



Science For A Better Life

BAYER AG  
FINANCIAL STATEMENTS

2010



**COVER PICTURE**

In the cover picture of our Annual Report, chemist Dr. Christoph Gürtler – project manager at Bayer MaterialScience – and scientist Daniela d’Elia from RWTH Aachen University discuss how to use climate-damaging carbon dioxide as a valuable raw material for sustainable industrial production. This is the objective of the “Dream Production” project launched by Bayer and its partners in science and industry. The idea is to chemically bind  $\text{CO}_2$  and use it to partially replace conventional fossil raw materials in the manufacture of polymers. Our cover picture shows the two researchers viewing a scanning electron micrograph of a polyurethane foam.

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 2010. The financial statements and the Combined Management Report of the Bayer Group and Bayer AG for fiscal 2010 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	2009	2010
		€ million	€ million
Income from investments in affiliated companies – net	[1]	2,984	2,045
Interest expense – net	[2]	(683)	(516)
Other non-operating income (expense) – net	[3]	276	128
Other operating income	[4]	169	165
General administration expenses		(177)	(200)
Other operating expenses	[5]	(142)	(173)
<b>Income before income taxes</b>		<b>2,427</b>	<b>1,449</b>
Income taxes	[6]	(201)	(204)
<b>Net income</b>		<b>2,226</b>	<b>1,245</b>
Allocation to retained earnings		(1,068)	(5)
<b>Distributable profit</b>		<b>1,158</b>	<b>1,240</b>

# Statements of Financial Position

	Note	Dec. 31, 2009	Dec. 31, 2010
		€ million	€ million
<b>ASSETS</b>			
<b>Noncurrent assets</b>			
Intangible assets	[12]	24	20
Property, plant and equipment	[13]	371	327
Investments	[14]	34,594	34,267
		<b>34,989</b>	<b>34,614</b>
<b>Current assets</b>			
Receivables and other assets			
Trade accounts receivable	[15]	19	24
Receivables from subsidiaries	[16]	1,928	2,040
Other assets	[17]	361	424
	[18]	<b>2,308</b>	<b>2,488</b>
Marketable securities	[19]	0	300
Cash and cash equivalents	[20]	1,862	1,831
		<b>4,170</b>	<b>4,619</b>
<b>Deferred charges</b>	[21]	<b>20</b>	<b>16</b>
<b>Surplus from offsetting</b>	[22]	<b>.</b>	<b>.</b>
		<b>39,179</b>	<b>39,249</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	[23]		
Capital stock		2,117	2,117
Capital reserves		6,176	6,176
Other retained earnings		4,940	4,945
Distributable profit		1,158	1,240
		<b>14,391</b>	<b>14,478</b>
<b>Provisions</b>			
Provisions for pensions and other post-employment benefits	[24]	2,869	2,839
Other provisions	[25]	389	489
		<b>3,258</b>	<b>3,328</b>
<b>Other liabilities</b>			
Bonds and promissory notes	[26]	6,137	5,837
Liabilities to banks		892	5
Trade accounts payable	[27]	17	28
Payables to subsidiaries	[28]	13,965	15,149
Miscellaneous liabilities	[29]	517	422
	[30]	<b>21,528</b>	<b>21,441</b>
<b>Deferred income</b>		<b>2</b>	<b>2</b>
		<b>39,179</b>	<b>39,249</b>

# 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). As in the previous year, the provisions of the German Accounting Law Modernization Act (BilMoG), which came into force on May 29, 2009, have been applied.

Certain items in the income statement and statement of financial position are combined for the sake of clarity; they are 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.COM/EN/CORPORATE-GOVERNANCE.ASPX](http://www.bayer.com/en/corporate-governance.aspx).

As in the previous year, the management report of Bayer AG 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 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 €410. A different ruling applied for assets acquired or constructed in 2008 and 2009. These were depreciated in full in the year of acquisition if their cost of acquisition or construction did not exceed €150. Assets with an acquisition or construction cost of between €150 and €1,000 were aggregated annually in a single item, which was 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.

Receivables and other assets are stated at nominal value, less any necessary write-downs for amounts are unlikely to be recovered. Interest-free receivables, or receivables that bear low interest rates, that are due in more than one year are recognized at discounted value.

Marketable securities are shown at the lower of cost or market as of the closing date.

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. 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 off-setting.

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

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 31.27%. 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 the deferred tax asset would not be used. In 2010 there was a deferred tax asset, which was accordingly not recognized in the statement of financial position.

Provisions for pensions and other post-employment benefits are computed using the projected unit credit method, based on the actuarial method that calculates biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. We currently assume annual salary increases of 3.00% (2009: 2.50%) and annual pension increases of 1.75% (2009: 1.75%). The discount factor used for pension provisions was 5.15% as of December 31, 2010 (2009: 5.25%), which is the average market interest rate for the past seven years for instruments with an assumed remaining maturity of 15 years, as determined and published by the German Bundesbank.

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.

Liabilities are recognized at the settlement amount as of the closing date. Noncurrent liabilities containing an interest component 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 using the net hedge presentation method. 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

	2009	2010
	€ million	€ million
Dividends and similar income		
• of which €137 million (2009: €141 million) from subsidiaries	141	137
Income from profit and loss transfer agreements with subsidiaries	3,312	2,221
Expenses from profit and loss transfer agreements with subsidiaries	(456)	(266)
Write-downs of investments in affiliated companies	(15)	(107)
Write-ups of investments in affiliated companies	-	60
Gains from the sale of investments in affiliated companies	2	-
	<b>2,984</b>	<b>2,045</b>

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 2010 comprised €96 million relating to Bayer s.a.s., France, €10 million relating to Bayer MaterialScience Private Ltd., India, and €1 million relating to SYGNIS Pharma AG. The write-downs of €15 million in 2009 related to zAO Bayer, Russian Federation.

The write-up of €60 million related to Bayer Technology Services GmbH.

### (2) Interest expense – net

#### Interest Expense – Net

	2009	2010
	€ million	€ million
Other interest and similar income		
• of which €77 million (2009: €89 million) from subsidiaries	504	457
Interest and similar expenses		
• of which €211 million (2009: €313 million) to subsidiaries	(1,035)	(802)
Interest portion of pension and other noncurrent personnel-related provisions (net)	(152)	(171)
	<b>(683)</b>	<b>(516)</b>

Details of the net interest position are given in the Combined Management Report of Bayer AG and the Bayer Group.

Expenses for the interest portion of pension and other noncurrent personnel-related provisions comprised the net expenses after offsetting income from the assets held by Bayer Pension Trust e.V., Leverkusen, Germany, and the impact of the change in the discount rate. The assets held by Bayer Pension Trust serve the sole purpose of meeting obligations relating to pensions and credit balances on employees' long-term worktime accounts. They are protected from other creditors.

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

Income from 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**

	2009	2010
	€ million	€ million
Interest portion of pension and other noncurrent personnel-related provisions (gross)	(152.9)	(171.2)
Income from assets held by Bayer Pension Trust	0.6	(0.1)
<b>Interest portion of pension and other noncurrent personnel-related provisions (net)</b>	<b>(152.3)</b>	<b>(171.3)</b>

**(3) Other non-operating income (expense) – net****Other Non-Operating Income (Expense) – Net**

	2009	2010
	€ million	€ million
Changes in provisions for pensions and other noncurrent personnel-related provisions (excluding interest portion)	72	(6)
Allocation to pension provisions assigned to subsidiaries	77	144
Expenses from currency translation		
- Realized exchange losses	(1,492)	(2,039)
- Unrealized expenses from valuation	(54)	(14)
Income from currency translation		
- Realized exchange gains	1,666	2,038
- Unrealized income from valuation	1	-
Miscellaneous non-operating expenses	(11)	(3)
Miscellaneous non-operating income	17	8
	<b>276</b>	<b>128</b>

The interest portion of allocations to pension and other noncurrent personnel-related provisions is included in interest expense. Other non-operating income and expense contains further changes in pension provisions, not related to the interest portion, pertaining to former employees of Bayer AG who retired before the hive-down of the business areas and service areas (effective date: July 1, 2002) 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 parameters.

The expenses for allocations to the above provisions for employees who retired or left the company before July 1, 2002 are reimbursed by the subsidiaries on a pro-rata basis under the respective carve-out agreements.

Of the miscellaneous non-operating expenses, €3 million (2009: €11 million) comprised bank charges. Miscellaneous non-operating income included €6 million (2009: €6 million) from fees for guarantees. Gains of €2 million (2009: €2 million) relate to the sale or exercise of stock options used to hedge price risks relating to the company's stock-based compensation programs. In 2009 miscellaneous non-operating income included €6 million in repayments of the loan granted to Bayer AB, Sweden, that had previously been written down.

## (4) Other operating income

Other operating income comprised:

### Other Operating Income

	2009	2010
	€ million	€ million
Income from the leasing of real estate	82	83
Income from the provision of services	78	74
Reversals of unutilized provisions	7	1
Miscellaneous income	2	7
	<b>169</b>	<b>165</b>

The income from the leasing of real estate owned by Bayer AG principally related to real estate leased to Bayer Real Estate GmbH, which subleased it 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.

