acquiring companies, parts of companies, participating interests in companies or other assets.

Further authorized capital was approved by the Annual Stockholders' Meeting on April 27, 2007. The Board of Management is authorized until April 26, 2012 to increase the capital stock, subject to the approval of the Supervisory Board, by up to a total of €195 million in one or more installments by issuing new no-par registered shares against cash contributions (Authorized Capital II). Under the resolution adopted by the Annual Stockholders' Meeting, stockholders must normally be granted subscription rights. However, the Board of Management is authorized to exclude subscription rights for stockholders with respect to one or more capital increases out of the Authorized Capital II, subject to the approval of the Supervisory Board, provided that such capital increase does not exceed 10% of the capital stock existing at the time this authorization becomes effective or the time this authorization is exercised, for purposes of issuing new shares against cash contributions at a price that is not significantly below the market price of shares in the company that are already listed on the stock exchange at the time the issue price is finally determined. Shares acquired on the basis of an authorization of the Stockholders' Meeting and sold pursuant to Section 71 Paragraph 1 No. 8 Sentence 5 of the German Stock Corporation Act in conjunction with Section 186 Paragraph 3 Sentence 4 of that Act during the term of this authorization shall count toward the above 10% limit. Shares issued or to be issued to service bonds with conversion rights, attached warrants or mandatory conversion rights shall also count toward this limit where such bonds were issued during the term of this authorization and stockholders' subscription rights were excluded by application of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act.

So far, neither of these Authorized Capital amounts has been utilized.

Conditional capital of €186,880,000.00 corresponding to 73,000,000 shares was created by resolution of the Annual Stockholders' Meeting on April 30, 2004 (Conditional Capital). An amount of €160,271,073.28 corresponding to 62,605,888 shares has since been used to service conversion rights under a mandatory convertible bond issued by Bayer Capital Corporation B.V., Netherlands, on April 6, 2006. The remaining amount of €26,608,926.72 expired with the deletion of the respective provision of the Articles of Incorporation, which was entered in the Commercial Register on January 22, 2010.

The Annual Stockholders' Meeting on April 25, 2008 approved the creation of Conditional Capital 2008 I and Conditional Capital 2008 II and authorized a conditional increase in the capital stock in each case of €195,584,000.00 million through the issue of 76,400,000 shares. This conditional capital increase may be used to grant registered shares to the holders of bonds with warrants or convertible bonds, profit-sharing rights or profit participation bonds (or combinations of these instruments) with option or conversion rights or obligations, issued on or before April 24, 2013 in accordance with the authorizations granted by the Annual Stockholders' Meeting of April 25, 2008 by Bayer AG or a Group company in which Bayer AG has a direct or indirect interest of at least 90%. The authorization to issue such instruments is limited to a total nominal value of €6 billion. In principle, stockholders have a statutory right to be granted subscription rights to such instruments. However, the Board of Management is authorized to exclude subscription rights, subject to the approval of the Supervisory Board, if the instruments are issued at a price that is not significantly below the market price. The limit of 10% of the capital stock set analogously with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act for the exclusion of stockholders' subscription rights may not be exceeded. Both shares and other such instruments shall count towards this limit if they were issued under exclusion of subscription rights in direct or analogous application of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act.

Information on amounts barred from distribution pursuant to Section 268 Paragraph 8 HGB

To secure pension obligations and credit balances on employees' long-term accounts, funds have been transferred to Bayer Pension Trust e.V., Leverkusen, Germany, under a contractual trust arrangement. These funds may only be used for the defined purpose and are protected against insolvency. They are measured at fair value in accordance with Section 253 Paragraph 1 Sentence 4 of the German Commercial Code (HGB). Their fair value on the closing date was €4.9 million, which was €0.6 million above the acquisition cost of €4.3 million. Since Bayer AG has freely available retained earnings amounting to €4,940 million, there is no restriction on the use of distributable profit of €1,158 million.

Notifications of direct and indirect shareholdings

In 2009 we received three notifications from Capital Research and Management Company, U.S.A., of direct or indirect holdings of shares in Bayer AG that exceed 10% of the capital stock. The company notified us that the proportion of voting rights it holds in our company dropped below the 10% threshold on September 25, 2009 and that as of that date it held 9.9% of the voting rights. In a further notification, it informed us that its voting rights exceeded the 10% threshold on September 30, 2009 and that as of this date it held 10.04% of the voting rights. Finally, it notified us that on November 26, 2009, its proportion of the voting rights dropped below the 10% threshold again and that as of this date it held 9.97% of the voting rights.

(23) Provisions for pensions and other post-employment benefits

This item includes provisions for current and future pension entitlements.

It also includes commitments to former employees of the business areas and service areas hived down into separate legal entities who retired before July 1, 2002 or who left the company before this date and have vested pension rights. The respective companies reimburse Bayer AG for these expenses.

This item also includes commitments entered into under early retirement agreements.

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 obligations for the first time in 2009. The assets principally comprise units held in a segregated investment fund and, to a small extent, in bank balances. Where the assets held by Bayer Pension Trust are invested in this fund, the fair values shown in the following table are derived from the stock market prices of the fund assets as of the closing date.

Provisions for Pensions and Other Post-Employment Benefits

	Dec. 31, 2009
	€ million
Settlement value of pension and other post-employment benefit obligations	2,873.0
Fair value of assets invested with Bayer Pension Trust	3.9
Net value of pension and other post-employment benefit obligations (provision)	2,869.1
Acquisition cost of assets invested with Bayer Pension Trust	3.4

(24) Other provisions

Other Provisions

	Dec. 31, 2008	Dec. 31, 2009
	€ million	€ million
Provisions for taxes	216	198
Miscellaneous provisions	173	191
	389	389

Miscellaneous provisions include amounts for environmental protection measures, vacations, part-time working by older employees, annual bonuses, long-service awards to employees, the costs of preparing and auditing the annual financial statements, and other uncertain liabilities. It also includes anticipated losses, for example on foreign exchange derivatives.

As of December 31, 2009, provisions of €33 million (2008: €65 million) existed for commitments in the United States and Canada arising from compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes.

(25) Bonds and promissory notes

In addition to promissory notes totaling €620 million, bonds with a nominal value of €5,517 million (2008: €7,117 million) had been issued as of December 31, 2009. They comprised:

Bonds and Promissory Notes

	Nominal value	Stated rate	Effective rate	Dec. 31, 2008	Dec. 31, 2009
		%	%	€ million	€ million
EMTN bond 2002/2012	EUR 2,000 million	6.000	6.075	2,000	2,000
EMTN bond 2006/2009	EUR 1,600 million	floating	floating	1,600	-
EMTN bond 2006/2013	EUR 1,000 million	4.500	4.621	1,000	1,000
EMTN bond 2006/2018	GBP 250 million	5.625	5.774	369	369
EMTN bond 2006/2018 (increase)	GBP 100 million	5.625	5.541	148	148
EMTN bond 2007/2010	EUR 300 million	floating	floating	300	300
EMTN bond 2007/2011	EUR 200 million	4.375	4.464	200	200
Hybrid bond 2005/2105*	EUR 1,300 million	5.000**	5.155	1,300	1,300
EMTN bond 2008/2011	EUR 200 million	4.000	4.038	200	200
				7,117	5,517

* redeemable at three months' notice from 2015

** fixed interest rate until 2015, floating rate thereafter

In 2008 a bond with a nominal value of €200 million was issued under the multi-currency Euro Medium Term Note (EMTN) program. The coupon is 4.000% and the bond matures on January 27, 2011.

(26) Trade accounts payable

Trade Accounts Payable

	Dec. 31, 2008	Dec. 31, 2009
	€ million	€ million
Payables to subsidiaries	28	7
Payables to other suppliers	12	10
	40	17

(27) Payables to subsidiaries

The payables to subsidiaries mainly comprise overnight funds invested at Bayer AG by subsidiaries.

(28) Miscellaneous liabilities

Miscellaneous liabilities exist solely toward third parties and comprise €345 million (2008: €452 million) in accrued interest and €96 million (2008: €93 million) in premiums received on options. This item also includes €5 million (2008: €12 million) in short-term borrowings and €4 million (2008: €4 million) in employees' income and church taxes held for paying over to the authorities. In 2008, miscellaneous liabilities also included €110 million relating to drawings on a commercial paper program.

(29) Further information on other liabilities

The other liabilities are due as follows:

Maturity Structure of Liabilities

	Dec. 31, 2008			Dec. 31, 2009		
	Maturing in 2009	Maturing in 2010-2013	Maturing in after 2013	Maturing in 2010	Maturing in 2011-2014	Maturing after 2014
	€ million	€ million	€ million	€ million	€ million	€ million
Bonds and promissory notes	1,600	3,700	1,817	300	3,900	1,937
Liabilities to banks	4	1,256	1	2	890	-
Trade accounts payable	40	-	-	17	-	-
Payables to subsidiaries	15,086	24	-	13,600	365	-
Miscellaneous liabilities	655	26	-	416	101	-
	17,385	5,006	1,818	14,335	5,256	1,937

The miscellaneous liabilities as of December 31, 2009 include €347 million (2008: €454 million) in liabilities that only arose from a legal viewpoint after year-end. They are almost exclusively accrued interest liabilities.

Other Information

(30) Contingent liabilities

Contingent liabilities include sureties of €110 million (2008: €6 million), including €105 million (2008: €1 million) for subsidiaries.

Bayer AG has also assumed debt guarantees and issued letters of comfort totaling €4,344 million (2008: €6,018 million) to other Group companies.

Debt Guarantees and Letters of Comfort

	Dec. 31, 2008		Dec. 31, 2009	
	Nominal amount	€ million	Nominal amount	€ million
Debt guarantees				
Bayer Capital Corporation B.V., Netherlands				
- Mandatory convertible bond	EUR 2,300 million	2,300	-	-
- EMTN Notes, maturing in 2014	-	-	EUR 1,300 million	1,300
- Liabilities to banks	EUR 450 million	450	EUR 450 million	450
Bayer Corporation, U.S.A.				
- 3.750% EMTN Notes, maturing in 2009	USD 460 million	460	-	-
- 7.125% Notes, maturing in 2015	USD 200 million	144	USD 200 million	139
- 6.650% Notes, maturing in 2028	USD 350 million	251	USD 350 million	243
- Liabilities to banks	-	-	USD 79 million	55
- Sale-and-lease-back agreement Pass Through Trust	USD 283 million	203	USD 273 million	190
Bayer Holding Japan LLC, Japan				
- 1.585% EMTN Notes, maturing in 2010	JPY 10 billion	79	JPY 10 billion	75
- Floating rate EMTN Notes, maturing in 2012	JPY 30 billion	238	JPY 30 billion	225
- 1.955% EMTN Notes, maturing in 2012	JPY 15 billion	119	JPY 15 billion	113
- Floating rate EMTN Notes, maturing in 2013	JPY 10 billion	79	JPY 10 billion	75
- 3.575% EMTN Notes, maturing in 2018	JPY 15 billion	119	JPY 15 billion	113
Bayer Polymers (Shanghai) Co. Ltd., China				
- Liabilities to banks	CNY 2,359 million	248	CNY 2,500 million	254
Bayer Polyurethanes (Shanghai) Co. Ltd., China				
- Liabilities to banks	CNY 5,910 million	622	CNY 5,630 million	572
Bayer Schering Pharma AG				
- Liabilities to banks	EUR 200 million	200	EUR 184 million	184
- Liabilities to banks	USD 263 million	189	-	-
Bayer Türk Kimya Sanayi Limited Sirketi, Turkey				
- Liabilities to banks	EUR 70 million	70	EUR 42 million	42
Currenta GmbH & Co. OHG				
- Liabilities to Federal State of North Rhine-Westphalia, Germany	-	-	EUR 53 million	53
Guarantees for other Group companies		70		61
Letters of comfort		177		200
		6,018		4,344

The sureties, debt guarantees and letters of comfort are issued almost entirely for the benefit of subsidiaries. Insofar as we are aware, all of these companies will be able to meet the underlying liabilities, so utilization is not expected.

In addition to the contingent liabilities listed above, Bayer AG has given an assurance to Bayer Antwerpen NV, Belgium, that at the latter's request it will purchase loans of up to US\$ 4 billion granted by Bayer Antwerpen to Bayer Corporation, U.S.A. This obligation will be assumed if Bayer Corporation is not required to repay the loans under the terms of the loan agreement with Bayer Antwerpen NV. As of December 31, 2009, the loans covered by this assurance amounted to US\$ 2.16 billion as in the previous year (translated: €1.50 billion, 2008: €1.53 billion).

Bayer AG bears joint and several liability under Section 133 of the German Transformation Act (UmwG) for the obligations of Lanxess AG, which was spun off effective July 1, 2004, where such obligations relate to the period prior to the spin-off. This liability ends five years after the announcement of the entry of the spin-off into the Commercial Register, which took place in February/March 2005. The Spin-Off and Acquisition Agreement specifies that Bayer AG and Lanxess AG shall each release the other from the liability each has assumed as principal debtor under that agreement. Bayer AG and Lanxess AG also signed a master agreement covering the apportionment of general liability and of specific liability for environmental contamination, anti-trust violations and product liability.