## (5) Other operating expenses

Other operating expenses comprised:

### Other Operating Expenses

	2009	2010
	€ million	€ million
Expenses in connection with the leasing of real estate	63	65
Expenses for the provision of services	62	56
Expenses for corporate advertising	10	11
Write-downs of buildings	-	27
Miscellaneous expenses	7	14
	<b>142</b>	<b>173</b>

## (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, 2010, Bayer AG expected a future tax refund of €256 million (2009: €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 31.27% (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. These mainly relate to the netting of pension obligations against the underlying plan assets as prescribed by German commercial law, 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 €14 million (2009: €9 million).

## (8) Cost of materials

### Cost of Materials

	2009	2010
	€ million	€ million
Expenses for raw materials, supplies and goods purchased for resale	1	3
Expenses for purchased services	3	2
	<b>4</b>	<b>5</b>

## (9) Personnel expenses/Employees

### Personnel Expenses

	2009	2010
	€ million	€ million
Wages and salaries	90	95
Social expenses	7	8
Pension expenses	7	16
	<b>104</b>	<b>119</b>

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 average number of employees at Bayer AG was 677 in 2010 (2009: 653). Part-time employees are included in this figure on a pro-rated basis.

## (10) Stock-based compensation

As an additional remuneration component, Bayer AG offers its employees long-term stock-based compensation programs. Different collective programs are offered to different groups of employees.

The "Aspire" program for members of the Board of Management, other senior executives and middle managers comprises two variants. In addition, all management levels and non-managerial employees are offered the BayShare stock participation program, which is set manually by the Board of Management.

Further, in 2001 through 2004, Bayer offered middle managers a Stock Incentive Program, running for 10 years, and a Stock Participation Program for all other employees.

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

	2009	2010
Dividend yield	2.49 %	2.69 %
Risk-free interest rate	1.57 %	1.12 %
Volatility of Bayer shares	34.93 %	34.43 %
Volatility of the Dow Jones EURO STOXX 50	29.46 %	31.09 %
Correlation between the Bayer share price and the Dow Jones EURO STOXX 50	0.68	0.69

### 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). At the end of each tranche of this program, participants receive a certain percentage of their target opportunity expressed in monetary terms. The amount depends on the price performance of Bayer stock, both in absolute terms and relative to the Dow Jones EURO STOXX 50. For the Aspire tranches up to 2009, this was limited to a maximum of 200%. Each of these tranches has a three-year performance period. This program was modified as from 2010: the ceiling for awards from the new tranches is now 300% and each tranche runs for four years. As a transition arrangement, in 2010 a final tranche was issued on the old conditions, but for only half the previous volume.

The 2007 Aspire tranche expired at the start of 2010 with participants receiving 200% of their target opportunities. The 2008 tranche expired at the end of the year. The payment of 45% of the target opportunity was made at the beginning of 2011.

### **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. For the tranches issued until 2009, the maximum payment is 150% of each manager's Aspire target opportunity. For the new tranches it is 250%.

At the start of 2010 managers participating in the Aspire II program received a payment of 150% of their target opportunity for the 2007 tranche. The performance required for payment under the 2008 tranche of this program was not achieved. Consequently, this tranche expired without any payment being made.

### **BAYSHARE**

Under the BayShare program, Bayer subsidizes eligible employees' personal investments in Bayer stock. The discount under this program is set separately each year. In 2010 it was 20% of the subscription amount, as in the previous year. The maximum subscription amount was set at €2,500 or €5,000, 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 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. Shares sold during the term of the program 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**

The structure of this program 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 €4 million (2009: €9 million) on stock-based compensation programs. This amount is reflected in personnel expenses. Provisions for these programs amounted to €6 million as of December 31, 2010 (2009: €11 million).

## **(11) Valuation write-downs**

In 2010 write-downs of €107 million (2009: €15 million) were made to reflect declines in the value of shares in subsidiaries that were expected to be permanent. Write-downs of €27 million (2009: €1 million) were made on buildings.

# 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, 2009	41	1	42
Transfers	1	(1)	-
<b>Gross carrying amounts, Dec. 31, 2010</b>	<b>42</b>	<b>-</b>	<b>42</b>
Accumulated amortization and write-downs, Dec. 31, 2009	18	-	18
Amortization and write-downs in 2010	4	-	4
<b>Accumulated amortization and write-downs, Dec. 31, 2010</b>	<b>22</b>	<b>-</b>	<b>22</b>
<b>Net carrying amounts, Dec. 31, 2010</b>	<b>20</b>	<b>-</b>	<b>20</b>
Net carrying amounts, Dec. 31, 2009	23	1	24

## (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, 2009	2,104	14	1	2,119
Capital expenditures	6	-	1	7
Retirements	(14)	-	-	(14)
Transfers	-	1	(1)	-
<b>Gross carrying amounts, Dec. 31, 2010</b>	<b>2,096</b>	<b>15</b>	<b>1</b>	<b>2,112</b>
Accumulated depreciation and write-downs, Dec. 31, 2009	1,741	7	-	1,748
Depreciation and write-downs in 2010	49	-	-	49
Retirements	(12)	-	-	(12)
<b>Accumulated depreciation and write-downs, Dec. 31, 2010</b>	<b>1,778</b>	<b>7</b>	<b>-</b>	<b>1,785</b>
<b>Net carrying amounts, Dec. 31, 2010</b>	<b>318</b>	<b>8</b>	<b>1</b>	<b>327</b>
Net carrying amounts, Dec. 31, 2009	363	7	1	371

## (14) Investments

### Investments

	Investments in subsidiaries	Investments in other affiliated companies	Other loans	Total
	€ million	€ million	€ million	€ million
Gross carrying amounts, Dec. 31, 2009	34,207	69	466	34,742
Additions	339	-	100	439
Retirements	(718)	-	(1)	(719)
<b>Gross carrying amounts, Dec. 31, 2010</b>	<b>33,828</b>	<b>69</b>	<b>565</b>	<b>34,462</b>
Accumulated write-downs, Dec. 31, 2009	80	67	1	148
Write-downs in 2010	106	1	-	107
Retirements	(60)	-	-	(60)
<b>Accumulated write-downs, Dec. 31, 2010</b>	<b>126</b>	<b>68</b>	<b>1</b>	<b>195</b>
<b>Net carrying amounts, Dec. 31, 2010</b>	<b>33,702</b>	<b>1</b>	<b>564</b>	<b>34,267</b>
Net carrying amounts, Dec. 31, 2009	34,127	2	465	34,594

In 2010 eight foreign subsidiaries were transferred to the newly founded company Bayer Global Investments B.V., Netherlands. This resulted in additions to and retirements from investments in subsidiaries amounting to €332 million in each case. An addition of €7 million resulted from a capital increase at Bayer (South East Asia) Pte. Ltd., Singapore. Retirements included capital repayments of €350 million by Bayfin GmbH and of €36 million by Bayer S.A.S., France. Write-downs in 2010 comprised €96 million at Bayer S.A.S., France, and €10 million at Bayer Material-Science Private Ltd, India. A write-down of €60 million on Bayer Technology Services GmbH in previous years was reversed due to a sustained recovery in value.

A list of Bayer AG's direct and indirect holdings can be found in Note 37 and forms part of these Notes.

In 2008 Bayer AG established a repayable "effective initial fund" of €800 million for Bayer-Pensionskasse VVaG. A €100 million tranche of this was drawn in 2010. A total of €410 million of the effective initial fund has now been drawn. Since the loans made by the effective initial fund are interest-bearing, they are contained in other loans.

## (15) Trade accounts receivable

### Trade Accounts Receivable

	Dec. 31, 2009	Dec. 31, 2010
	€ million	€ million
Accounts receivable from subsidiaries	17	21
Accounts receivable from other customers	2	3
	<b>19</b>	<b>24</b>

## (16) Accounts receivable from subsidiaries

Accounts receivable from subsidiaries mainly comprise financial receivables, for example, in connection with loans or overnight funds.

## (17) Other assets

The other assets include €147 million (2009: €176 million) for assets which only arose from a legal viewpoint after year end. These were almost exclusively accrued interest totaling €145 million (2009: €175 million). Further, other assets contains €104 million (2009: €84 million) in claims for tax refunds, €109 million (2009: €6 million) in current receivables from loans, €40 million (2009: €78 million) in premiums paid to conclude options transactions and a large number of other items such as payroll receivables, advance payments and amounts that cannot yet be invoiced.

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

Total receivables and other assets amounting to €2,488 million (2009: €2,308 million) included 104 million (2009: €92 million) due in more than one year. Of this total, €87 million (2009: €84 million) comprises receivables from subsidiaries and €17 million (2009: €8 million) comprises other assets.

## (19) Securities

The securities recognized as of December 31, 2010 comprised units in money market funds.

## (20) Cash and cash equivalents

Cash and cash equivalents as of December 31, 2010 included €29 million (2009: €27 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.