(31) Other financial commitments

In addition to provisions, other liabilities and contingent liabilities, there are also other financial commitments.

Minimum non-discounted future payments relating to operating leases total €51 million (2008: €101 million), of which €7 million (2008: €54 million) relates to lease and rental agreements with subsidiaries. These have been concluded with Bayer Real Estate GmbH, a wholly owned subsidiary of Bayer AG, whose business purpose principally comprises leasing Bayer's real estate. Until July 2008 this task was performed by Currenta GmbH & Co. oHG. The commitments under lease and rental agreements are due as follows:

Financial Commitments from Lease and Rental Agreements

	€ million
2010	12
2011	6
2012	7
2013	4
2014	4
After 2014	18
	51

In 2008 the establishment of an "effective initial fund" was agreed with Bayer-Pensionskasse. This was due to the rise in the present and future life expectancy of those insured with this pension fund. The effective initial fund entails the granting of a repayable, interest-bearing loan to Bayer-Pensionskasse as required. Following the payment of €310 million in 2008, there is a commitment to pay €490 million in the future.

(32) Legal Risks

As the parent of a global group of companies with a heterogeneous business portfolio, Bayer AG is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments or environmental protection. The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal or regulatory judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.

Legal proceedings currently considered to involve material risks are outlined below. The legal proceedings referred to do not necessarily represent an exhaustive list. The risks described are those to which Bayer AG is exposed either directly or through subsidiaries with which it has profit and loss transfer agreements. Further legal risks existing in the Bayer Group are described in the notes to the consolidated financial statements of the Bayer Group.

HealthCare

Product-related litigation

Lipobay/Baycol: As of February 1, 2010, approximately 200 Lipobay/Baycol cases, approximately 175 of them in the United States, remain pending against Bayer worldwide, claiming economic loss and personal injury. We are currently aware of fewer than five pending cases in the United States that in our opinion meet our criteria for potential settlement. Bayer believes the legal risks remaining in the Lipobay/Baycol litigation are no longer material.

Magnevist®: As of February 1, 2010, there were approximately 310 lawsuits pending and served upon Bayer in the United States involving the gadolinium-based contrast agent Magnevist®. Three other manufacturers of gadolinium-based contrast agents in the United States also have been named party to the same or similar lawsuits. Additional cases are anticipated.

In the lawsuits, plaintiffs allege that patients developed nephrogenic systemic fibrosis (NSF) as a result of the use of Magnevist® during medical imaging procedures. NSF is a rare, severe condition that can be debilitating and in some cases fatal. Plaintiffs seek compensatory and punitive damages under various theories, including strict liability and negligence and/or breach of warranty, claiming, among other things, that the product is defective and unreasonably dangerous and that Bayer knew, or should have known, of the risks associated with Magnevist® and failed to disclose them or adequately warn its users.

All cases pending in federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management. Without admission of liability, Bayer has reached agreements with approximately 140 plaintiffs in the United States to settle their claims. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis. Irrespective of these settlements, Bayer continues to believe that it has meritorious defenses and intends to defend itself vigorously in the cases remaining. The Bayer Group has taken accounting measures.

Trasylo[®] (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of February 1, 2010, there were approximately 1,600 lawsuits pending in the United States and served upon Bayer on behalf of persons alleging, in particular, personal injuries, including renal failure and death, and economic loss from the use of Trasylo[®]. Bayer also has been served with three class actions in Canada. Plaintiffs in both the United States and the Canadian cases seek compensatory and punitive damages, claiming, among other things, that Bayer knew or should have known of these risks and is liable for having failed to disclose them or adequately warn users of Trasylo[®]. All cases pending in U.S. federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management. Additional cases are anticipated.

In 2006 and 2007 observational studies reported on a possible correlation between the administration of Trasylo[®] and severe renal dysfunction, myocardial infarction, stroke and an increase in mortality. In 2007, Bayer temporarily suspended worldwide marketing of Trasylo[®] after preliminary results from an independent clinical study in Canada raised concerns about a possible increased risk of mortality in patients who had received Trasylo[®]. The marketing suspension will remain in effect until the final results from the Canadian study have been analyzed and the benefit-risk assessment for Trasylo[®] can be re-evaluated together with the health authorities. In some countries, including the United States, Trasylo[®] continues to be available to certain surgical patients with an established medical need. We are closely cooperating with health authorities to resolve the questions that have arisen.

Bayer believes it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, the Bayer Group has taken accounting measures for anticipated defense costs.

Yasmin[®]/YAZ[®]: As of February 15, 2010, there were about 1,100 lawsuits pending in the United States served upon Bayer on behalf of persons alleged to have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin[®], YAZ[®] and/or Ocella, a generic version of Yasmin[®] distributed by Barr Laboratories, Inc. in the U.S. market. Plaintiffs seek compensatory and punitive damages, claiming, in particular, that Bayer knew or should have known the alleged risks and should be held liable for having failed to disclose them or adequately warn users of Yasmin[®] and YAZ[®]. Bayer has also been served with three putative consumer class actions claiming economic loss, one of them also claiming personal injuries. All cases pending in U.S. federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management. In addition, two Canadian class actions have been served upon Bayer. Additional lawsuits are anticipated. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Bayer is also taking over Barr's defense in certain cases according to the parties' supply and licensing agreement. Based on the information currently available, the Bayer Group has taken accounting measures for anticipated defense costs.

In connection with the above matters concerning Lipobay/Baycol, Magnevist[®], Trasylo[®] and Yasmin[®]/YAZ[®], Bayer is insured against product liability risks to the extent customary in the industry.

Competition law proceedings

Cipro®: Approximately 40 putative class action lawsuits and one individual lawsuit against Bayer involving Cipro®, a medication used in the treatment of infectious diseases, have been pending in the United States since 2000. The plaintiffs are suing Bayer and other companies also named as defendants, alleging that a settlement to end patent litigation reached in 1997 between Bayer and Barr Laboratories, Inc. violated antitrust regulations. The plaintiffs claim the alleged violation prevented the marketing of generic ciprofloxacin as of 1997. In particular, they are seeking triple damages under u.s. law. After the settlement with Barr, the patent was the subject of a successful re-examination by the u.s. Patent and Trademark Office and of successful defenses in u.s. federal courts. It has since expired.

All the actions pending in federal courts were consolidated in federal district court in New York in a multidistrict litigation (MDL) proceeding. The Court of Appeals for the Federal Circuit in Washington D.C. affirmed the 2005 ruling of the federal district court in New York dismissing all lawsuits filed in federal court. Meanwhile, there are no further avenues of appeal in these federal indirect purchasers' cases. Another appeal remains pending in the United States Court of Appeals for the Second Circuit (New York) concerning the claims brought by direct purchasers of Cipro®. Further cases are pending before various state courts. Bayer believes that it has meritorious defenses and intends to defend itself vigorously.

Patent disputes

Yasmin®: In 2005, Bayer filed suit against Barr Pharmaceuticals, Inc. and Barr Laboratories, Inc. in u.s. federal court alleging patent infringement by Barr for the intended generic version of Bayer's Yasmin® oral contraceptive product in the United States. In 2008, the u.s. federal court invalidated Bayer's '531 patent for Yasmin®. In August 2009, the u.s. Court of Appeals for the Federal Circuit in a two-to-one opinion affirmed this decision. Bayer has filed a petition for review in the u.s. Supreme Court.

In 2008, Bayer and Barr Laboratories, Inc. signed a supply and licensing agreement for Yasmin® covering the United States. Bayer supplies Barr with a generic version of Yasmin® which Barr markets solely in the United States. Barr pays Bayer a fixed percentage of the revenues from the product sold by Barr. Bayer continues to pursue its appeal of the court decision that invalidated Bayer's u.s. patent '531 for Yasmin®. If Bayer should ultimately prevail, Bayer would receive a larger share of Barr's revenues from sales of its generic version of Yasmin® in the United States.

In 2008 Bayer received two notices of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Watson Laboratories Inc. and Sandoz Inc. each seek approval to market a generic version of Bayer's oral contraceptive Yasmin® in the United States. Bayer has filed suit against Watson and Sandoz in u.s. federal court alleging patent infringement by Watson and Sandoz for the intended generic version of Yasmin®. In reply, Watson and Sandoz have filed counterclaims alleging, among other things, the invalidity of various Bayer patents. Sandoz has further alleged that Bayer and Barr have made arrangements that are anti-competitive and violate antitrust and unfair competition laws.

YAZ®: In 2007 and 2008, Bayer received notices from Barr Laboratories Inc., Watson Laboratories, Inc. and Sandoz Inc. that each company has filed an ANDA IV seeking approval of a generic version of Bayer's YAZ® oral contraceptive in the United States. All three applications claim that Bayer's patents are invalid and/or that the respective generic product does not infringe them. Bayer has filed patent infringement suits against Watson and Sandoz in u.s. federal court claiming that certain of Bayer's patents have been infringed. In its defense statement, Sandoz has alleged, among other things, that Bayer and Barr have made arrangements that are anticompetitive and violate antitrust and unfair competition laws. If Bayer should ultimately prevail in its litigation with Barr regarding Yasmin®, Bayer would evaluate its options to use the '531 patent against Watson and Sandoz.

In 2008, Bayer and Barr agreed that Bayer will grant Barr a license to market a generic version of YAZ® in the United States starting July 2011. Bayer will supply Barr with the product for this purpose. Should Bayer lose patent lawsuits in the United States against other companies concerning YAZ®, Bayer would begin supplying the product to Barr at that time and Barr would begin marketing generic YAZ® in the United States. Barr will pay Bayer a fixed percentage of the revenues from the product sold by Barr.

Bayer believes it has meritorious defenses in the above patent disputes and intends to defend itself vigorously.

Levitra®: In July 2009, Bayer filed a patent infringement suit in u.s. federal court against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries, Ltd. In May 2009, Bayer had received notice of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Teva seeks approval to market a generic version of Levitra®, Bayer's therapy for the treatment of erectile dysfunction, prior to patent expiration in the United States. Bayer intends to pursue its rights vigorously.

Further legal proceedings

Wholesale prices in the u.s.: Bayer and a number of pharmaceutical companies in the United States are defendants in pending lawsuits in which plaintiffs, including states, are alleging manipulation in the reporting of wholesale prices and/or best prices for their prescription pharmaceutical products. The plaintiffs seek damages, including disgorgement of profits and punitive damages. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

Bayer Schering Pharma AG former shareholder litigation: In 2008, the squeeze-out of the former minority shareholders of Bayer Schering Pharma AG became effective. As usual in such cases, several shareholders have initiated special court proceedings to review the adequacy of the compensation payments made by Bayer for the transfer of the shares in the squeeze-out. The adequacy of the compensation and the guaranteed dividend paid by Bayer in connection with the Bayer Schering Pharma AG profit and loss transfer agreement made in 2006 is also being reviewed by the courts. (Please note that Bayer Schering Pharma AG and the former Schering-Plough Corporation, New Jersey, are unaffiliated companies that have been independent of each other for many years. The names "Bayer Schering Pharma" or "Schering" as used in this Annual Report always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively).

Regorafenib: In May 2009, Onyx Pharmaceuticals, Inc. filed a complaint in the u.s. District Court for Northern California alleging that the compound regorafenib, which is under development by Bayer in cancer indications, is a compound to which Onyx has rights under a collaboration agreement which was originally concluded in 1994. Under this agreement, the parties jointly developed Nexavar®, a drug product to treat kidney and liver cancer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

Compliance investigation: Bayer is conducting an internal investigation into compliance by a former operating unit of one of its u.s. subsidiaries with the United States Foreign Corrupt Practices Act. That statute prohibits, among other things, corrupt payments by u.s. persons to governmental officials outside the United States. The unit, which conducted Bayer's plasma-derived products business, was sold in 2005. The initial focus of the internal investigation has been on sales by that unit to certain Eastern European and Middle Eastern countries. In order to evaluate Bayer's compliance efforts, Bayer is also reviewing sales practices in other units and countries. Bayer has voluntarily advised the United States government of the internal investigation. The United States government has not indicated what action it may take, if any, against Bayer or any individual, or whether it may conduct its own investigation. Because the internal investigation is ongoing, no statements on its outcome, or on any disadvantages for Bayer that may result therefrom, can be made at this point in time.

CropScience

Proceedings involving genetically modified rice: As of February 1, 2010, Bayer was aware of a total of approximately 500 lawsuits, involving about 6,400 rice farmers and resellers, pending in u.s. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the u.s. This is alleged to have led to various commercial damages, including a decline in the commodity price for long-grain rice, costs associated with restrictions on imports and exports, and costs to secure alternative supplies. All the actions pending in federal court were consolidated in 2006 in federal district court in St. Louis, Missouri, in a multidistrict litigation (MDL) proceeding. In 2008, this court denied plaintiffs' request to certify a class action. Plaintiffs' subsequent request for interim appeal was denied by the appellate court.

In development of the genetically modified rice, field testing was conducted in cooperation with third parties, including a breeding research institute in the United States. The genetically modified rice was never commercialized.

The USDA and the FDA have stated that the genetically modified rice does not present a health risk and is safe for use in food and feed and for the environment. Additionally, in 2007, the USDA released its report concerning its investigation into how the genetically modified rice entered the commercial rice supply. The USDA was unable to determine a cause and indicated it would not pursue any enforcement actions against Bayer or any other party.

In two trials in December 2009 and February 2010, two juries at the u.s. District Court in St. Louis, Missouri, ruled that Bayer must pay a total of approximately us\$3.5 million in compensatory damages for losses sustained by five plaintiff farmers. The juries rejected the farmers' claims for punitive damages. Bayer disagrees with the findings of liability and the awards of compensatory damages. Bayer is considering its options for legal remedies and, as to the first trial, has already filed a motion for a new trial.

Additional trials have been scheduled for 2010. The facts and amount of damages claimed differ significantly from case to case. Management believes that the outcomes of the St. Louis cases do not allow any direct conclusions on the outcomes of the other cases.

Bayer believes it has meritorious defenses in these actions and intends to continue to defend itself vigorously. The Bayer Group has taken accounting measures for anticipated defense costs based on the information currently available.

MaterialScience

Antitrust proceedings in connection with rubber products: Companies of the Bayer Group are subject to civil damage claims in the E.U., the United States and Australia based on alleged violations of applicable competition laws concerning rubber products that were subject to investigations by regulatory authorities. All of these investigations have now been closed.

In 2008, a group of plaintiffs who are primarily producers of tires brought an action for damages before the High Court of Justice in London against Bayer and other producers of butadiene rubber and emulsion styrene butadiene rubber. The plaintiffs allege damages resulting from alleged violations of E.U. competition law in the markets for butadiene rubber and emulsion styrene butadiene rubber. Parallel proceedings are pending before a court in Milan, to which Bayer joined as intervenient. It is still unclear whether the Milan court has jurisdiction.

In the United States, The Goodyear Tire & Rubber Company filed a claim in a federal court in 2008, alleging that Bayer violated antitrust law in the area of butadiene rubber and styrene butadiene rubber. The complaint seeks, among other things, treble damages.

In Australia, a class action alleging antitrust violations in connection with rubber chemicals products was filed in 2008. While the claim was struck out at first instance, the plaintiffs have filed an application for leave of appeal.

Bayer is defending itself in the European, U.S. and Australian litigation. The financial risk from these proceedings cannot currently be quantified. Therefore, Bayer is unable to take any accounting measures in this regard.

It remains possible that further civil damage claims may be filed in connection with public antitrust investigations reported on previously and now closed.

Liability considerations following the Lanxess spin-off

The liability situation following the spin-off of the Lanxess subgroup is governed by both statutory and contractual provisions. Under the German Transformation Act, all entities that are parties to a spin-off are jointly and severally liable for a period of five years for obligations of the transferor entity that are established prior to the spin-off date. This five-year period ends in March 2010. Bayer believes the liability risks remaining in connection with the Lanxess spin-off are not material.

(33) Derivatives/hedges

In the course of their business, Bayer AG and companies in the Bayer Group are exposed to foreign exchange, interest rate and price risks, which are hedged principally by means of derivatives. These mainly comprise over-the-counter (OTC) instruments, particularly forward exchange contracts, currency options, interest rate options, interest rate swaps, cross-currency interest rate swaps, and share options. These instruments are employed according to uniform guidelines and are subject to strict internal controls. Apart from a few low-value exceptions, their use is confined to the hedging of the operating business and of the related investments and financing transactions. In addition, interest options and interest swaps are used to achieve the defined benchmarks for interest rates. On the commodities markets, Bayer AG concludes derivatives agreements with external counterparties to hedge the price of raw materials and energy required by Group companies to conduct their operating business.

The main objective of using derivatives is to reduce fluctuations in cash flows and earnings associated with changes in interest rates, foreign exchange rates, share prices and market prices.

There is a risk that the value of derivatives could change as a result of fluctuations in underlying parameters such as exchange rates, interest rates or share prices. Where derivatives are designated as hedges, possible declines in their value due to falling prices are offset by corresponding increases in the value of the hedged contracts.

Where derivatives have a positive fair value, a credit or default risk arises from the fact that the counterparties may not be able to meet their obligations. To minimize this risk, we assign credit limits to the individual banks according to their creditworthiness.

The notional amount of financial derivative contracts concluded with external counterparties was €22.3 billion on December 31, 2009 (2008: €20.4 billion). Back-to-back derivatives contracts in a notional amount of €9.5 billion (2008: €8.6 billion) were concluded with Group companies. The total notional amount of derivatives was €31.8 billion (2008: €29.0 billion). This amount includes hedge accounting items. The derivatives comprised:

Financial Derivatives

	Notional amount		Fair value		Carrying amount	
	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009
	€ million	€ million	€ million	€ million	€ million	€ million
Forward exchange contracts						
– positive fair values	8,335	8,117	584	268		
– negative fair values	6,759	8,083	(448)	(304)		
	15,094	16,200	136	(36)	(3)	(47)
Currency options						
– positive fair values	51	284	1	9		
– negative fair values	64	316	(3)	(9)		
	115	600	(2)	0	0	0
Cross-currency interest						
– positive fair values	1,101	1,118	114	52		
– negative fair values	1,701	1,512	(256)	(190)		
	2,802	2,630	(142)	(138)	0	0
Interest rate swaps						
– positive fair values	4,790	6,390	191	354		
– negative fair values	4,003	3,513	(188)	(283)		
	8,793	9,903	3	71	(46)	(40)
Interest rate options						
– positive fair values	1,000	1,000	3	0		
– negative fair values	1,000	1,000	(3)	0		
	2,000	2,000	0	0	(1)	(2)
Share options						
– positive fair values	4	3	7	6		
– negative fair values	0	0	0	0		
	4	3	7	6	3	2
Commodity contracts						
– positive fair values	102	296	293	113		
– negative fair values	102	158	(293)	(113)		
	204	454	0	0	0	0
	29,012	31,790	2	(97)	(47)	(87)

Derivatives used to hedge currency risks

To hedge currency risks Bayer AG used forward exchange contracts, currency options and cross-currency interest rate swaps.

Hedging was focused on financial exposure. To hedge the currency risk arising from receivables and liabilities at Bayer AG and Group companies, Bayer AG concluded forward exchange contracts with a notional value of €5.4 billion (2008: €4.8 billion) with external counter-parties. At year end they had a negative fair value of €42 million (2008: positive fair value of €23 million). Some of these contracts were passed on to Group companies. The notional value of these reciprocal internal transactions was €4.5 billion (2008: €4.0 billion) and their fair value was €7 million (2008: €113 million).

Where forward exchange contracts concluded to hedge foreign currency receivables and liabilities at Group companies are passed on to these companies through internal contracts, they were combined with the underlying business transactions to form portfolio hedges. On the closing date the external transactions had a positive fair value of €7 million while the internal transactions had a negative fair value of €7 million. They are not recognized in the statement of financial position and are mainly due in 2010 or, at the latest, in 2013.

The negative fair value of forward exchange contracts used to hedge financial exposures of Group companies in foreign currencies and for which no corresponding internal transactions were concluded, amounted to €47 million (2008: €3 million). This is recognized in other provisions under impending losses.

Foreign currency loans made to Bayer AG by Group companies and the forward exchange contracts concluded to hedge them comprise micro-hedges. The carrying amount of the hedged loans was €363 million on the closing date and the currency risk was €7 million. The net fair value of the external currency derivatives was €7 million. They are due in 2010 and were not recorded in the statement of financial position.

To hedge forecast foreign currency transactions at Group companies which are considered highly probable, external forward exchange and currency options contracts with a notional value of €3.2 billion were concluded (2008: €2.8 billion). These had a fair value of €97 million (2008: €50 million) on the closing date. They were offset by reciprocal transactions with Group companies with a notional value of €3.6 billion (2008: €3.4 billion) and a negative fair value of €97 million at year end (2008: negative fair value of €50 million). Changes in the value of the corresponding internal and external contracts will cancel each other out when they are closed out in 2010. These transactions are combined as portfolio hedges and are not reflected in the statement of financial position.

The notional value of other forward exchange contracts was €0.1 billion (2008: €0.2 billion). They had a net positive fair value of €1 million (2008: negative fair value of €2 million). There were no reciprocal contracts with Group companies in fiscal 2009; reciprocal contracts in 2008 are included in the amounts given above.

Cross-currency interest rate swaps with a notional value of €0.4 billion (2008: €0.5 billion) were used to hedge interest and foreign exchange risks arising from the GBP bonds issued in 2006. Including the corresponding interest accruals, they had a net negative fair value of €138 million (2008: negative fair value of €142 million). The cross-currency interest rate swaps and bonds form a micro hedge. The effectiveness of the cross-currency interest rate swaps is tested prospectively and retrospectively to ensure that the values and cash flows of the transactions offset each other. As a consequence, the bonds were recognized as previously at their original cost of €517 million and the cross-currency interest rate swaps, which are due in 2018, are not reflected in the financial statements prepared in accordance with German commercial law.

Other cross-currency interest rate swaps with a notional value of €1.1 billion (2008: €1.2 billion) were concluded to hedge Group loans granted by Bayer Antwerpen NV, Belgium. As a result of back-to-back agreements with Bayer Antwerpen with a notional value of €1.1 billion (2008: €1.1 billion) the positive and negative fair values of the various hedge relationships formed according to the maturities of the agreements canceled each other out. The cross-currency interest rate swaps are not reported in the statement of financial position.

Derivatives used to hedge interest rate risks

Receiver swaps were used, among other things, to hedge the interest rate risk relating to EMTN bonds issued by Bayer AG. The swaps mature in 2012 and 2015. The notional amount of the related derivatives was €2.5 billion (2008: €1.7 billion) and they had a net positive fair value of €92 million (2008: €39 million). They constitute a hedging relationship (micro hedge) with the bonds, which are reflected in the financial statements. The effectiveness of the hedging relationship is examined prospectively and retrospectively. Since the cash flows relating to the hedged contract and receiver swaps cancel each other out, the receiver swaps are not reflected in the statement of financial position.

Further interest rate swaps originally concluded to hedge two bonds have now been economically closed out by concluding corresponding counter transactions. These mature in 2012 and 2015. Their notional value is €7.0 billion (2008: €6.7 billion) and they had a net negative fair value of €34 million (2008: net negative fair value of €50 million). Provisions for impending losses have been set up in the amount of €40 million (2008: €46 million) for contracts with a negative fair value. These are reflected in other provisions.

A further interest rate swap with a notional value of €0.4 billion (2008: €0.4 billion) was concluded to achieve fixed interest rate benchmarks. This is not reflected in the statement of financial position due to its positive fair value of €13 million (2008: €14 million).

Caps were also used to manage interest rates. As in 2008, their notional value was €2.0 billion. These are back-to-back contracts whose positive and negative fair values cancel each other out. The various contracts, which end in 2010, form portfolio hedges. They are recognized at cost in the statement of financial position. Premiums paid on interest rate options amounted to €1 million (2008: €2 million) and are capitalized in other assets while option premiums received amounting to €3 million (2008: €3 million) are reflected in miscellaneous liabilities.

Derivatives used to hedge price risks

Bayer AG and other Group companies have established a variety of stock programs for their employees, all of which run for several years. During the term of these programs employees receive the cash equivalent of the value of shares in Bayer AG, provided that they meet certain conditions. One condition is that employees must make a personal investment in Bayer shares which must be retained throughout the program. Employees lose their right to these cash payments if they sell their personal investment. To hedge the risk of fluctuations in the share price, Bayer AG has acquired stock purchase options. These are closed out through call and put options if the actual period for which these personal investments are retained differs from the expected retention pattern. They had a net fair value of €6 million on December 31, 2009 (2008: €7 million). Put and call options on shares are reflected in other assets and miscellaneous liabilities. They are valued at the higher or lower, respectively, of cost or market prices. As of December 31, 2009 the net value of stock options shown in the statement of financial position was €2 million (2008: €3 million).

With a few negligible exceptions, external commodity contracts, which run for between one and three years, were passed on to group companies on reciprocal terms. The results of such transactions that had ended by year end canceled each other out. The remaining open contracts form portfolio hedges, so no income was derived from them.

Valuation methods

The fair values of derivatives are measured by the usual methods based on the market data available at the measurement date. The following principles are applied:

- Currency contracts are measured individually at their forward rates on the closing date. These depend on spot rates, including time spreads.
- The market value of interest swaps is determined by discounting expected future cash flows. Discounting applies market interest rates for the remaining term of these instruments. The fair values of interest rate options are determined using a Black-Scholes model.
- The fair value of share options is determined either by the Black-Scholes method (for simple European options) or, in the case of more complex u.s. options, by conventional binomial methods.
- The fair value of forward commodity contracts is calculated from future price data obtained from the markets or from external data providers. Certain long-term commodity contracts to which fair values cannot be assigned are measured with the aid of valuation models based on internal fundamental data.