## (21) Deferred charges

Deferred charges as of December 31, 2010 include unamortized discounts totaling €13 million pertaining to bonds issued by Bayer AG between 2002 and 2008. The amount of €18 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.

## (22) Surplus from offsetting

Obligations relating to credit balances on employees' long-term worktime 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 worktime accounts and are protected from other creditors. They were offset against the underlying obligations. 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.

### Surplus from Offsetting

	Dec. 31, 2009	Dec. 31, 2010
	€ million	€ million
Settlement value of obligations relating to credit balances on employees' long-term worktime accounts	0.9	1.3
Fair value of assets invested with Bayer Pension Trust	1.0	1.4
<b>Difference between assets and obligations relating to long-term worktime accounts (surplus from offsetting)</b>	<b>0.1</b>	<b>0.1</b>
Acquisition cost of assets invested with Bayer Pension Trust	0.9	1.4

## (23) Equity

Equity changed as follows in 2010:

### Equity

	Dec. 31, 2009	Dividend for 2009	Net income	Dec. 31, 2010
	€ million	€ million	€ million	€ million
Capital stock	2,117	-	-	2,117
Capital reserves	6,176	-	-	6,176
Other retained earnings	4,940	-	5	4,945
Distributable profit	1,158	(1,158)	1,240	1,240
	<b>14,391</b>	<b>(1,158)</b>	<b>1,245</b>	<b>14,478</b>

The capital stock of Bayer AG was unchanged from the previous year and amounted to €2,116,986,388.48, divided into 826,947,808 registered shares and fully paid in. Each share confers one voting right.

New authorized capital of €530,000,000 was approved by the Annual Stockholders' Meeting on April 30, 2010. It expires on April 29, 2015. 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 €423,397,120 (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 bonds with optional or mandatory warrants or conversion rights issued by Bayer AG or its Group companies who would be entitled to sub-

scription rights upon the exercise of such optional or mandatory warrants or conversion rights. 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. The amount of capital stock represented by shares issued in the above cases against cash contributions and/or contributions in kind without granting subscription rights to the stockholders must not exceed a total of 20% of the capital stock that existed on the date the authorized capital was approved by the Annual Stockholders' Meeting.

Further authorized capital was also approved at the Annual Stockholders' Meeting on April 30, 2010. The Board of Management is authorized until April 29, 2015 to increase the capital stock, subject to the approval of the Supervisory Board, by up to a total amount of up to €211,698,560 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 or the total of such capital increases does not exceed 10% of the capital stock existing at the time this authorization becomes effective or the time it is exercised, for purposes of issuing new shares against cash contributions at a price that is not significantly below the market price of the company's shares of the same category that are already listed on the stock exchange on the date the issue price is finally determined. Any treasury 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 (AktG) in conjunction with Section 186 Paragraph 3 Sentence 4 AktG the term of this authorization shall count toward the above 10% limit. Shares issued or to be issued to service bonds with optional or mandatory warrants or 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 AktG.

Neither of these authorized capital amounts has been utilized so far.

The Annual Stockholders' Meeting on April 30, 2010 approved the creation of Conditional Capital 2010, authorizing a conditional increase of up to €211,698,560 in the capital stock through the issuance of up to 82,694,750 shares. This conditional capital increase may be used to grant registered shares to the holders of warrant bonds, convertible bonds, *jouissance* rights (*Gennussrechte*) or profit participation bonds (or combinations of these instruments) with option or mandatory warrants or conversion rights, issued by Bayer AG or a Group company in which Bayer AG holds a direct or indirect interest of at least 90% on or before April 29, 2015 in accordance with authorizations granted by the Annual Stockholders' Meeting of April 30, 2010. The authorization to issue such instruments is limited to a total nominal amount 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 for the exclusion of stockholders' subscription rights in analogous application of Section 186 Paragraph 3 Sentence 4 AktG may not be exceeded. Both shares and other such instruments shall count toward this limit if they were issued without granting subscription rights to the stockholders in direct or analogous application of Section 186 Paragraph 3 Sentence 4 AktG.

Absent a further resolution of the Annual Stockholders' Meeting on the exclusion of stockholders' subscription rights, the Board of Management will only use the existing authorizations to increase the capital stock out of the Authorized Capital or the Conditional Capital – without granting subscription rights to the stockholders – up to a total amount of 20% of the capital stock that existed when the respective resolutions were adopted by the Annual Stockholders' Meeting on April 30, 2010. This 20% limit includes all issuances or sales of shares or of bonds with optional or mandatory warrants or conversion rights that are effected without granting subscription rights to the stockholders.

**INFORMATION ON AMOUNTS BARRED FROM DISTRIBUTION PURSUANT TO SECTION 268 PARAGRAPH 8 GERMAN COMMERCIAL CODE (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. They are measured at fair value. Their fair value on the closing date was €7.9 million, which was €0.4 million above the acquisition costs of €7.5 million. Since Bayer AG has freely available retained earnings amounting to €4,945 million, there is no restriction on the use of the distributable profit of €1,240 million.

**NOTIFICATIONS OF DIRECT AND INDIRECT STOCKHOLDINGS PURSUANT TO SECTION 21 PARAGRAPH 1 SECURITIES TRADING ACT (WPHG)**

Between the start of the fiscal year and the preparation of the financial statements, we received the following notifications of stockholdings in Bayer AG pursuant to Section 21 Paragraph 1 of the German Securities Trading Act (WpHG). In cases where stockholdings reached, exceeded or fell below the thresholds set out in this legislation on several occasions, only the most recent notification is mentioned:

- On January 31, 2011, Capital World Growth and Income Fund, Inc., Los Angeles, U.S.A., notified us pursuant to Section 21 Paragraph 1 WpHG of the following:

On January 26, 2011, the stake held by Capital World Growth and Income Fund, Inc. in the voting rights of Bayer AG, Leverkusen, dropped below the 3% threshold. On that date Capital World Growth and Income Fund, Inc. held 2.95% (24,353,000 ordinary shares) of the total voting rights in Bayer AG.

- In a letter dated December 8, 2010 The Capital Group Companies, Inc., Los Angeles, U.S.A., informed Bayer AG, Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

On September 27, 2007 the stake held by The Capital Group Companies, Inc., in the voting rights of Bayer AG, Leverkusen, dropped below the 10%, 5% and 3% thresholds and amounted, on that date, to 0.43% (3,306,400 voting rights).

The reduction in the voting rights held by The Capital Group Companies, Inc., in Bayer AG was based on a declaration of independence by The Capital Group Companies, Inc., pursuant to Section 29a Paragraph 3 WpHG and was thus not a consequence of the sale of shares in Bayer AG. Notifications of voting rights issued by Capital Research and Management Company were not affected by this notification.

0.43% (3,306,400 ordinary shares) of the total voting rights in Bayer AG were attributable to The Capital Group Companies, Inc., pursuant to Section 22 Paragraph 1, Sentence 1 No. 6 WpHG in conjunction with Section 22 Paragraph 1 Sentence 2 and Sentence 3 WpHG.

- In a letter dated September 10, 2010 BlackRock, Inc., New York, U.S.A., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

The voting rights of BlackRock, Inc., in Bayer AG exceeded the 5% threshold on September 6, 2010 and, on that date, amounted to 5.03% (41,569,101 voting rights). All of these voting rights are attributable to BlackRock, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

- In a letter dated August 4, 2010 BlackRock Group Limited, London, U.K., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

The voting rights of BlackRock Group Limited in Bayer AG dropped below the 3% threshold on July 27, 2010 and, on that date, amounted to 2.11% (17,457,717 voting rights). All of these voting rights are attributable to BlackRock Group Limited pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

- In a letter dated August 4, 2010 BR Jersey International Holdings L.P., St. Helier, Jersey, U.K., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

The voting rights of BR Jersey International Holdings L.P. in Bayer AG dropped below the 3% threshold on July 27, 2010 and amounted to 2.71% (22,406,223 voting rights) on that date. All of these voting rights are attributable to BR Jersey International Holdings L.P. pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

- In a letter dated August 4, 2010 BlackRock International Holdings Inc., New York, U.S.A., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

The voting rights of BlackRock International Holdings Inc. in Bayer AG dropped below the 3% threshold on July 27, 2010 and, on that date, amounted to 2.71% (22,406,223 voting rights). All of these voting rights are attributable to BlackRock International Holdings Inc. pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

- In a letter dated August 4, 2010 BlackRock Advisors Holdings Inc., New York, U.S.A., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

The voting rights of BlackRock Advisors Holdings Inc. in Bayer AG dropped below the 3% threshold on July 27, 2010 and, on that date, amounted to 2.83% (23,422,891 voting rights). All of these voting rights are attributable to BlackRock Advisors Holdings Inc. pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

- In a letter dated August 4, 2010 BlackRock Financial Management, Inc., New York, U.S.A., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21, Paragraph 1 WpHG:

The voting rights of BlackRock Financial Management Inc. in Bayer AG dropped below the 5% threshold on July 27, 2010 and, on that date, amounted to 4.82% (39,872,376 voting rights). All of these voting rights are attributable to BlackRock Financial Management, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

- In a letter dated August 4, 2010 BlackRock Holdco 2, Inc., Wilmington, Delaware, U.S.A., notified Bayer AG, 51373 Leverkusen, Germany, as the issuer, of the following pursuant to Section 21 Paragraph 1 WpHG:

The voting rights of BlackRock Holdco 2, Inc. in Bayer AG dropped below the 5% threshold on July 27, 2010 and amounted to 4.82% (39,872,376 voting rights) on that date. All of these voting rights are attributed to BlackRock Holdco 2, Inc. pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

In the previous year, Capital Research and Management Company, Los Angeles, U.S.A., notified us on December 1, 2009 pursuant to Section 21 Paragraph 1 WpHG that its voting rights in Bayer AG, Leverkusen, Germany, ISIN: DE000BAY0017, WKN: BAY001 had dropped below the 10% threshold on November 26, 2009 and, on that date, amounted to 9.97% (corresponding to 82,483,440 voting rights).