The dollar-offset method is normally used to measure the effectiveness of hedging relationships. This method compares the fair values of hedging instruments and hedged contracts.

(34) Related parties

Related parties are legal entities and natural persons that are able to exert influence on Bayer AG or over which Bayer AG exercises control or has a significant influence.

Transactions with related parties mainly comprise rental, service and financing transactions with subsidiaries, joint ventures and other affiliated companies, and with pension plans. Where there is a corresponding market for such transactions, they are generally conducted on market terms (arm's length principle).

Bayer AG has undertaken to provide profit-sharing capital totaling €150 million for the Bayer-Pensionskasse. The entire amount was drawn in both 2008 and 2009. Further, in 2008 the establishment of a repayable "effective initial fund" was agreed with Bayer-Pensionskasse. On December 31, 2009 the amount drawn was €310 million, and thus unchanged from year-end 2008.

(35) Total compensation of the Board of Management and the Supervisory Board and loans

The aggregate compensation of the Board of Management in 2009 amounted to €9,424 thousand (2008: €9,787 thousand) and comprised:

Total Compensation of the Board of Management

	2008	2009
	€ thousand	€ thousand
Base salary	2,105	2,156
Fixed supplement	1,042	1,067
Compensation in kind and other benefits	168	165
Total non-performance-related compensation	3,315	3,388
Short-term incentive	5,498	5,442
Directly effected compensation	8,813	8,830
Fair value of newly granted stock-based compensation as of grant date	974	594
Aggregate compensation	9,787	9,424

Members of the Board of Management participate in stock-based compensation programs. These are multi-year programs under which entitlements are earned in stages. The fair value of these programs at the time they are granted forms part of the overall compensation package and is included in the above overview. The entitlements earned in 2009 under the long-term stock-based compensation programs granted in current and previous years are shown in the table below. In addition, the changes in the value of entitlements earned prior to 2009 are shown separately.

Stock-Based Compensation of the Board of Management

	2008	2009
	€ thousand	€ thousand
Stock-based compensation entitlements earned in the respective year	1,509	1,623
Change in value of existing entitlements	(533)	1,079

Expenses for pension entitlements granted to the members of the Board of Management serving in 2009 amounted to €1,517 thousand (2008: €1,426 thousand). Due to the transition to the provisions of the German Accounting Law Modernization Act (BilMoG), current service cost and, where applicable, retroactive service cost resulting from new entitlements or changes in existing entitlements, are recorded as an expense. The prior-year figures have been restated accordingly. Pension provisions for the members of the Board of Management serving at year end amounted to €33,248 thousand (2008: €34,447 thousand).

Pension payments to retired members of the Board of Management and their surviving dependents in 2009 amounted to €11,273 thousand (2008: €11,697 thousand). Pension provisions for former members of the Board of Management and their surviving dependents, amounting to €110,069 thousand (2008: €121,557 thousand), are reflected in the statement of financial position of Bayer AG.

The compensation of the Supervisory Board totaled €2,295 thousand, as in the previous year, and includes unchanged variable components of €765 thousand.

There were no loans to members of the Board of Management or the Supervisory Board outstanding as of December 31, 2009, nor any repayments of such loans during the year.

Details of the compensation of the Board of Management and Supervisory Board are set out in the compensation report, which forms part of the combined management report for the Bayer Group and Bayer AG.

(36) Overview of interests

Bayer AG directly or indirectly holds at least 20% of the shares in the following companies (disclosure pursuant to Section 285 No. 11 of the German Commercial Code). The equity and net income/loss are based on the financial statements prepared in accordance with local law. All amounts are rounded.

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Europe					
1. BCrsV GmbH	Leverkusen, Germany	100.0	0.0	0.0 *) , **)	
2. BHCV GmbH	Leverkusen, Germany	100.0	0.0	0.0 *) , **)	
Agreva GmbH	Frankfurt am Main, Germany	100.0	0.0	0.0 *) , **)	
AgrEvo Verwaltungsgesellschaft mbH	Frankfurt am Main, Germany	100.0	2.9	(0.9) *)	
Alcafleu Management GmbH & Co. KG	Schönefeld, Germany	99.9	559.1	(48.9) *)	
Ausbildungsinitiative Rheinland GmbH	Leverkusen, Germany	100.0	0.0	0.0 *)	
Axxam S. p. A.	Milan, Italy	24.5	3.4	0.1 *)	
Baulé S. A. S.	Romans-sur-Isère, France	50.0	34.7	3.2 *)	
Bayer (Schweiz) AG	Zurich, Switzerland	100.0	36.5	6.7 *)	
Bayer 04 Immobilien GmbH	Leverkusen, Germany	100.0	0.0	(2.3) *) , **)	
Bayer 04 Leverkusen Fußball GmbH	Leverkusen, Germany	100.0	56.4	(15.5) *) , **)	
Bayer 04 Leverkusen Sportförderung gGmbH	Leverkusen, Germany	100.0	0.8	0.3 *)	
Bayer 04 Marketing GmbH	Leverkusen, Germany	100.0	0.0	0.4 *) , **)	
Bayer 04 Mobilien GmbH	Leverkusen, Germany	100.0	0.3	(1.0) *) , **)	
Bayer A/S	Lyngby, Denmark	100.0	28.4	(2.3) *)	

*) provisional result

**) before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer AB	Solna, Sweden	100.0	9.5	8.0 *)	
Bayer AEH Limited	Cambridge, U.K.	100.0	14.0	0.0 *)	
Bayer AGCO Limited	Cambridge, U.K.	100.0	79.3	(0.5 *)	
Bayer Agriculture Limited	Cambridge, U.K.	100.0	110.8	4.4 *)	
Bayer Animal Health GmbH	Leverkusen, Germany	100.0	17.9	106.1 *) , **)	
Bayer Antwerpen NV	Antwerp, Belgium	100.0	4,121.5	186.2 *)	
Bayer AS	Oslo, Norway	100.0	3.8	1.3 *)	
Bayer Austria Gesellschaft m. b. H.	Vienna, Austria	100.0	18.4	5.4 *)	
Bayer B.V.	Mijdrecht, Netherlands	100.0	419.2	(3.4 *)	
Bayer Beteiligungsverwaltung Goslar GmbH	Leverkusen, Germany	100.0	501.4	7.1 *)	
Bayer Beteiligungsverwaltungsgesellschaft mbH	Leverkusen, Germany	100.0	1,268.0	12.9 *) , **)	
Bayer BioScience GmbH	Potsdam, Germany	100.0	2.6	(9.6 *) , **)	
Bayer BioScience N.V.	Ghent, Belgium	100.0	96.9	11.6 *)	
Bayer Bitterfeld GmbH	Bitterfeld-Wolfen, Germany	100.0	236.0	6.2 *) , **)	
Bayer Bulgaria EOOD	Sofia, Bulgaria	100.0	8.7	1.8 *)	
Bayer Business Services GmbH	Leverkusen, Germany	100.0	110.8	(16.0 *) , **)	
Bayer Capital Corporation B.V.	Mijdrecht, Netherlands	100.0	15.2	1.0 *)	
Bayer Chemicals AG	Leverkusen, Germany	100.0	410.4	(16.8 *) , **)	
Bayer Consumer Care AG	Basel, Switzerland	100.0	1,053.9	154.7 *)	
Bayer CropScience (Portugal)-Produtos para a Agricultura, Lda	Carnaxide, Portugal	100.0	10.8	2.9 *)	
Bayer CropScience AG	Monheim, Germany	100.0	3,163.1	604.3 **)	
Bayer CropScience B.V.	Mijdrecht, Netherlands	100.0	11.1	3.8 *)	
Bayer CropScience Beteiligungs-gesellschaft mbH	Frankfurt am Main, Germany	100.0	45.7	(0.1 *)	
Bayer CropScience Deutschland GmbH	Langenfeld, Germany	100.0	49.6	20.4 *)	
Bayer CropScience France S. A. S.	Lyon, France	100.0	159.1	31.9 *)	
Bayer CropScience Holding SA	Lyon, France	100.0	767.3	0.1 *)	
Bayer CropScience Holdings Limited	Cambridge, U.K.	100.0	(7.7)	0.0 *)	
Bayer CropScience Limited	Cambridge, U.K.	100.0	20.5	6.2 *)	
Bayer CropScience Norwich Limited	Cambridge, U.K.	100.0	23.5	3.1 *)	
Bayer CropScience Nufarm SA	Lyon, France	100.0	(3.5)	(0.5 *)	
Bayer CropScience S. r. l.	Milan, Italy	100.0	79.3	13.1 *)	
Bayer CropScience SA	Lyon, France	100.0	503.1	89.9 *)	
Bayer CropScience SA-NV	Diegem, Belgium	100.0	12.5	2.0 *)	
Bayer CropScience Vermögens-verwaltungsgesellschaft mbH	Leverkusen, Germany	100.0	67.2	9.3 *)	
Bayer CropScience, S. L.	Valencia, Spain	100.0	88.4	10.3 *)	
Bayer d. o. o.	Belgrade, Serbia	100.0	5.5	1.0 *)	

*) provisional result

**) before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Bayer d.o.o.	Ljubljana, Slovenia	100.0	15.5	5.1 *)	
Bayer d.o.o.	Zagreb, Croatia	100.0	1.2	0.6 *)	
Bayer d.o.o. Sarajevo	Sarajevo, Bosnia-Herzegovina	100.0	0.3	0.1 *)	
Bayer Direct Services GmbH	Leverkusen, Germany	100.0	0.3	0.5 *) , **)	
Bayer Environmental Science S.A.S.	Lyon, France	100.0	43.3	2.9 *)	
Bayer Gastronomie GmbH	Leverkusen, Germany	100.0	5.9	(1.7) *) , **)	
Bayer Gesellschaft für Beteiligungen mbH	Leverkusen, Germany	100.0	2,830.9	219.1 *) , **)	
Bayer HealthCare AG	Leverkusen, Germany	100.0	4.6	(135.2) *) , **)	
Bayer HealthCare Manufacturing S.r.l.	Milan, Italy	100.0	129.5	35.0 *)	
Bayer Healthcare S.r.l.	Milan, Italy	100.0	0.0	0.0 *)	
Bayer Hellas AG	Athens, Greece	100.0	17.6	(4.8) *)	
Bayer Hispania, S.L.	Sant Joan Despi, Spain	100.0	1,075.5	41.4 *)	
Bayer Hungaria Kft.	Budapest, Hungary	100.0	27.3	8.1 *)	
Bayer Immobilier SAS	Puteaux, France	100.0	1.7	0.1 *)	
Bayer Innovation GmbH	Düsseldorf, Germany	100.0	33.7	(23.3) *) , **)	
Bayer Innovation Ventures GmbH	Düsseldorf, Germany	100.0	0.0	(0.1) *) , **)	
Bayer International S.A.	Fribourg, Switzerland	100.0	153.5	(28.8) *)	
Bayer International Service G.m.b.H.	Leverkusen, Germany	100.0	0.4	0.3 *)	
Bayer Limited	Dublin, Ireland	100.0	2.9	1.0 *)	
Bayer Ltd.	Kiev, Ukraine	100.0	8.8	2.7 *)	
Bayer MaterialScience AG	Leverkusen, Germany	100.0	152.1	(233.9) **)	
Bayer MaterialScience Customer Services GmbH	Leverkusen, Germany	100.0	6.5	1.2 *) , **)	
Bayer MaterialScience S.r.l.	Milan, Italy	100.0	46.8	3.7 *)	
Bayer MaterialScience, S.L.	Sant Joan Despi, Spain	100.0	120.1	10.4 *)	
Bayer OÜ	Tallinn, Estonia	100.0	0.3	0.2 *)	
Bayer Oy	Espoo, Finland	100.0	13.1	2.4 *)	
Bayer Polyols S.N.C.	Puteaux, France	100.0	25.7	7.0 *)	
Bayer Polyurethanes B.V.	Mijdrecht, Netherlands	100.0	63.4	5.8 *)	
Bayer Portugal S.A.	Lisbon, Portugal	100.0	26.6	8.1 *)	
Bayer Public Limited Company	Newbury, U.K.	100.0	181.4	26.4 *)	
Bayer Real Estate GmbH	Leverkusen, Germany	100.0	49.6	2.6 *) , **)	
Bayer S.A.S.	Puteaux, France	100.0	1,833.9	219.9 *)	
Bayer S.p.A.	Milan, Italy	100.0	392.0	108.3 *)	
Bayer s.r.o.	Prague, Czech Republic	100.0	15.9	3.1 *)	
Bayer Santé Familiale SAS	Gaillard, France	100.0	91.1	16.3 *)	
Bayer Santé SAS	Puteaux, France	100.0	152.0	(0.7) *)	
Bayer SA-NV	Diegem, Belgium	100.0	21.6	4.1 *)	
Bayer Schering Pharma AG	Berlin, Germany	100.0	5,828.4	2,348.8 **)	
Bayer Schering Pharma Oy	Turku, Finland	100.0	982.6	209.7 *)	
Bayer Sheet Europe GmbH	Darmstadt, Germany	100.0	84.3	2.0 *)	