9.97% of the voting rights (corresponding to 82,483,440 voting rights) were attributable to Capital Research and Management Company pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 WpHG. Of these 9.97% of the voting rights (corresponding to 82,483,440 voting rights), 4.16% (corresponding to 34,400,827 voting rights) were held by EuroPacific Growth Fund, Los Angeles, U.S.A., a stockholder who therefore held 3% or more of the voting rights of Bayer AG.

## (24) 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. They were offset against the underlying obligations. 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	Dec. 31, 2010
	€ million	€ million
Settlement value of pension and other post-employment benefit obligations	2,873.0	2,845.3
Fair value of assets invested with Bayer Pension Trust	3.9	6.5
<b>Net value of pension and other post-employment benefit obligations (provision)</b>	<b>2,869.1</b>	<b>2,838.8</b>
Acquisition cost of assets invested with Bayer Pension Trust	3.4	6.1

## (25) Other provisions

### Other Provisions

	Dec. 31, 2009	Dec. 31, 2010
	€ million	€ million
Provisions for taxes	198	294
Miscellaneous provisions	191	195
	<b>389</b>	<b>489</b>

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, 2010, provisions of €43 million (2009: €33 million) existed for commitments in the United States, Canada, Australia and Europe arising from compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes.

## (26) Bonds and promissory notes

In addition to promissory notes totaling €620 million (2009: €620 million), bonds with a nominal value of €5,217 million (2009: €5,517 million) had been issued as of December 31, 2010. They comprised:

### Bonds and Promissory Notes

	Nominal value	Stated rate	Effective rate	Dec. 31, 2009	Dec. 31, 2010
		%	%	€ million	€ million
EMTN bond 2002/2012	EUR 2,000 million	6.000	6.075	2,000	2,000
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	-
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
				<b>5,517</b>	<b>5,217</b>

\* redeemable at three months' notice from 2015

\*\* fixed interest rate until 2015, floating rate thereafter

## (27) Trade accounts payable

### Trade Accounts Payable

	Dec. 31, 2009	Dec. 31, 2010
	€ million	€ million
Payables to subsidiaries	7	17
Payables to other suppliers	10	11
	<b>17</b>	<b>28</b>

## (28) Payables to subsidiaries

The payables to subsidiaries mainly comprise financial liabilities such as loans and overnight funds made available to Bayer AG by subsidiaries.

## (29) Miscellaneous liabilities

Miscellaneous liabilities exist solely toward third parties and comprise €312 million (2009: €345 million) in accrued interest, €35 million (2009: €96 million) in premiums received on options and €12 million (2009: €5 million) in short-term borrowings. As in the previous year, tax liabilities amount to €4 million and mainly comprise employees' income and church taxes held for paying over to the authorities. Social security liabilities totaling €19 million (2009: €34 million) relate almost entirely to the German pension benefit guarantee fund (Pensions-Sicherungs-Verein).

## (30) Further information on other liabilities

The other liabilities are due as follows:

### Maturity Structure of Liabilities

	Dec. 31, 2009			Dec. 31, 2010		
	Maturing in 2010	Maturing in 2011-2014	Maturing after 2014	Maturing in 2011	Maturing in 2012-2015	Maturing after 2015
	€ million	€ million	€ million	€ million	€ million	€ million
Bonds and promissory notes	300	3,900	1,937	650	4,550	637
Liabilities to banks	2	890	-	2	3	-
Trade accounts payable	17	-	-	28	-	-
Payables to subsidiaries	13,600	365	-	15,141	8	-
Miscellaneous liabilities	416	101	-	380	35	7
	<b>14,335</b>	<b>5,256</b>	<b>1,937</b>	<b>16,201</b>	<b>4,596</b>	<b>644</b>

The miscellaneous liabilities as of December 31, 2010 include €314 million (2009: €347 million) in liabilities that only arose from a legal viewpoint after year-end. They amount to €312 million (2009: €345 million) and are almost exclusively accrued interest liabilities.

## Other information

### (31) Contingent liabilities

Contingent liabilities include sureties of €110 million (2009: €110 million), including €104 million (2009: €105 million) for subsidiaries.

Bayer AG has also assumed debt guarantees and issued letters of comfort totaling €4,437 million (2009: €4,344 million) to other Group companies.

#### Debt Guarantees and Letters of Comfort

	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2010
	Nominal amount	€ million	Nominal amount	€ million
Debt guarantees				
Bayer Capital Corporation B.V., Netherlands				
- EMTN Notes, maturing in 2014	EUR 1,300 million	1,300	EUR 1,300 million	1,300
- Liabilities to banks	EUR 450 million	450	EUR 550 million	550
Bayer Corporation, U.S.A.				
- 7.125% Notes, maturing in 2015	USD 200 million	139	USD 200 million	150
- 6.650% Notes, maturing in 2028	USD 350 million	243	USD 350 million	262
- Liabilities to banks	USD 79 million	55	USD 82 million	62
- Sale-and-lease-back agreements Pass Through Trust	USD 273 million	190	USD 263 million	197
Bayer Holding Ltd., Japan				
- 1.585% EMTN bond, maturing in 2010	JPY 10 billion	75	-	-
- Floating-rate EMTN bond, maturing 2012	JPY 30 billion	225	JPY 30 billion	276
- 1.955% EMTN bond, maturing 2012	JPY 15 billion	113	JPY 15 billion	138
- Floating-rate EMTN bond, maturing 2013	JPY 10 billion	75	JPY 10 billion	92
- 1.459% EMTN bond, maturing 2017	-	-	JPY 10 billion	92
- 3.575% EMTN bond, maturing 2018	JPY 15 billion	113	JPY 15 billion	138
Bayer MaterialScience (China) Company Limited, China*				
- Liabilities to banks	CNY 8,130 million	826	CNY 6,197 million	702
Bayer Schering Pharma AG				
- Liabilities to banks	EUR 184 million	184	EUR 153 million	153
Bayer Türk Kimya Sanayi Limited Sirketi, Turkey				
- Liabilities to banks	EUR 42 million	42	-	-
Currenta GmbH & Co. OHG				
- Liabilities to the Federal State of North Rhine-Westphalia, Germany	EUR 53 million	53	EUR 53 million	53
Guarantees for other Group companies		61		69
Letters of comfort		200		203
		<b>4,344</b>		<b>4,437</b>

\* Formerly Bayer Polyurethanes (Shanghai) Co. Ltd., China. Figure for 2009 includes Bayer Polymers (Shanghai) Co. Ltd., China, which was merged in 2010.

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, 2010, the loans covered by this assurance amounted to US\$2.36 billion (equivalent to €1.77 billion; 2009: US\$2.16 billion/€1.50 billion).

## (32) Other financial commitments

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

Non-discounted future payments relating to operating leases total €45 million (2009: €51 million), of which €6 million (2009: €7 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. The commitments under lease and rental agreements are due as follows:

### Other Financial Commitments from Lease and Rental Agreements

	€ million
2011	12
2012	8
2013	4
2014	4
2015	2
After 2015	15
	<b>45</b>

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 and €100 million in 2010, there is commitment to pay €390 million in the future.

## (33) 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

**Magnevist®:** As of February 1, 2011, there were approximately 230 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.

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. As of February 1, 2011, Bayer had reached agreements, without admission of liability, with approximately 220 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. However, Bayer believes it has meritorious defenses and will continue to defend itself vigorously against all claims that are not considered for settlement. Appropriate accounting measures have been taken within the Bayer Group.

**Trasylol®** (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of February 1, 2011, there were approximately 1,100 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 Trasylol®. 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 should be held liable for having failed to disclose them or adequately warn users of Trasylol®. All cases pending in U.S. federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management.

As of February 1, 2011, Bayer had reached agreements, without admission of liability, with approximately 440 plaintiffs. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis. However, Bayer believes it has meritorious defenses and will continue to defend itself vigorously against all claims that are not considered for settlement. Appropriate accounting measures have been taken within the Bayer Group.