*) provisional result

**) before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Bayer Sheet Europe N.V.	Tielt, Belgium	100.0	26.9	(0.1) *)	
Bayer Sheet Europe S.p.A.	Milan, Italy	90.0	5.6	(0.1) *)	
Bayer Sp.z.o.o.	Warsaw, Poland	100.0	40.6	10.8 *)	
Bayer Technology Services GmbH	Leverkusen, Germany	100.0	74.5	(11.3) *) , **)	
Bayer UK Limited	Newbury, U.K.	100.0	0.3	0.0 *)	
Bayer Verwaltungsgesellschaft für Anlagevermögen m. b. H.	Leverkusen, Germany	100.0	12.5	(0.2) *) , **)	
Bayer Vital GmbH	Leverkusen, Germany	100.0	98.8	61.8 *) , **)	
Bayer, spol. s. r. o.	Bratislava, Slovakia	100.0	8.6	1.3 *)	
Bayer-Handelsgesellschaft mit beschränkter Haftung	Leverkusen, Germany	100.0	14.0	(2.2) *) , **)	
Bayer-Unterstützungskasse GmbH	Leverkusen, Germany	100.0	31.0	(0.4) *)	
Bayfin GmbH	Leverkusen, Germany	100.0	1,104.4	14.7 **)	
Bayhealth Comercialização de Produtos Farmacêuticos Unipessoal Lda.	Lisbon, Portugal	100.0	0.0	0.0 *)	
Bayhealth S. L.	Sant Joan Despi, Spain	100.0	0.1	0.1 *)	
BayInvest GmbH	Leverkusen, Germany	100.0	0.0	0.0 *) , **)	
BaySecur GmbH	Leverkusen, Germany	49.0	0.4	0.3 *)	
BaySports-Travel GmbH	Leverkusen, Germany	50.0	0.1	0.1 *)	
BaySystems a. s.	Prague, Czech Republic	100.0	2.9	0.0 *)	
BaySystems B. V.	Foxhol, Netherlands	100.0	7.4	1.8 *)	
BaySystems GmbH & Co. KG	Oldenburg, Germany	100.0	6.3	1.6 *)	
BaySystems Italia S.p.A.	Mussolente, Italy	100.0	9.1	3.8 *)	
BaySystems Northern Europe A/S	Otterup, Denmark	100.0	4.1	6.7	
BaySystems Verwaltungs-GmbH	Oldenburg, Germany	100.0	0.0	0.0	
BBB Management GmbH Campus Berlin-Buch	Berlin, Germany	20.0	0.3	0.2 *)	
BCS Romania Srl	Bucharest, Romania	100.0	0.0	0.0 *)	
Berlex Especialidades Farmacêuticas Lda.	Carnaxide, Portugal	100.0	0.0	0.0 *)	
Berlifarma Lda	Carnaxide, Portugal	100.0	0.0	0.0 *)	
Berlimed, S. A.	Madrid, Spain	100.0	23.4	0.6 *)	
Berlimed-Especialidades Farmacêuticas Lda.	Carnaxide, Portugal	100.0	0.0	0.0 *)	
Berlipharm B. V.	Weesp, Netherlands	100.0	0.1	0.0 *)	
Berlis AG	Zurich, Switzerland	100.0	0.6	0.2 *)	
Biogenetic Technologies BV	Rotterdam, Netherlands	100.0	6.8	0.0 *)	
CENTROFARMA-Indústria e Comércio de Prod. Farmacêuticos, Lda.	Coimbra, Portugal	100.0	1.1	0.0 *)	
Chemie-Beteiligungsaktiengesellschaft	Glarus, Switzerland	100.0	12.8	55.4 *)	
Chemion Logistik GmbH	Leverkusen, Germany	100.0	10.6	(6.4) *) , **)	
CIS (U.K.) Limited	Burgess Hill, U.K.	100.0	0.0	0.0 *)	

*) provisional result

**) before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's	Equity	Net	Foot- notes
		interest		income/ loss	
		%	€ million	€ million	
Currenta Geschäftsführungs- GmbH	Leverkusen, Germany	100.0	0.0	0.0 *)	
Currenta GmbH & Co. OHG	Leverkusen, Germany	60.0	78.3	15.4	
Disalfarm, S. A.	Barcelona, Spain	33.3	2.9	0.2 *)	
Drugofa GmbH	Cologne, Germany	100.0	34.2	(3.5 *) , **)	
Dynevo GmbH	Leverkusen, Germany	100.0	1.8	(6.2 *) , **)	
Ehrfeld Mikrotechnik BTS GmbH	Wendelsheim, Germany	100.0	0.0	0.2 *) , **)	
EMP-Estrusione Materiali Plastici S. A.	Stabio, Switzerland	42.1	5.8	(0.1) *)	
Epurex Films Geschäftsführungs- GmbH	Bomlitz, Germany	100.0	0.1	0.0 *)	
Epurex Films GmbH & Co. KG	Bomlitz, Germany	100.0	14.7	3.8 *)	
Erste K-W-A Beteiligungs- gesellschaft mbH	Leverkusen, Germany	100.0	33.7	(15.6) *) , **)	
Euroservices Bayer GmbH	Leverkusen, Germany	100.0	1.8	(0.6) *) , **)	
Euroservices Bayer, S. L.	Sant Joan Despi, Spain	100.0	10.1	0.2 *)	
Faserwerke Hüls GmbH	Marl, Germany	50.0	0.8	0.0 *)	
Fünfte Bayer VV GmbH	Leverkusen, Germany	100.0	0.0	0.0 *) , **)	
Generics Holding GmbH	Leverkusen, Germany	100.0	61.5	0.0 *) , **)	
GENUS Grundstücks-Vermie- tungsgesellschaft mbH & Co. KG	Düsseldorf, Germany	100.0	0.0	0.5 *)	
GP Grenzach Produktions GmbH	Grenzach-Wyhlen, Germany	100.0	27.5	5.9 *) , **)	
Hild Samen GmbH	Marbach am Neckar, Germany	100.0	4.8	2.9 *) , **)	
HTV Gesellschaft für Hochtempe- raturverbrennung mbH	Bergkamen, Germany	100.0	0.0	0.0	
Icon Genetics GmbH	Munich, Germany	100.0	0.0	(5.1) *) , **)	
Indurisk Rückversicherung AG	Luxembourg, Luxembourg	50.0	5.1	0.0 *)	
Intendis Austria Handels GesmbH	Vienna, Austria	100.0	1.5	0.2 *)	
Intendis Derma, S. L.	Sant Joan Despi, Spain	100.0	(0.2)	0.0 *)	
Intendis GmbH	Berlin, Germany	100.0	16.0	28.4 *) , **)	
Intendis Manufacturing S. p. A.	Milan, Italy	100.0	31.3	3.6 *)	
Intendis Polska Sp. z. o. o.	Warsaw, Poland	100.0	0.2	0.1 *)	
Intendis Portugal Sociedade Unipessoal Lda.	Mem Martins, Portugal	100.0	0.3	0.2 *)	
Intendis S. p. A.	Milan, Italy	100.0	10.4	1.6 *)	
Jenapharm GmbH & Co. KG	Jena, Germany	100.0	95.0	71.6 *)	
Job@ctive GmbH	Leverkusen, Germany	100.0	0.1	1.5 *) , **)	
KOSINUS Grundstücks- Verwaltungsgesellschaft mbH	Berlin, Germany	100.0	0.0	0.0 *)	
KOSINUS Grundstücks- Verwaltungsgesellschaft mbH & Co. Gamma OHG	Berlin, Germany	100.0	17.0	2.1 *)	

*) provisional result

**) before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
KVP Pharma+Veterinär Produkte GmbH	Kiel, Germany	100.0	7.4	10.3 *) , **)	
Lilienthalstraße Nr. 4 GmbH	Schönefeld, Germany	100.0	0.0	0.0 *)	
Lusal Produção Quimico Farmacêutica Luso-Alemã, Lda.	Carnaxide, Portugal	100.0	0.0	0.0 *)	
Lusalfarma-Especialidades Farmacêuticas, Lda	Carnaxide, Portugal	100.0	0.0	0.0 *)	
Lyondell Bayer Manufacturing Maasvlakte VOF	Rotterdam, Netherlands	50.0	276.7	(61.1) *)	
Marotrast GmbH	Jena, Germany	100.0	0.0	(0.3) *) , **)	
MENADIER Heilmittel GmbH	Berlin, Germany	100.0	79.8	0.8 *) , **)	
Nunhems B. V.	Haelen, Netherlands	100.0	117.1	47.3 *)	
Nunhems France S. A. R. L.	Soucelles, France	100.0	2.3	1.0 *)	
Nunhems Hungary Kft.	Szolnok, Hungary	100.0	0.8	0.1 *)	
Nunhems Italy S. r. l.	St. Agata Bolognes, Italy	100.0	10.1	1.1 *)	
Nunhems Netherlands B. V.	Haelen, Netherlands	100.0	61.8	17.0 *)	
Nunhems Poland Sp. z. o. o.	Poznan, Poland	100.0	0.5	0.3 *)	
Nunhems Spain, S. A.	Valencia, Spain	100.0	8.8	4.4 *)	
Pallas Versicherung AG	Leverkusen, Germany	100.0	74.9	3.7 *)	
pbi Home & Garden Limited	Cambridge, U. K.	100.0	3.4	0.0 *)	
PGS International N. V.	Den Haag, Netherlands	100.0	152.9	(73.3) *)	
Pharma-Verlagsbuchhandlung GmbH	Berlin, Germany	100.0	1.1	0.0 *) , **)	
PYCO SA	Mont de Marsan, France	47.0	0.1	0.0 *)	
Química Farmacéutica Bayer, S. L.	Sant Joan Despi, Spain	100.0	148.8	32.6 *)	
Sauerstoff- und Stickstoffrohrleitungsgesellschaft mbH	Krefeld, Germany	50.0	0.3	0.0 *)	
SC Bayer SRL	Bucharest, Romania	100.0	8.5	1.5 *)	
Schering AG	Berlin, Germany	100.0	257.5	2.4 *) , **)	
Schering Agrochemicals Holdings	Burgess Hill, U. K.	100.0	1.8	0.0 *)	
Schering España, S. A.	Madrid, Spain	99.9	79.0	19.8 *)	
Schering GmbH and Co. Produktions KG	Weimar, Germany	100.0	38.2	5.9	
Schering Health Care Limited	Burgess Hill, U. K.	100.0	10.5	0.2 *)	
Schering Holdings Ltd.	Burgess Hill, U. K.	100.0	14.2	0.1 *)	
Schering Industrial Products	Burgess Hill, U. K.	100.0	2.7	0.0 *)	
Schering Industrial Products Holdings	Burgess Hill, U. K.	100.0	0.0	0.0 *)	
Schering International Holding GmbH	Berlin, Germany	100.0	220.3	4.4 *) , **)	
Schering Romania srl (in liquidation)	Bucharest, Romania	100.0	0.0	0.0 *)	
Schering Verwaltungsgesellschaft mbH	Weimar, Germany	100.0	0.1	0.0 *)	

*) provisional result

**) before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Schering-Kahlbaum Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.0	28.3	0.4 *) , **)	
Sechste Bayer VV GmbH	Leverkusen, Germany	100.0	0.0	0.0 *) , **)	
SIA Bayer	Riga, Latvia	100.0	0.5	0.2 *)	
Société Immobilière de Gaillard d'Economie Mixte (SIGEM)	Gaillard, France	48.0	15.1	(0.4) *)	
Solavista GmbH & Co. KG (in liquidation)	Potsdam, Germany	50.0	0.0	(6.0)	
Solavista Verwaltungs-GmbH (in liquidation)	Potsdam, Germany	50.0	0.0	0.0	
Sportrechte Vermarktungs- und Verwertungs-GmbH & Co. OHG	Leverkusen, Germany	100.0	0.1	2.7 *)	
tecpol Technologieentwicklungs GmbH für ökoeffiziente Polymer-verwert.	Hannover, Germany	28.5	1.9	(0.3) *)	
TECTRION GmbH	Leverkusen, Germany	100.0	7.0	(3.0) *) , **)	
TOO Bayer KAZ	Astana, Kazakhstan	100.0	3.2	2.4 *)	
TravelBoard GmbH	Leverkusen, Germany	100.0	0.4	0.7 *) , **)	
UAB Bayer	Vilnius, Lithuania	100.0	2.0	0.3 *)	
Viverso GmbH	Bitterfeld-Wolfen, Germany	100.0	0.3	1.7 *) , **)	
ZAO Bayer	Moscow, Russia	100.0	108.6	36.3 *)	
ZAO Rhône-Poulenc AO	Moscow, Russia	100.0	0.1	0.0 *)	
Zweite K-W-A Beteiligungs-gesellschaft mbH	Leverkusen, Germany	100.0	3,444.1	0.0 *) , **)	
North America					
Bayer Corporation	Pittsburgh, U.S.A.	100.0	2,822.4	179.5	
with the following subsidiaries:					
Athenix Corp.	Research Triangle Park, U.S.A.	100.0		+	
Bayer Business and Technology Services LLC	Pittsburgh, U.S.A.	100.0		+	
Bayer Canadian Holdings Inc.	Toronto, Canada	100.0		+	
Bayer Cotton Seed International Inc.	Research Triangle Park, U.S.A.	51.0		+	
Bayer CropScience LLC	Research Triangle Park, U.S.A.	100.0		+	
Bayer CropScience LP	Research Triangle Park, U.S.A.	100.0		+	
Bayer Diagnostics Manufacturing Limited	Bridgend, U. K.	100.0		+	
Bayer HealthCare LLC	Tarrytown, U.S.A.	100.0		+	
Bayer HealthCare Pharmaceuticals Inc.	Pine Brook, U.S.A.	100.0		+	
Bayer HealthCare Pharmaceuticals LLC	Seattle, U.S.A.	100.0		+	
Bayer MaterialScience LLC	Pittsburgh, U.S.A.	100.0		+	
Bayer Pharma Chemicals Inc.	Pine Brook, U.S.A.	100.0		+	
*) provisional result					
**) before profit/loss transfer					
+) preconsolidated					