**Yasmin®/YAZ®:** As of February 1, 2011, there were about 6,850 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® and/or YAZ® or from the use of Ocella® and/or Gianvi®, generic versions of Yasmin® and YAZ®, respectively, marketed by Barr Laboratories, Inc. in the United States. (For details on the generic versions of Yasmin® and YAZ®, please refer to the section on "Patent disputes" below.) Pursuant to agreements in 2008 and 2010, Bayer manages product liability litigation for Ocella® and Gianvi®, Bayer retains product lia-

bility for Ocella® product supplied by Bayer with certain exceptions, and the parties have allocated potential future product liability relating to Gianvi® product supplied by Bayer. Plaintiffs seek compensatory and punitive damages, claiming, in particular, that Bayer knew, or should have known, of the alleged risks and should be held liable for having failed to disclose them or adequately warn users of Yasmin® and/or YAZ®. Bayer has also been served with three putative class actions claiming economic loss, one of them also claiming personal injuries. One of these class actions, brought in federal court on behalf of all private health insurers in the United States, was dismissed with prejudice. Plaintiffs did not appeal. All cases pending in u.s. federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management. In addition, 13 Canadian class actions have been served upon Bayer as of February 1, 2011. Additional lawsuits are anticipated. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, accounting measures have been taken within the Bayer Group for anticipated defense costs.

In connection with the above matters concerning Magnevist®, Trasylol® 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 a 2005 ruling of the federal district court in New York dismissing all lawsuits filed in federal court. No further avenues of appeal now remain in these federal indirect purchasers' cases. In 2010, the United States Court of Appeals for the Second Circuit (New York) also affirmed the dismissal of lawsuits brought by direct purchasers of Cipro®. The Second Circuit also has denied plaintiffs' request for rehearing en banc. Plaintiffs seek certiorari before the United States Supreme Court. 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 2009, the u.s. Court of Appeals for the Federal Circuit affirmed this decision. In May 2010, the u.s. Supreme Court rejected Bayer's petition for review.

In 2008, Bayer and Barr Laboratories, Inc. signed a supply and licensing agreement for the supply of a generic version of Yasmin® which Barr markets solely in the United States under the Ocella® brand. Barr pays Bayer a fixed percentage of the revenues from the product sold by Barr. The agreement is under investigation by the u.s. Federal Trade Commission (FTC).

In 2008 Bayer received two and in 2010 another three notices of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Watson Laboratories Inc., Sandoz Inc., Lupin Ltd., Famy Care Ltd. and Sun Pharma Global FZE each seek approval to market a generic version of Bayer's oral contraceptive Yasmin® in the United States. Bayer has filed suit against Watson, Sandoz and Lupin in u.s. federal court alleging patent infringement 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 anticompetitive and violate antitrust and unfair competition laws. In September 2010, the u.s. federal court granted a motion to dismiss Bayer's infringement claims against Watson and Sandoz. Bayer will appeal.

**YAZ®:** In 2007 and 2008, Bayer received notices from Barr Laboratories, Inc., Watson Laboratories Inc. and Sandoz Inc., and in 2010 Bayer received notices from Lupin Ltd. and Sun Pharma Global FZE, that each company has filed an ANDA IV seeking approval of a generic version of Bayer's YAZ® oral contraceptive in the United States. Bayer has filed patent infringement suits against Watson, Sandoz, Lupin and Sun Pharma Global 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.

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 and will supply Barr with the product for this purpose. Barr agreed to pay Bayer a fixed percentage of the revenues from the product sold by Barr. In December 2008, Barr was acquired by Teva Pharmaceutical Industries Ltd. In June 2010, Teva announced that it had commercially launched Gianvi®, a generic version of YAZ®, in the United States. Litigation between Bayer and Teva/Barr in several u.s. federal courts on infringement of certain of Bayer's patents by the distribution of Gianvi® was settled in December 2010. Bayer and Barr amended the aforementioned licensing and supply agreement of 2008, which is also under investigation by the FTC, and Bayer has supplied Barr with the product for Gianvi® since December 2010.

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

**Levitra®:** In 2009, Bayer filed a patent infringement suit in u.s. federal court against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. Earlier that year, Bayer had received notice of 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. In appropriate cases Bayer has agreed to settlements and will continue to consider this option in the future.

**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 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 that was originally concluded in 1994. Under this agreement, the parties jointly developed Nexavar®, a drug product to treat kidney and liver cancer. In addition, Onyx also claims damages to Nexavar®. Bayer believes it has meritorious defenses and intends to defend itself vigorously. Trial is presently scheduled for June 2011.

**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, 2011, Bayer was aware of a total of approximately 570 lawsuits, involving about 11,300 plaintiffs, pending in u.s. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. The number of plaintiffs is calculated by totaling the number of plaintiffs identified in the complaints. However, the number of plaintiffs does not allow any conclusions on the number of farming operations involved. u.s. rice farmers often have a number of entities associated with their operations. In some cases just an individual sued, in others all the entities sued. In addition, a partnership and its individual partners are counted separately if they are listed as plaintiffs in the complaints.

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. 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 the United States in cooperation with third parties from 1998 to 2001. 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.

Bayer tried six cases in front of u.s. juries between December 2009 and July 2010, three in the federal MDL court and three in different state courts in Arkansas. These six cases involved a total of 23 farming operations comprising 91 plaintiffs from Missouri, Louisiana, Mississippi and Arkansas and were tried based on the respective applicable laws of these four states. Plaintiffs claimed 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. The juries found Bayer should pay compensatory damages totaling approx. US\$11.5 mil-

lion. In two of the Arkansas state court trials, the juries also awarded punitive damages (approximately US\$0.5 million in one trial and approximately US\$42 million in the other). In a federal MDL trial in July 2010 involving plaintiffs from Louisiana, punitive damages were not available under the applicable laws. The other three juries rejected the farmers' claims for punitive damages.

Bayer disagrees with the present findings of liability and the awards of compensatory and punitive damages. To the extent it has not already done so, Bayer will appeal the adverse findings.

One trial originally scheduled for September 2010 in a state court in Arkansas has been continued indefinitely for procedural reasons. Additionally, one federal MDL trial scheduled for 2010, involving three farming operations comprising eight plaintiffs from Texas, was settled in October 2010. The settlement calls for the plaintiffs to receive US\$290,000 collectively. The first federal MDL trial scheduled for 2011 was also settled, with four farming operations comprising 18 plaintiffs from Mississippi to receive US\$873,000 collectively. In February 2011, Bayer also reached an agreement with several farming operations and/or landlord holdings comprising 33 plaintiffs from Arkansas. The settlement calls for the plaintiffs to receive a total of approximately US\$4 million. This trial, however, will go forward with regard to a claim by Riceland Foods, Inc., a rice mill from Arkansas. Additional trials have been scheduled for the year 2011, in both the federal MDL and the state court actions.

The facts and the types and amounts of damages claimed differ significantly from case to case. Management believes that the outcomes of these first trials do not allow any direct conclusions on the outcomes of the other cases. The company is willing to discuss with rice growers and other plaintiffs reasonable compensation for economic losses associated with its genetically modified rice without acknowledging liability, but intends to continue to defend itself vigorously in all cases in which resolutions on that basis are not possible.

Without acknowledging liability, Bayer also settled the claims brought forward by five European rice importers, one U.S. rice exporter and one U.S. rice mill at a total settlement value of US\$51.6 million.

Appropriate provisions have been established within the Bayer Group, mainly for legal and defense costs and an intended settlement program.

## MaterialScience

**Antitrust proceedings in connection with rubber products:** Companies of the Bayer Group are subject to civil damage claims in Europe 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 been closed.

Since 2008, a group of plaintiffs who are primarily producers of tires have brought actions for damages before the High Court of Justice in London, U.K., against Bayer and other producers of butadiene rubber and emulsion styrene butadiene rubber. The plaintiffs claim damages resulting from alleged violations of E.U. competition law in the markets for butadiene rubber and emulsion styrene butadiene rubber. Proceedings brought to establish non-liability before a court in Milan to which Bayer joined as intervener were dismissed; Bayer is appealing. The High Court has taken jurisdiction over the actions and the main proceedings are at an early stage of the disclosure process.

Previously, Bayer reported a claim by The Goodyear Tire & Rubber Company alleging that Bayer violated antitrust law in the area of butadiene rubber and styrene butadiene rubber. In March 2010, the case was settled by agreement of the parties and without Bayer admitting liability.

In Australia, a class action alleging antitrust violations in connection with rubber chemicals products was filed in 2007. The case is at an early stage of the disclosure process.

Bayer is defending itself in the European and Australian litigations. 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 anti-trust investigations reported on previously and now closed.

## (34) Derivatives/micro-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. Most of these are over-the-counter (OTC) instruments. Derivative financial 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 Bayer Group's operating business and of the related investments and financing transactions. For currency hedging, forward exchange contracts and currency options are mainly used. The main instruments used to hedge interest rate risks are interest rate options, interest rate swaps, cross-currency interest rate swaps and – for the first time in 2010 – interest rate futures. In addition, in the past interest rate options and interest rate swaps were used to achieve the defined benchmarks for interest rates. Share options are used to hedge fluctuations in the value of commitments to employees under stock-based compensation programs. 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. In 2010, exposure to commodities derivatives was reduced to a minimum.