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Bayer Puerto Rico Inc.	San Juan, Puerto Rico	100.0			+))
Baypo I LLC	New Martinsville, U.S.A.	100.0			+))
Baypo II LLC	New Martinsville, U.S.A.	100.0			+))
BAYPO Limited Partnership	New Martinsville, U.S.A.	100.0			+))
BHCP Holdings LLC	Wilmington, U.S.A.	100.0			+))
BIPPO Corporation	New Martinsville, U.S.A.	100.0			+))
Collateral Therapeutics, Inc.	San Diego, U.S.A.	100.0			+))
Cooper Land Company of New Jersey, Inc.	Tarrytown, U.S.A.	100.0			+))
Deerfield Urethane, Inc.	South Deerfield, U.S.A.	100.0			+))
Guidance Interactive Healthcare, Inc.	Tarrytown, U.S.A.	100.0			+))
Imaxeon Pty. Ltd.	Rydalmere, Australia	100.0			+))
iSense Corporation	Wilsonville, U.S.A.	100.0			+))
iSense Development Corporation	Wilsonville, U.S.A.	100.0			+))
Mediwest Norway AS	Oslo, Norway	100.0			+))
Medrad Asia Pte. Ltd.	Singapore	100.0			+))
Medrad Belgium BVBA	Antwerp, Belgium	100.0			+))
Medrad Denmark ApS	Glostrup, Denmark	100.0			+))
Medrad do Brasil Ltda.	São Paulo, Brazil	100.0			+))
Medrad Europe B.V.	Maastricht, Netherlands	100.0			+))
Medrad France S.A.R.L.	Rungis, France	100.0			+))
Medrad Italia S.r.l.	Cava Manara, Italy	100.0			+))
Medrad Medizinische Systeme GmbH	Volkach, Germany	100.0			+))
Medrad Mexicana S. de R. L. de CV	Mexico City, Mexico	100.0			+))
Medrad Saxonburg Inc.	Saxonburg, U.S.A.	100.0			+))
Medrad Sweden AB	Västra Frölunda, Sweden	100.0			+))
Medrad UK Limited	Ely, U.K.	100.0			+))
Medrad, Inc.	Indianola, U.S.A.	100.0			+))
MTFP Inc.	Wilmington, U.S.A.	100.0			+))
Nihon Medrad K.K.	Osaka, Japan	100.0			+))
NippoNex Inc.	Springfield, U.S.A.	100.0			+))
NOR-AM Agro LLC	Pine Brook, U.S.A.	100.0			+))
NOR-AM Land Company	Pine Brook, U.S.A.	100.0			+))
Pallas North America Insurance Company, Inc.	Burlington, U.S.A.	100.0			+))
SB Capital Corporation	Pine Brook, U.S.A.	100.0			+))
Schering Berlin Inc.	Pine Brook, U.S.A.	100.0			+))
Schering Berlin Venture Corporation	Pine Brook, U.S.A.	100.0			+))
Stoneville Pedigreed Seed Company	St. Louis, U.S.A.	100.0			+))
STWB Inc.	Pittsburgh, U.S.A.	100.0			+))

+) preconsolidated

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Bayer CropScience Holding Inc.	Research Triangle Park, U.S.A.	100.0	11.6	0.8	
Bayer CropScience Holdings Inc.	Calgary, Canada	100.0	170.4	61.9 *)	
Bayer CropScience Inc.	Calgary, Canada	100.0	242.6	57.6 *)	
Bayer CropScience Inc.	Research Triangle Park, U.S.A.	100.0	799.1	1.7	
Bayer Inc.	Toronto, Canada	100.0	315.7	54.6 *)	
BayOne Canada, Inc.	Niagara Falls, Canada	100.0	0.4	0.0 *)	
BayOne Urethane Systems LLC	St. Louis, U.S.A.	50.0	3.2	0.0	
Berlex Canada, Inc.	Pointe-Claire, Canada	100.0	0.0	0.0 *)	
Delinting and Seed Treating Company	Maricopa, U.S.A.	100.0	0.0	0.0	
ICON Genetics, Inc.	Montmouth, U.S.A.	100.0	(3.2)	(0.3) *)	
Intendis Inc.	Pine Brook, U.S.A.	100.0	9.8	5.7 *)	
Nunhems USA, Inc.	Morgan Hill, U.S.A.	100.0	15.5	0.0 *)	
PO JV, LP	Wilmington, U.S.A.	41.3	548.4	(32.5) *)	
Schein Pharmaceutical Canada, Inc.	Toronto, Canada	50.0	0.0	0.0 *)	
Technology JV, L.P.	Wilmington, U.S.A.	33.3	0.0	0.0	
The SDI Divestiture Corporation	Cincinnati, U.S.A.	100.0	0.0	0.0	
Viterion TeleHealthcare LLC	Tarrytown, U.S.A.	100.0	(2.7)	(0.1) *)	

Asia / Pacific

Bayer (Beijing) Sheet Company Limited	Beijing, China	100.0	6.4	0.9 *)	
Bayer (China) Limited	Beijing, China	100.0	739.5	11.3 *)	
Bayer (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	100.0	3.8	0.5 *)	
Bayer (Sichuan) Animal Health Co., Ltd.	Chengdu, China	70.0	8.5	3.1 *)	
Bayer (South East Asia) Pte Ltd	Singapore	100.0	30.3	1.2 *)	
Bayer Australia Limited	Pymble, Australia	100.0	105.0	15.7 *)	
Bayer BioScience Pvt. Ltd	Hyderabad, India	100.0	23.9	4.6 *)	
Bayer Co. (Malaysia) Sdn Bhd	Petaling Jaya, Malaysia	100.0	7.0	1.9 *)	
Bayer Coatings Systems Shanghai Co. Ltd.	Shanghai, China	100.0	80.8	13.2 *)	
Bayer CropScience (China) Company Ltd.	Hangzhou, China	100.0	51.5	1.9 *)	
Bayer CropScience (OHQ) (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	100.0	0.0	0.0 *)	
Bayer CropScience (Private) Limited	Karachi, Pakistan	100.0	5.0	2.1 *)	
Bayer CropScience (Thailand) Company Limited	Bangkok, Thailand	100.0	0.1	0.0 *)	
Bayer CropScience Co., Ltd.	Taipei, Taiwan	100.0	2.7	(0.2) *)	
Bayer CropScience Holdings Pty Ltd	East Hawthorn, Australia	100.0	17.3	0.0 *)	
Bayer CropScience K.K.	Tokyo, Japan	100.0	206.3	10.3 *)	

*) provisional result

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Bayer CropScience Limited	Mumbai, India	71.1	67.3	13.7	
Bayer CropScience Ltd.	Dhaka, Bangladesh	60.0	3.6	0.7 *)	
Bayer CropScience Ltd.	Seoul, South Korea	100.0	23.8	3.0 *)	
Bayer CropScience Pty Limited	East Hawthorn, Australia	100.0	35.7	(0.4) *)	
Bayer CropScience, Inc.	Laguna, Philippines	100.0	14.8	4.2 *)	
Bayer DAS (Private) Limited	Karachi, Pakistan	50.0	(0.5)	0.0 *)	
Bayer Far East Service Co. Ltd.	Hong Kong, China	100.0	0.0	0.0 *)	
Bayer Healthcare Co. Ltd.	Beijing, China	100.0	96.8	35.4 *)	
Bayer HealthCare Limited	Hong Kong, China	100.0	19.8	4.1 *)	
Bayer Holding Ltd.	Tokyo, Japan	100.0	282.1	(13.0) *)	
Bayer Jinling Polyurethane Co., Ltd.	Nanjing, China	55.0	9.8	1.4 *)	
Bayer Korea Ltd.	Seoul, South Korea	100.0	48.6	0.4 *)	
Bayer MaterialScience Limited	Hong Kong, China	100.0	56.8	15.2 *)	
Bayer MaterialScience Ltd.	Tokyo, Japan	100.0	18.1	5.6 *)	
Bayer MaterialScience Private Limited	Mumbai, India	100.0	17.0	(2.4)	
Bayer MaterialScience Pty Ltd	Pymble, Australia	100.0	1.2	(1.1) *)	
Bayer MaterialScience Trading (Shanghai) Company Limited	Shanghai, China	100.0	63.5	34.3 *)	
Bayer New Zealand Limited	Auckland, New Zealand	100.0	13.7	0.4 *)	
Bayer Pakistan (Private) Limited	Karachi, Pakistan	100.0	3.4	(0.2) *)	
Bayer Pharmaceuticals Private Limited	Mumbai, India	100.0	3.1	0.2	
Bayer Philippines, Inc.	Makati City, Philippines	100.0	18.0	2.4 *)	
Bayer Polymers (Shanghai) Co. Ltd.	Shanghai, China	100.0	(6.0)	(23.3) *)	
Bayer Polyurethanes (Shanghai) Co. Ltd.	Shanghai, China	100.0	347.0	(116.5) *)	
Bayer Polyurethanes Taiwan Ltd.	Taipei, Taiwan	94.9	29.2	3.6 *)	
Bayer Sheet Korea Ltd.	Kimhae-City, South Korea	100.0	10.6	5.0 *)	
Bayer Taiwan Company Ltd.	Taipei, Taiwan	100.0	22.9	3.2 *)	
Bayer Technology and Engineering (Shanghai) Company Limited	Shanghai, China	100.0	5.2	0.0 *)	
Bayer Thai Co., Ltd.	Bangkok, Thailand	100.0	307.2	15.4 *)	
Bayer TPU (Shenzhen) Co. Ltd.	Shenzhen, China	100.0	7.3	0.4 *)	
Bayer Uretech Ltd.	Yu Pu Village, Taiwan	100.0	8.5	1.0 *)	
Bayer Vietnam Ltd.	Bien Hoa City, Vietnam	100.0	14.3	4.4 *)	
Bayer Yakuhin, Ltd.	Osaka, Japan	100.0	93.4	38.8 *)	
BCS (Private) Limited	Karachi, Pakistan	100.0	(2.1)	0.0 *)	
Bilag Industries Private Ltd.	Vapi, India	100.0	111.4	35.1 *)	
Chemdyes Pakistan (Private) Limited	Karachi, Pakistan	100.0	0.3	0.0 *)	

*) provisional result

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Cotton Growers Services Pty. Limited	Wee Waa, Australia	50.0	4.1	0.0 *)	
DIC Bayer Polymer Ltd.	Tokyo, Japan	50.0	6.5	0.7 *)	
Guangzhou Bayer Material-Science Company Limited	Guangzhou, China	100.0	8.6	(6.5) *)	
Intendis K.K.	Osaka, Japan	100.0	1.9	0.4 *)	
Medipharm (Pvt) Ltd.	Lahore, Pakistan	100.0	4.8	1.3 *)	
Medrad Medical Equipment Trading Company	Beijing, China	100.0	(0.3)	(0.8) *)	
Myanmar Aventis CropScience Ltd.	Yangon, Myanmar	100.0	0.1	0.0 *)	
Nunhems Beijing Seeds Co. Ltd.	Beijing, China	95.0	3.5	0.3 *)	
Nunhems India Private Limited	Haryana, India	100.0	11.5	2.4 *)	
PT. Bayer Indonesia	Jakarta, Indonesia	99.8	82.7	14.8 *)	
PT. Bayer MaterialScience Indonesia	Jakarta, Indonesia	99.9	13.8	1.3 *)	
Schering (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	100.0	0.2	0.0 *)	
Schering Pty. Limited	Alexandria, Australia	100.0	0.5	0.0 *)	
Sumika Bayer Urethane Co., Ltd.	Osaka, Japan	60.0	12.0	(30.8) *)	
Teijin-Bayer Polytec Ltd.	Tokyo, Japan	50.0	0.5	0.0 *)	
U I M Agrochemicals (Aust) Pty Ltd.	East Hawthorn, Australia	100.0	1.6	0.0 *)	