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, share prices or market prices. Where derivatives are designated as hedges, possible declines in their value 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 contract limits to the individual banks according to their creditworthiness.

The notional amount of financial derivative contracts concluded with external counterparties was €20.5 billion on December 31, 2010 (2009: €22.3 billion). Back-to-back derivatives contracts in a notional amount of €11.4 billion (2009: €9.5 billion) were concluded with Group companies. The total notional amount of derivatives was €31.9 billion (2009: €31.8 billion). This amount includes hedge accounting items. The derivatives comprised:

#### Financial Derivatives

	Notional amount		Fair value		Carrying amount	
	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010
	€ million	€ million	€ million	€ million	€ million	€ million
Forward exchange contracts						
– positive fair values	8,117	8,460	268	256		
– negative fair values	8,083	9,974	(304)	(313)		
	16,200	18,434	(36)	(57)	(47)	(59)
Currency options						
– positive fair values	284	854	9	17		
– negative fair values	316	835	(9)	(17)		
	600	1,689	0	0	0	1
Cross-currency interest rate swaps						
– positive fair values	1,118	1,766	52	134		
– negative fair values	1,512	2,173	(190)	(250)		
	2,630	3,939	(138)	(116)	0	0
Interest rate swaps						
– positive fair values	6,390	5,398	354	257		
– negative fair values	3,513	2,321	(283)	(155)		
	9,903	7,719	71	102	(40)	(19)
Interest rate options						
– positive fair values	1,000	0	0	0		
– negative fair values	1,000	0	0	0		
	2,000	0	0	0	(2)	0
Share options						
– positive fair values	3	2	6	2		
– negative fair values	0	0	0	0		
	3	2	6	2	2	2
Commodity contracts						
– positive fair values	296	47	113	22		
– negative fair values	158	47	(113)	(22)		
	454	94	0	0	0	0
	<b>31,790</b>	<b>31,877</b>	<b>(97)</b>	<b>(69)</b>	<b>(87)</b>	<b>(75)</b>

#### 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 €5.6 billion (2009: €5.4 billion) with external counter-parties. They had a negative fair value of €61 million (2009: negative fair value of €42 million). Some of these contracts were passed on to Group companies. The notional value of these reciprocal internal transactions was €4.3 billion (2009: €4.5 billion) and their fair value was €5 million (2009: €7 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 negative fair value of €5 million while the internal transactions had a positive fair value of €5 million. They are not recognized in the statement of financial position and are mainly due in 2011 or, at the latest, in 2012 or 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 €59 million (2009: negative fair value of €47 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 were combined to form micro-hedges. The carrying amount of the hedged loans was €434 million (2009: €363 million) on the closing date and the currency risk was €3 million (2009: minus €7 million). The external currency derivatives had a negative fair value of €3 million (2009: positive fair value of €7 million). They are due in 2011 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 €4.5 billion were concluded (2009: €3.2 billion). These had a negative fair value of €26 million (2009: positive fair value of €97 million) on the closing date. They were offset by reciprocal transactions with Group companies with a notional value of €5.3 billion (2009: €3.6 billion) and a positive fair value of €25 million at year end (2009: negative fair value of €97 million). Changes in the value of the corresponding internal and external contracts will cancel each other out when they are closed out in 2011 and, to a lesser extent, in 2012. 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 €0.4 billion (2009: €0.1 billion). On a net view, their fair values cancelled each other out (2009: positive fair value of €1 million). There were no reciprocal contracts with Group companies in fiscal 2010 or 2009.

Cross-currency interest rate swaps with a notional value of €0.4 billion (2009: €0.4 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 €116 million (2009: negative fair value of €138 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 using the critical term match method and retrospectively using the dollar offset method (= ratio offset method) 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 €1.8 billion (2009: €1.1 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 €1.8 billion (2009: €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, 2013 and 2015. The swaps maturing in 2013 were closed out in fiscal 2010. The notional amount of the related derivatives was €3.5 billion (2009: €2.5 billion) and they had a net positive fair value of €126 million (2009: €92 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 using regression analysis. 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 (payer swaps). These mature in 2012 and 2015. Their notional value is €4.2 billion (2009: €7.0 billion) and they had a net negative fair value of €24 million (2009: net negative fair value of €34 million). Micro hedges are formed on the basis of maturity. Provisions for impending losses have been set up in the amount of €19 million (2009: €40 million) for the resulting negative net fair values. These are recognized under other provisions.

The interest rate swaps previously concluded to achieve fixed interest rate benchmarks no longer existed as of December 31, 2010 (2009: notional value €0.4 billion, positive fair value €13 million).

A small volume of interest futures were traded during the year; no interest futures were included in the portfolio as of December 31, 2010.

Caps are also used to manage interest rates. Their notional value was €2.0 billion in 2009 and they expired as scheduled in 2010.

#### 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 if the actual period for which these personal investments are retained differs from the expected retention pattern. They had a net fair value of €2 million on December 31, 2010 (2009: €6 million). They are recognized in other assets at the lower of cost or fair value. As of December 31, 2010 the net value of stock options shown in the statement of financial position was €2 million (2009: €2 million).

With a few negligible exceptions, external commodity contracts, which run for between one and two 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.

## (35) 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 Bayer-Pensionskasse. The entire amount was drawn in both 2009 and 2010. Further, in 2008 the establishment of a repayable "effective initial fund" was agreed with Bayer-Pensionskasse. On December 31, 2010 the amount drawn was €410 million (2009: €310 million).

## (36) Total compensation of the Board of Management and the Supervisory Board and loans

The aggregate compensation of the Board of Management in 2010 amounted to €13,906 thousand (2009: €9,424 thousand) and comprised:

### Total Compensation of the Board of Management

	2009	2010
	€ thousand	€ thousand
Fixed salary	3,223	3,936
Compensation in kind and other benefits	165	1,155
<b>Total non-performance-related compensation</b>	<b>3,388</b>	<b>5,091</b>
Short-term incentive	5,442	4,928
<b>Directly effected compensation</b>	<b>8,830</b>	<b>10,019</b>
Fair value of stock-price-indexed compensation based on the short-term incentive	-	2,621
Fair value of newly granted stock-based compensation as of grant date	594	1,266
<b>Aggregate compensation</b>	<b>9,424</b>	<b>13,906</b>

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 2010 under the long-term stock-based compensation programs granted in current and previous years are shown in the table below. In addition, changes in the value of entitlements earned prior to 2010 are shown separately.

#### Stock-Based Compensation of the Board of Management

	2009	2010
	€ thousand	€ thousand
Long-term incentive (stock-based compensation entitlements earned in the respective year)	1,623	1,079
Change in value of existing entitlements	1,079	(226)

Expenses for pension entitlements granted to the members of the Board of Management serving in 2010 amounted to €2,994 thousand (2009: €1,517 thousand). These comprise current service cost, and where applicable past service cost resulting from new entitlements or changes in existing entitlements. The interest portion of entitlements earned in prior years and actuarial gains and losses also had an impact. Including these components, the expense was €4,400 thousand (2009: €1,357 thousand). Expenses for pension commitments to members of who left the Board of Management in the fiscal year are also included up to their last date of service. Pension provisions for members of the Board of Management serving as of the reporting date amounted to €17,864 thousand (2009: €33,247 thousand).

Pension payments to retired members of the Board of Management and their surviving dependents in 2010 amounted to €13,351 thousand (2009: €11,273 thousand). This includes a payment of €1,850 thousand to Mr. Wenning to settle his claim to pre-retirement leave. Provisions for former members of the Board of Management and their surviving dependents for pensions and similar commitments amounting to €129,121 thousand (2009: €110,069 thousand) are reflected in the statement of financial position of Bayer AG.

The compensation of the Supervisory Board totaled €2,290 thousand (2009: €2,295 thousand) and includes variable components of €763 thousand (2009: €765 thousand).

There were no loans to members of the Board of Management or the Supervisory Board outstanding as of December 31, 2010, 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 of the Bayer Group and Bayer AG.

## (37) 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	
<b>Europe</b>					
1. BCrsV 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	(0.1)	*)
Alcafleu Management GmbH & Co. KG	Schönefeld, Germany	99.9	545.6	(62.5)	
Ausbildungsinitiative Rheinland GmbH	Leverkusen, Germany	100.0	0.0	0.0	*)
Axxam S. p. A.	Milan, Italy	24.5	1.5	(1.8)	*)
Baulé S.A.S.	Romans-sur-Isère, France	50.0	36.7	5.6	*)
Bayer (Schweiz) AG	Zurich, Switzerland	100.0	41.3	5.4	*)
Bayer 04 Immobilien GmbH	Leverkusen, Germany	100.0	0.0	(2.6)	*) , **)
Bayer 04 Leverkusen Fußball GmbH	Leverkusen, Germany	100.0	56.4	(24.1)	*) , **)
Bayer 04 Leverkusen Sportförderung gGmbH	Leverkusen, Germany	100.0	0.3	0.0	*)
Bayer 04 Marketing GmbH	Leverkusen, Germany	100.0	0.0	(0.4)	*) , **)
Bayer A/S	Lyngby, Denmark	100.0	28.4	0.7	*)
Bayer AB	Stockholm, Sweden	100.0	12.9	1.8	*)
Bayer AEH Limited	Cambridge, U. K.	100.0	14.5	0.0	
Bayer AGCO Limited	Cambridge, U. K.	100.0	84.4	2.6	*)
Bayer Agriculture Limited	Cambridge, U. K.	100.0	115.6	1.3	*)
Bayer Altersversorgung GmbH	Leverkusen, Germany	100.0	0.0	0.0	*) , **)
Bayer Animal Health GmbH	Leverkusen, Germany	100.0	17.9	177.1	*) , **)
Bayer Animal Health Studies GmbH	Leverkusen, Germany	100.0	0.0	0.0	*)
Bayer Antwerpen NV	Antwerp, Belgium	100.0	4,287.9	166.3	*)
Bayer AS	Oslo, Norway	100.0	4.4	1.5	*)
Bayer Austria Gesellschaft m. b. H.	Vienna, Austria	100.0	16.9	3.0	*)
Bayer B. V.	Mijdrecht, Netherlands	100.0	576.1	163.5	*)
Bayer Beteiligungsverwaltung Goslar GmbH	Leverkusen, Germany	100.0	503.0	1.6	*)
Bayer Beteiligungsverwaltungsgesellschaft mbH	Leverkusen, Germany	100.0	2,368.0	9.4	*) , **)
Bayer BioScience GmbH	Monheim, Germany	100.0	2.5	0.4	*)
Bayer BioScience N. V.	Ghent, Belgium	100.0	109.2	12.3	*)
Bayer Bitterfeld GmbH	Bitterfeld-Wolfen, Germany	100.0	236.0	4.8	*) , **)

\*) 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 Bulgaria EOOD	Sofia, Bulgaria	100.0	10.4	4.2 *)	
Bayer Business Services GmbH	Leverkusen, Germany	100.0	110.8	(25.6 *) , **)	
Bayer Capital Corporation B.V.	Mijdrecht, Netherlands	100.0	16.4	1.1 *)	
Bayer Chemicals AG	Leverkusen, Germany	100.0	410.4	(30.0 *) , **)	
Bayer Consumer Care AG	Basel, Switzerland	100.0	1,098.7	10.5 *)	
Bayer CropScience (Portugal)- Produtos para a Agricultura, Lda.	Carnaxide, Portugal	100.0	13.9	3.1	
Bayer CropScience 1272	Lyon, France	100.0	(3.4)	0.1 *)	
Bayer CropScience AG	Monheim, Germany	100.0	3,163.1	568.6 **)	
Bayer CropScience B.V.	Mijdrecht, Netherlands	100.0	8.2	3.4 *)	
Bayer CropScience Beteiligungs- gesellschaft mbH	Frankfurt am Main, Germany	100.0	20.0	(25.7) *)	
Bayer CropScience Deutschland GmbH	Langenfeld, Germany	100.0	57.9	8.3 *)	
Bayer CropScience Holding SA	Lyon, France	100.0	705.6	(61.8) *)	
Bayer CropScience Holdings Limited	Cambridge, U.K.	100.0	(7.9)	0.0	
Bayer CropScience Investments B.V.	Mijdrecht, Netherlands	100.0	1,602.7	0.0 *)	
Bayer CropScience Limited	Cambridge, U.K.	100.0	46.0	12.5 *)	
Bayer CropScience Norwich Limited	Cambridge, U.K.	100.0	24.1	0.0	
Bayer CropScience S.r.l.	Milan, Italy	100.0	89.1	9.8 *)	
Bayer CropScience SA-NV	Diegem, Belgium	100.0	15.0	2.5 *)	
Bayer CropScience Vermögens- verwaltungsgesellschaft mbH	Leverkusen, Germany	100.0	67.9	0.6 *)	
Bayer CropScience, S.L.	Valencia, Spain	100.0	85.7	7.4 *)	
Bayer d.o.o.	Belgrade, Serbia	100.0	5.1	0.2 *)	
Bayer d.o.o.	Ljubljana, Slovenia	100.0	14.1	3.7 *)	
Bayer d.o.o.	Zagreb, Croatia	100.0	1.0	(0.2) *)	
Bayer d.o.o. Sarajevo	Sarajevo, Bosnia and Herzegovina	100.0	0.4	0.1 *)	
Bayer Direct Services GmbH	Leverkusen, Germany	100.0	0.3	0.3 *) , **)	
Bayer Foreign Investments B.V.	Mijdrecht, Netherlands	100.0	224.7	0.0 *)	
Bayer Gastronomie GmbH	Leverkusen, Germany	100.0	5.9	(2.4) *) , **)	
Bayer Gesellschaft für Beteiligungen mbH	Leverkusen, Germany	100.0	2,830.9	266.2 *) , **)	
Bayer Global Investments B.V.	Mijdrecht, Netherlands	100.0	332.0	0.0 *)	
Bayer HealthCare AG	Leverkusen, Germany	100.0	4.6	(135.2) *) , **)	
Bayer HealthCare Manufacturing S.r.l.	Milan, Italy	100.0	87.7	47.3 *)	
Bayer Healthcare S.r.l.	Milan, Italy	100.0	0.0	0.0 *)	
Bayer Hellas AG	Athens, Greece	100.0	6.4	(11.8) *)	
Bayer Hispania, S.L.	Sant Joan Despi, Spain	100.0	1,144.6	29.9 *)	
Bayer Hungaria Kft.	Budapest, Hungary	100.0	18.6	3.8	
Bayer Immobilier SAS	Puteaux, France	100.0	1.4	(0.2) *)	
Bayer Innovation GmbH	Düsseldorf, Germany	100.0	33.7	(25.6) *) , **)	
Bayer Innovation Ventures GmbH	Düsseldorf, Germany	100.0	0.0	0.0 *) , **)	
Bayer International Investments B.V.	Mijdrecht, Netherlands	100.0	4,549.1	0.0 *)	
Bayer International S.A.	Fribourg, Switzerland	100.0	166.3	18.7 *)	