Latin America/Africa/Middle East

AgrEvo Middle East (Cyprus) Ltd. (in liquidation)	Limassol, Cyprus	100.0	0.1	0.0	
AgrEvo South Africa (Pty) Ltd.	Isando, South Africa	100.0	3.0	0.0 *)	
Alimtec S.A.	Santiago, Chile	40.0	1.8	(0.5) *)	
Aventis CropScience Malawi Ltd.	Blantyre, Malawi	100.0	0.1	0.0 *)	
Bayer (Proprietary) Limited	Isando, South Africa	100.0	94.6	5.0 *)	
Bayer Algeria S.P.A.	Algier, Algeria	100.0	(0.1)	0.0 *)	
Bayer Boliviana Ltda	Santa Cruz de la Sierra, Bolivia	100.0	0.7	0.2 *)	
Bayer Central America Sociedad Anonima	San José, Costa Rica	100.0	0.4	0.1 *)	
Bayer Cropscience SA	Bogotá, Colombia	100.0	61.4	2.7 *)	
Bayer de México, S.A. de C.V.	Mexico City, Mexico	100.0	171.9	59.4 *)	
Bayer Distribuidora de Produtos Químicos e Farmacêuticos Ltda.	São Paulo, Brazil	100.0	0.4	0.0 *)	
Bayer East Africa Ltd.	Nairobi, Kenya	55.0	10.5	2.0 *)	
Bayer IMSA, S.A. de C.V.	Nuevo León, Mexico	50.0	6.6	2.8 *)	
Bayer Israel LTD.	Hod Hasharon, Israel	100.0	1.9	1.6 *)	
Bayer Middle East FZE	Dubai, United Arab Emirates	100.0	1.0	0.0 *)	

*) provisional result

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Bayer Middle East Limited Liability Company	Dubai, United Arab Emirates	49.0	0.0	0.0	
Bayer Parsian AG	Tehran, Iran	100.0	0.3	0.4 *)	
Bayer S. A.	Asunción, Paraguay	100.0	14.0	2.0 *)	
Bayer S. A.	Bogotá, Colombia	100.0	63.6	12.0 *)	
Bayer S. A.	Buenos Aires, Argentina	100.0	130.9	25.0 *)	
Bayer S. A.	Caracas, Venezuela	100.0	40.2	0.8 *)	
Bayer S. A.	Casablanca, Morocco	100.0	25.2	3.7 *)	
Bayer S. A.	Colón, Panama	100.0	9.7	3.9 *)	
Bayer S. A.	Guatemala City, Guatemala	100.0	35.1	6.8	
Bayer S. A.	Lima, Peru	89.3	35.0	6.5 *)	
Bayer S. A.	Managua, Nicaragua	100.0	2.5	0.5 *)	
Bayer S. A.	Quito, Ecuador	100.0	12.4	2.1 *)	
Bayer S. A.	San José, Costa Rica	100.0	11.7	0.3 *)	
Bayer S. A.	Santiago, Chile	100.0	135.0	(13.7) *)	
Bayer S. A.	Santo Domingo, Dominican Republic	100.0	10.3	2.4	
Bayer S. A.	São Paulo, Brazil	100.0	457.1	(0.3) *)	
Bayer S. A. de C. V.	Tegucigalpa, Honduras	100.0	4.3	1.0 *)	
Bayer SA	Montevideo, Uruguay	100.0	14.2	0.4 *)	
Bayer Schering Pharma Moçambique, Lda	Maputo, Mozambique	100.0	0.0	0.0 *)	
Bayer Türk Kimya Sanayi Limited Sirketi	Istanbul, Turkey	100.0	90.9	(3.3) *)	
Bayer Zimbabwe (Private) Limited	Harare, Zimbabwe	100.0	0.3	0.0 *)	
Bayer, S. A.	San Salvador, El Salvador	100.0	13.2	2.4	
BaySystems Pearl FZCO	Dubai, United Arab Emirates	51.0	8.9	3.1 *)	
BaySystems Pearl Limited Liability Company	Dubai, United Arab Emirates	49.0	0.0	0.0	
Centro Estratégico Canada Latinoamerica S. A. de C. V.	Mexico City, Mexico	100.0	1.9	0.0 *)	
Comercial Interamericana, S. A.	Guatemala City, Guatemala	100.0	0.0	0.0	
Coopers Environmental Health Pty Ltd.	Pomona Gardens, South Africa	26.0	1.3	0.2 *)	
Corporación Bonima S. A. de C. V.	Ilopango, El Salvador	99.8	29.1	1.7 *)	
CROPSA S. A. C.	Lima, Peru	100.0	1.6	0.4 *)	
Farmaco Ltda.	São Paulo, Brazil	100.0	0.1	0.0 *)	
Intendis do Brasil Farmacêutica Ltda.	Itapevi, Brazil	100.0	3.9	1.6 *)	
Intendis Ilac Ticaret Limited Sirketi	Istanbul, Turkey	100.0	5.9	(1.1) *)	
Intendis Mexicana S. A. de C. V.	Mexico City, Mexico	100.0	1.0	0.4 *)	

*) provisional result

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot-notes
		%	€ million	€ million	
Junta Comercializadora de Productos de Latinoamerica, S.A. de C.V.	Mexico City, Mexico	100.0	0.0	0.0 *)	
Laboratorio Berlimed S.A.	Santiago, Chile	100.0	0.0	0.0	
Mediterranean Seeds Ltd.	Einat, Israel	100.0	1.0	0.1 *)	
Miles, S.A. Guatemala Branch	Guatemala City, Guatemala	100.0	0.0	0.0	
Nunhems Chile S.A.	Santiago, Chile	100.0	2.3	0.7 *)	
Nunhems do Brasil Comercio de Sementes Ltda	Campinas, Brazil	100.0	2.4	0.2 *)	
Nunhems Mexico S.A. de C.V.	Queretaro, Mexico	99.0	(0.8)	(0.3) *)	
Nunhems Tohumculuk Limited Sirketi	Antalya, Turkey	100.0	11.6	3.7 *)	
Paltough Industries (1998) Ltd.	Kibbutz Ramat Yochanan, Israel	25.0	46.3	5.0 *)	
Polygal (Management) 1998 Ltd.	Megiddo, Israel	25.7	0.0	0.0	
Polygal (Marketing) Ltd. Limited Partnership	Megiddo, Israel	25.0	1.2	0.5 *)	
Polygal Plastics Industries Ltd.	Kibbutz Ramat Yochanan, Israel	25.8	12.0	0.8 *)	
PROQUINA Productos Químicos Naturales, S.A. de C.V.	Orizaba, Mexico	100.0	16.5	2.0 *)	
Químicas Unidas S.A.	Havanna, Cuba	100.0	0.0	0.0	
Schering (Pty) Ltd.	Midrand, South Africa	100.0	17.0	0.0	
Schering do Brasil Química e Farmacêutica Ltda.	São Paulo, Brazil	100.0	49.7	7.0 *)	
Schering Peruana S.A.	Lima, Peru	100.0	0.0	0.0 *)	
Wenkem SA (Proprietary) Limited	Midrand, South Africa	24.9	1.4	(0.1)	

*) provisional result

In addition, Bayer AG directly or indirectly holds more than 5% of the voting rights in the following major companies, which are not included in the above list (disclosure pursuant to Section 285 No. 11 of the German Commercial Code).

Other Interests in Large Limited Liability Companies

Company Name	Place of Business	Bayer's interest
		%
Hokkai Sankyo Co. Ltd.	Tokyo, Japan	19.8
Salzgewinnungsgesellschaft Westfalen mbH & Co. KG	Ahaus, Germany	10

Bayer AG is a partner with unlimited liability in Currenta GmbH & Co. OHG, Leverkusen (disclosure pursuant to Section 285 No. 11a of the German Commercial Code).

Leverkusen, February 15, 2010

Bayer Aktiengesellschaft
The Board of Management

Proposal for Distribution of the Profit

The net income of Bayer AG in 2009 amounted to €2,226 million. €1,068 million was allocated to other retained earnings, giving a distributable profit of €1,158 million. We propose that this amount be used to pay a dividend of €1.40 per no-par share (826,947,808 shares) on the capital stock of €2,117 million entitled to the dividend for 2009.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair representation of the assets, liabilities, financial position and profit or loss of the company, and that the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Leverkusen, February 15, 2010
Bayer Aktiengesellschaft

The Board of Management



Werner Weining



Werner Baumann



Dr. Marijn Dekkers



Klaus Kühn



Dr. Wolfgang Plischke



Dr. Richard Pott

Auditor's Report

We have audited the annual financial statements – comprising the balance sheet, income statement and notes – together with the accounting system, and the management report – which is combined with the Group management report – of Bayer Aktiengesellschaft, Leverkusen, Germany, for the financial year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Board of Management of Bayer AG. Our responsibility is to express an opinion on the annual financial statements, together with the accounting system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB (Handelsgesetzbuch – German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German generally accepted accounting principles and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German generally accepted accounting principles. The combined management report is consistent with the financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Essen, February 24, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Armin Slotta)
Wirtschaftsprüfer

(Anne Böcker)
Wirtschaftsprüferin

Report of the Supervisory Board

Dear stockholders:

During 2009 the Supervisory Board monitored the conduct of the company's business on a regular basis with the aid of detailed written and oral reports received from the Board of Management, and also acted in an advisory capacity. In addition, the Chairman of the Supervisory Board and the Chairman of the Board of Management maintained a constant exchange of information. In this way the Supervisory Board was kept continuously informed about the company's intended business strategy, corporate planning (including financial, investment and human resources planning), earnings performance, the state of the business and the situation in the company and the Group as a whole.

The documents relating to Board of Management decisions or actions which – by law or under the articles of incorporation or the rules of procedure – required the approval of the Supervisory Board were inspected by the Supervisory Board at its plenary meetings, sometimes after preparatory work by the committees. In certain cases the Supervisory Board gave its approval on the basis of documents circulated to its members. The Supervisory Board was involved in decisions of material importance to the company. We discussed at length the business trends described in the reports from the Board of Management and the prospects for the development of the Bayer Group as a whole, the individual organizational units and the principal affiliated companies in Germany and abroad.

Four plenary meetings of the Supervisory Board took place during 2009. In addition, two resolutions were passed outside of the meetings. One of these concerned the submission of a binding offer to acquire Athenix Corp., and the other related to an agreement with Genzyme Corp. to alter certain aspects of the existing collaboration and transfer the hematological oncology portfolio to Genzyme. No member of the Supervisory Board attended fewer than half of its meetings. All members of the Board of Management regularly attended the meetings of the Supervisory Board.

Principal topics discussed by the Supervisory Board

The deliberations of the Supervisory Board focused on questions relating to the strategies and business activities of the Group as a whole and of the subgroups, as well as on personnel decisions in connection with the appointment of successors to Werner Wenning and Klaus Kühn. Other topics were discussed at each of the meetings. At the meeting held in February, the Supervisory Board dealt at length with the Bayer Group's risk management system. At its September meeting the Supervisory Board appointed Dr. Marijn E. Dekkers a member of the Board of Management effective January 1, 2010, and Chairman of the Board of Management effective October 1, 2010. It also appointed Werner Baumann to the Board of Management effective January 1, 2010 and resolved on the service contracts



of both the new Board of Management members. At the meeting in December 2009, the Supervisory Board adapted the compensation system for the members of the Board of Management to the new statutory requirements and resolved on necessary amendments to their service contracts. At the meeting in December 2009, the Board of Management presented its planning for the business operations, the finances and the asset and liability structure of the Bayer Group in the years 2010 through 2012. This meeting also discussed the new version of the German Corporate Governance Code, approved the issuance of a new declaration of compliance and resolved on amendments to the Supervisory Board's rules of procedure.

Committees of the Supervisory Board

The Supervisory Board has a Presidial Committee, an Audit Committee, a Human Resources Committee and a Nominations Committee*.

* The description of the responsibilities and membership of the committees, which forms part of the Report of the Supervisory Board, can be found in the Corporate Governance Report on page 88ff. of the Bayer Annual Report 2009 and therefore is not reproduced here.

Work of the committees

In 2009 the Presidial Committee of the Supervisory Board resolved on two amendments to the wording of the articles of incorporation necessitated by the issuance of shares to service conversion rights under a convertible bond. The Presidial Committee was not required to convene in 2009 in its capacity as the Mediation Committee under Section 27 Paragraph 3 of the German Codetermination Act.

The Audit Committee met four times during the year, addressing in particular the company's and the Group's financial reporting, the Group's risk management system, the internal control system and corporate compliance issues. The Audit Committee also set the budget for the services of the external auditor and discussed with the auditor the main areas of the audit for the 2009 fiscal year. The auditor was present at all the meetings of the Audit Committee, reporting in detail on the audit work and the audit reviews of the interim financial statements.

The meetings of the Audit Committee also dealt with a number of other topics. At the February meeting, it discussed the risk report, the risk management system, legal risks and corporate compliance. At this meeting it also submitted a recommendation to the full Supervisory Board concerning the resolution to be put before the Annual Stockholders' Meeting on the appointment of the auditor of the financial statements. A focus of the April meeting was on the report of the Compliance Officer. At its October meeting, the Audit Committee deliberated on the most recent changes to the International Financial Reporting Standards (IFRS) and their consequences for the Bayer Group.

The Human Resources Committee convened on three occasions and also passed one resolution after the relevant documents had been circulated to its members. The subjects of the meetings and of this resolution passed outside of the meetings were predominantly matters concerning the compensation of the Board of Management. At its meeting in September, the Human Resources Committee also discussed the departure of Werner Wenning and Klaus Kühn, which will become effective during 2010, and the planned appointment of two new members, Dr. Marijn E. Dekkers and Werner Baumann. Recommendations concerning the related resolutions were submitted to the full Supervisory Board. At its December meeting, the Human Resources Committee addressed in detail the consequences of the newly enacted German Law on the Appropriateness of Management Board Compensation. It recommended that the Supervisory Board adapt the compensation system for the members of the Board of Management and make the necessary amendments to their service contracts.

On one occasion in 2009, in accordance with its responsibilities, the Nominations Committee discussed possible candidates for future election to the Bayer AG Supervisory Board as representatives of the stockholders.

The meetings and decisions of the committees were prepared on the basis of reports and other information provided by the Board of Management. Members of the Board of Management regularly attended the committee meetings. Reports on the committee meetings were presented at the plenary meetings of the Supervisory Board.

Corporate governance

The Supervisory Board dealt with the ongoing development of corporate governance at Bayer, taking into account the amendments made to the German Corporate Governance Code in June 2009. At its meeting in December, the Supervisory Board amended its own rules of procedure in line with the new recommendations of the Code and the new statutory requirements. In December 2009 the Board of Management and the Supervisory Board issued a new declaration of compliance, which is also reproduced in the Corporate Governance Report on page 88 of the Bayer Annual Report 2009.

Financial statements and audits

The financial statements of Bayer AG were prepared according to the requirements of the German Commercial Code and Stock Corporations Act. The consolidated financial statements of the Bayer Group were prepared according to the German Commercial Code and the International Financial Reporting Standards (IFRS). The combined management report was prepared according to the German Commercial Code. The auditor, PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, has audited the financial statements of Bayer AG, the consolidated financial statements of the Bayer Group and the combined management report. The conduct of the audit is explained in the auditor's reports. The auditor finds that Bayer has complied, as appropriate, with the German Commercial Code, the German Stock Corporations Act and/or the International Financial Reporting Standards endorsed by the European Union, and issues an unqualified opinion on the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group. The financial statements of Bayer AG, the consolidated financial statements of the Bayer Group, the combined management report and the audit reports were submitted to all members of the Supervisory Board. They were discussed in detail by the Audit Committee and at a plenary meeting of the Supervisory Board. The auditor submitted a report on both occasions and was present during the discussions.

We examined the financial statements of Bayer AG, the proposal for distribution of the profit, the consolidated financial statements of the Bayer Group and the combined management report. We found no objections, thus we concur with the result of the audit. We have approved the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group prepared by the Board of Management. The financial statements of Bayer AG are thus confirmed. We are in agreement with the combined management report and, in particular, with the assessment of the future development of the enterprise. We also concur with the dividend policy and the decisions concerning earnings retention by the company. We assent to the proposal for distribution of the profit, which provides for payment of a dividend of €1.40 per share.

The Supervisory Board would like to thank the Board of Management and all employees for their dedication and hard work in 2009.

Leverkusen, February 2010
For the Supervisory Board



DR. MANFRED SCHNEIDER
Chairman

Governance Bodies

HERMANN JOSEF STRENGER

Honorary Chairman of the Supervisory Board of Bayer AG, Leverkusen

Supervisory Board

Members of the Supervisory Board held offices as members of the supervisory board or a comparable supervising body of the corporation listed (as at December 31, 2009 or the date on which they ceased to be members of the Supervisory Board of Bayer AG):

DR. MANFRED SCHNEIDER

(born December 21, 1938)

Chairman of the Supervisory Board effective April 2002

- Daimler AG
- Linde AG (Chairman)
- RWE AG (Chairman, effective May 1, 2009)
- TUI AG

THOMAS DE WIN

(born November 21, 1958)

Vice Chairman of the Supervisory Board, Member of the Supervisory Board effective April 2002

Chairman of the Bayer Central Works Council

Chairman of the Works Council of the Leverkusen site of Bayer

- Bayer MaterialScience AG

DR. PAUL ACHLEITNER

(born September 28, 1956)

Member of the Supervisory Board effective April 2002

Member of the Board of Management of Allianz SE

- Allianz Deutschland AG
- Allianz Global Investors AG
- Henkel AG & Co. KGaA (Shareholders' Committee)
- RWE AG

ANDRÉ AICH

(born February 17, 1969)

Member of the Supervisory Board effective April 2007

Member of the Works Council of Bayer Schering Pharma AG

WILLY BEUMANN

(born April 12, 1956)

Member of the Supervisory Board effective February 2007

Chairman of the Works Council of the Wuppertal site of Bayer

- Bayer Schering Pharma AG (effective August 26, 2009)

DR. CLEMENS BÖRSIG

(born July 27, 1948)

Member of the Supervisory Board effective April 2007

Chairman of the Supervisory Board of Deutsche Bank AG

- Daimler AG
- Deutsche Bank AG (Chairman)
- Emerson Electric Co. (effective February 2009)
- Linde AG

KARL-JOSEF ELLRICH

(born October 5, 1949)

Member of the Supervisory Board effective April 2000

Chairman of the Bayer Group Works Council

Chairman of the Works Council of the Dormagen site of Bayer

- Bayer CropScience AG (Vice Chairman)

DR.-ING. THOMAS FISCHER

(born August 27, 1955)

Member of the Supervisory Board effective October 2005

Chairman of the Group Managerial Employees' Committee of Bayer

- Bayer MaterialScience AG

PETER HAUSMANN

(born February 13, 1954)

Member of the Supervisory Board effective April 2006

North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union (until November 6, 2009)

Member of the Executive Committee of the German Mining, Chemical and Energy Industrial Union (effective October 13, 2009)

- Evonik Services GmbH

PROF. DR.-ING. E.H. HANS-OLAF HENKEL

(born March 14, 1940)

Member of the Supervisory Board effective April 2002

Honorary Professor at the University of Mannheim

- Continental AG
- Daimler Luft- und Raumfahrt Holding AG
- EPG AG (until December 15, 2009)
- Heliad Equity Partners GmbH & Co. KGaA (effective March 9, 2009)
- Ringier AG
- SMS GmbH

REINER HOFFMANN

(born May 30, 1955)

Member of the Supervisory Board effective October 2006

Deputy General Secretary of the European Trade Union Confederation (ETUC)

North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union (effective November 6, 2009)

- SASOL Germany GmbH

DR. RER. POL. KLAUS KLEINFELD

(born November 6, 1957)

Member of the Supervisory Board
effective April 2005

Chief Executive Officer of ALCOA Inc.

PETRA KRONEN

(born August 22, 1964)

Member of the Supervisory Board
effective July 2000Chairwoman of the Works Council of the
Uerdingen site of Bayer

- Bayer MaterialScience AG
(Vice Chairwoman effective December 7,
2009)

DR. RER. NAT. HELMUT PANKE

(born August 31, 1946)

Member of the Supervisory Board
effective April 2007

Member of various supervisory boards

- Microsoft Corporation
- Singapore Airlines Limited
(effective September 1, 2009)
- UBS AG

HUBERTUS SCHMOLDT

(born January 14, 1945)

Member of the Supervisory Board
effective January 1995Chairman of the German Mining, Chemical
and Energy Industrial Union
(until October 13, 2009)

Member of various supervisory boards

- Deutsche BP AG (Vice Chairman)
- Dow Olefinverbund GmbH
(Vice Chairman)
- E.ON AG (Vice Chairman)
- RAG AG (Vice Chairman)
- RAG Deutsche Steinkohle AG
(Vice Chairman effective May 13, 2009)

DR.-ING. EKKEHARD D. SCHULZ

(born July 24, 1941)

Member of the Supervisory Board
effective April 2005Chairman of the Executive Board of
ThyssenKrupp AG

- AXA Konzern AG
- MAN SE (Vice Chairman)
- RWE AG
- ThyssenKrupp Elevator AG
(effective September 17, 2009,
Chairman effective October 16, 2009)
- ThyssenKrupp Services AG (Chairman)
(until September 30, 2009)
- ThyssenKrupp Steel Europe AG (former
ThyssenKrupp Steel AG) (Chairman)
- ThyssenKrupp Technologies AG
(Chairman) (until October 11, 2009)

DR. KLAUS STURANY*

(born October 23, 1946)

Member of the Supervisory Board
effective April 2007

Member of various supervisory boards

- Hannover Rückversicherung AG
- Heidelberger Druckmaschinen AG
- Österreichische Industrieholding AG
- Sulzer AG (effective August 18, 2009)

DIPL.-ING. DR.-ING. E.H. JÜRGEN WEBER

(born October 17, 1941)

Member of the Supervisory Board
effective April 2003Chairman of the Supervisory Board of
Deutsche Lufthansa AG

- Allianz Lebensversicherungs-AG
- Deutsche Lufthansa AG (Chairman)
- Loyalty Partner Holding GmbH
(Chairman)
- Tetra Laval Group
- Voith AG
- Willy Bogner GmbH & Co. KGaA

PROF. DR. DR. H.C. ERNST-LUDWIG WINNACKER

(born July 26, 1941)

Member of the Supervisory Board
effective April 1997Secretary General of the Human Frontier
Science Program (effective July 1, 2009)

- Medigene AG (Chairman)
- Wacker Chemie AG

OLIVER ZÜHLKE

(born December 11, 1968)

Member of the Supervisory Board
effective April 2007Vice Chairman of the Works Council of the
Leverkusen site of Bayer

* independent expert member pursuant to Section 100
Paragraph 5 of the German Stock Corporation Act (AktG)

Board of Management

Members of the Board of Management held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as at December 31, 2009):

WERNER WENNING

(born October 21, 1946)

Chairman of the Board of Management, appointed until September 30, 2010

- Bayer Schering Pharma AG (Chairman) (until August 26, 2009)
- Deutsche Bank AG
- E.ON AG
- HDI V.a.G. (effective October 1, 2009)
- Henkel AG & Co. KGaA, Shareholders' Committee
- Talanx AG (effective October 1, 2009)

WERNER BAUMANN

(born October 6, 1962)

Member of the Board of Management effective January 1, 2010, appointed until December 31, 2012

- Bayer Business Services GmbH (until December 31, 2009)
 - DIREVO Biotech AG (until March 31, 2009)
-

DR. MARIJN DEKKERS

(born September 22, 1957)

Member of the Board of Management effective January 1, 2010, appointed until December 31, 2014

- President und Chief Executive Officer of Thermo Fisher Scientific, Inc. (until October 15, 2009)
- Biogen Idec, Inc. (until December 31, 2009)
-

KLAUS KÜHN

(born February 11, 1952)

Member of the Board of Management, appointed until April 30, 2010

- Bayer Business Services GmbH (Chairman)
 - Bayer CropScience AG (Chairman)
 - Bayer Schering Pharma AG (until August 26, 2009)
-

DR. WOLFGANG PLISCHKE

(born September 15, 1951)

Member of the Board of Management, appointed until February 28, 2014

- ARK Therapeutics, Non-Executive Director
 - Bayer Innovation GmbH, Shareholders' Committee (Chairman)
 - Bayer MaterialScience AG (Chairman)
 - Bayer Real Estate GmbH, Shareholders' Committee (Chairman) (effective March 13, 2009)
 - Bayer Technology Services GmbH (Chairman)
-

DR. RICHARD POTT

(born May 11, 1953)

Labor Director

Member of the Board of Management, appointed until April 30, 2012

- Bayer Chemicals AG (Chairman)
 - Bayer HealthCare AG (Chairman)
 - Bayer Innovation GmbH, Shareholders' Committee
 - Bayer Schering Pharma AG (Chairman) (effective August 26, 2009)
 - Currenta Geschäftsführungs-GmbH (Chairman)
-

Financial Calendar

2009 Annual Report	FEBRUARY 26, 2010
Q1 2010 Interim Report	APRIL 29, 2010
Annual Stockholders' Meeting 2010	APRIL 30, 2010
Payment of Dividend	MAY 3, 2010
Q2 2010 Interim Report	JULY 29, 2010
Q3 2010 Interim Report	OCTOBER 28, 2010
Annual Stockholders' Meeting 2011	APRIL 29, 2011
Payment of Dividend	MAY 2, 2011

MASTHEAD

Publisher

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Germany

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English edition

Currenta GmbH & Co. OHG
Language Service

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Date of publication

Friday, February 26, 2010

Bayer on the Internet

www.bayer.com

ISSN 0343/1975



Forward-Looking Statements:

The financial statements of Bayer AG contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual financial position, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Important Information:

The names "Bayer Schering Pharma" or "Schering" as used in this publication always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively.