\*) 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 Limited	Dublin, Ireland	100.0	4.1	1.0	*)
Bayer Ltd.	Kiev, Ukraine	100.0	12.3	2.8	*)
Bayer MaterialScience AG	Leverkusen, Germany	100.0	152.1	30.4	**)
Bayer MaterialScience Customer Services GmbH	Leverkusen, Germany	100.0	6.5	(0.1)	*), **)
Bayer MaterialScience S. r. l.	Milan, Italy	100.0	26.5	4.4	*)
Bayer MaterialScience, S. L.	Sant Joan Despi, Spain	100.0	106.4	6.8	*)
Bayer OÜ	Tallinn, Estonia	100.0	0.5	0.2	*)
Bayer Oy	Turku, Finland	100.0	1,236.8	254.2	*)
Bayer Pharma Investments B. V.	Mijdrecht, Netherlands	100.0	81.3	0.0	*)
Bayer Polyols S. N. C.	Puteaux, France	100.0	33.3	7.6	*)
Bayer Polyurethanes B. V.	Mijdrecht, Netherlands	100.0	55.9	5.5	*)
Bayer Portugal S. A.	Lisbon, Portugal	100.0	30.8	10.3	
Bayer Public Limited Company	Newbury, U. K.	100.0	180.7	(24.2)	*)
Bayer Real Estate GmbH	Leverkusen, Germany	100.0	49.6	2.8	*), **)
Bayer S. A. S.	Puteaux, France	100.0	1,491.2	157.2	*)
Bayer S. p. A.	Milan, Italy	100.0	408.3	163.1	*)
Bayer s. r. o.	Prague, Czech Republic	100.0	19.7	4.7	*)
Bayer Santé Familiale SAS	Gaillard, France	100.0	79.2	15.8	*)
Bayer Santé SAS	Loos, France	100.0	148.6	56.1	*)
Bayer SA-NV	Diegem, Belgium	100.0	46.1	21.6	*)
Bayer Schering Pharma AG	Berlin, Germany	100.0	5,828.4	1,162.7	**)
Bayer Sheet Europe GmbH	Darmstadt, Germany	100.0	99.1	(0.2)	*)
Bayer Sheet Europe N. V.	Tielt, Belgium	100.0	24.3	(2.6)	*)
Bayer Sheet Europe S. p. A.	Milan, Italy	90.0	3.9	(1.6)	*)
Bayer Sp. zo. o.	Warsaw, Poland	100.0	45.7	4.2	*)
Bayer Technology Services GmbH	Leverkusen, Germany	100.0	74.5	(24.4)	*), **)
Bayer UK Limited	Newbury, U. K.	100.0	0.3	0.0	*)
Bayer Verwaltungsgesellschaft für Anlagevermögen m. b. H.	Leverkusen, Germany	100.0	12.9	(0.4)	*), **)
Bayer Vital GmbH	Leverkusen, Germany	100.0	98.8	34.8	*), **)
Bayer, spol. s. r. o.	Bratislava, Slovakia	100.0	6.6	1.3	*)
Bayer-Handelsgesellschaft mit beschränkter Haftung	Leverkusen, Germany	100.0	14.0	(0.4)	*), **)
Bayer-Unterstützungskasse GmbH	Leverkusen, Germany	100.0	30.5	(0.4)	*)
Bayfin GmbH	Leverkusen, Germany	100.0	1,104.4	8.6	*), **)
Bayhealth Comercialização de Produtos Farmacêuticos Unipessoal Lda.	Lisbon, Portugal	100.0	0.0	0.0	
Bayhealth, S. L.	Sant Joan Despi, Spain	100.0	0.0	0.0	*)
BayInvest GmbH	Leverkusen, Germany	100.0	0.0	0.0	*), **)
BaySecur GmbH	Leverkusen, Germany	49.0	0.5	0.4	*)
BaySports-Travel GmbH	Leverkusen, Germany	50.0	0.0	0.0	*)
BaySystems a. s.	Prague, Czech Republic	100.0	3.1	0.1	*)
BaySystems B. V.	Foxhol, Netherlands	100.0	9.0	3.6	*)
BaySystems GmbH & Co. KG	Oldenburg, Germany	100.0	6.3	2.4	
BaySystems Northern Europe A/S	Otterup, Denmark	100.0	4.4	0.3	
BaySystems Verwaltungs-GmbH	Oldenburg, Germany	100.0	0.0	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	
BBB Management GmbH Campus Berlin-Buch	Berlin, Germany	20.0	0.4	0.1 *)	
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	24.3	0.9 *)	
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	0.7	0.0 *)	
Biogenetic Technologies B.V.	Rotterdam, Netherlands	100.0	6.8	(31.2) *)	
CENTROFARMA-Indústria e Comércio de Prod. Farmacêuticos, Lda.	Coimbra, Portugal	100.0	1.1	0.0	
Chemie-Beteiligungsaktien-gesellschaft	Glarus, Switzerland	100.0	11.3	(1.3) *)	
Chemion Logistik GmbH	Leverkusen, Germany	100.0	10.6	2.7 *) , **)	
CIS (U.K.) Limited	Burgess Hill, U.K.	100.0	0.0	0.0 *)	
Currenta Geschäftsführungs-GmbH	Leverkusen, Germany	100.0	0.0	0.0 *)	
Currenta GmbH & Co. OHG	Leverkusen, Germany	60.0	91.4	0.9 *)	
Disalfarm, S.A.	Barcelona, Spain	33.3	3.2	0.3 *)	
Drugofa GmbH	Cologne, Germany	100.0	34.2	(1.1) *) , **)	
Dyvevo GmbH	Leverkusen, Germany	100.0	1.8	(4.0) *) , **)	
Ehrfeld Mikrotechnik BTS GmbH	Wendelsheim, Germany	100.0	0.0	0.2 *) , **)	
EMP-Estrusione Materiali Plastici S.A.	Stabio, Switzerland	42.1	6.5	(0.7) *)	
Epurex Films Geschäftsführungs-GmbH	Bomlitz, Germany	100.0	0.1	0.0 *)	
Epurex Films GmbH & Co. KG	Bomlitz, Germany	100.0	14.7	5.4 *)	
Erste K-W-A Beteiligungs-gesellschaft mbH	Leverkusen, Germany	100.0	33.7	(24.5) *) , **)	
Euroservices Bayer GmbH	Leverkusen, Germany	100.0	1.8	0.1 *) , **)	
Euroservices Bayer, S. L.	Sant Joan Despi, Spain	100.0	10.9	0.7 *)	
Faserwerke Hüls GmbH	Marl, Germany	50.0	0.8	0.0 *)	
Generics Holding GmbH	Leverkusen, Germany	100.0	61.5	11.1 *) , **)	
GENUS Grundstücks-Vermie-tungsgesellschaft mbH & Co. KG	Düsseldorf, Germany	100.0	0.0	0.0 *)	
GP Grenzach Produktions GmbH	Grenzach-Wyhlen, Germany	100.0	27.5	(0.1) *) , **)	
Hild Samen GmbH	Marbach am Neckar, Germany	100.0	4.8	2.7 *) , **)	
HTV Gesellschaft für Hochtempe-raturverbrennung mbH	Bergkamen, Germany	100.0	0.0	0.0 *)	
Icon Genetics GmbH	Munich, Germany	100.0	0.0	(5.3) *) , **)	
Indurisk Rückversicherung AG	Luxembourg, Luxembourg	50.0	5.1	0.0 *)	
Intendis Austria Handels GesmbH	Vienna, Austria	100.0	1.8	0.8 *)	
Intendis Derma, S. L.	Sant Joan Despi, Spain	100.0	(0.1)	0.1 *)	
Intendis GmbH	Berlin, Germany	100.0	16.0	33.7 *) , **)	

\*) provisional result

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## Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Intendis Manufacturing S.p.A.	Milan, Italy	100.0	8.7	3.0 *)	
Intendis S.p.A.	Milan, Italy	100.0	3.5	1.6 *)	
Intraserv GmbH & Co. KG	Schönefeld, Germany	100.0	3.1	7.5 *)	
Intraserv Verwaltungs-GmbH	Schönefeld, Germany	100.0	0.0	0.0 *)	
INVITE GmbH	Leverkusen, Germany	50.0	(0.1)	(0.1) *)	
Jenapharm GmbH & Co. KG	Jena, Germany	100.0	104.2	80.7 *)	
KOSINUS Grundstücks-Verwaltungsgesellschaft mbH	Berlin, Germany	100.0	0.0	0.0 *)	
KOSINUS Grundstücks-Verwaltungsgesellschaft mbH & Co. Gamma OHG	Berlin, Germany	100.0	19.1	2.1 *)	
KVP Pharma+Veterinär Produkte GmbH	Kiel, Germany	100.0	7.4	8.2 *) (**)	
Lilienthalstraße Nr. 4 GmbH	Schönefeld, Germany	100.0	0.0	0.0	
Lusal Produção Quimico Farmacêutica Luso-Alema, 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	206.1	(60.3) *)	
Marotrast GmbH	Jena, Germany	100.0	0.0	0.1 *) (**)	
MENADIER Heilmittel GmbH	Berlin, Germany	100.0	79.8	0.3 *) (**)	
Nunhems B.V.	Nunhem, Netherlands	100.0	172.5	34.6 *)	
Nunhems France S.A.R.L.	Soucelles, France	100.0	2.3	1.0 *)	
Nunhems Hungary Kft.	Szolnok, Hungary	100.0	0.9	0.3 *)	
Nunhems Italy S.r.l.	St. Agata Bolognes, Italy	100.0	8.1	1.1 *)	
Nunhems Netherlands B.V.	Nunhem, Netherlands	100.0	55.3	13.4 *)	
Nunhems Poland Sp. Zo. o.	Poznan, Poland	100.0	0.8	0.6 *)	
Nunhems Spain, S.A.	Valencia, Spain	100.0	8.9	4.5 *)	
Pallas Versicherung AG	Leverkusen, Germany	100.0	84.9	8.8 *)	
pbi Home & Garden Limited	Cambridge, U.K.	100.0	3.5	0.0	
PGS International N.V.	The Hague, Netherlands	100.0	250.3	97.3 *)	
Pharma-Verlagsbuchhandlung GmbH	Berlin, Germany	100.0	1.1	(0.2) *) (**)	
PYCO SA	Mont de Marsan, France	47.0	0.1	0.0 *)	
Sauerstoff- und Stickstoffrohrleitungsgesellschaft mbH	Krefeld, Germany	50.0	0.3	0.0 *)	
SC Bayer SRL	Bucharest, Romania	100.0	10.6	2.0 *)	
Schering AG	Berlin, Germany	100.0	257.5	0.3 *) (**)	
Schering Agrochemicals Holdings	Burgess Hill, U.K.	100.0	1.9	0.0 *)	
Schering GmbH und Co. Produktions KG	Weimar, Germany	100.0	36.2	3.2	
Schering Health Care Limited	Burgess Hill, U.K.	100.0	12.5	0.0 *)	
Schering Holdings Ltd.	Burgess Hill, U.K.	100.0	15.9	1.2 *)	
Schering Industrial Products	Burgess Hill, U.K.	100.0	2.8	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	34.7 *) (**)	

\*) 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 Verwaltungsgesellschaft mbH	Weimar, Germany	100.0	0.1	0.0 *)	
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	0.7	0.2 *)	
Siebte Bayer VV GmbH	Leverkusen, Germany	100.0	0.0	0.0 *)	
Sportrechte Vermarktungs- und Verwertungs-GmbH & Co. OHG	Leverkusen, Germany	100.0	0.1	(0.2) *)	
TecArena+ GmbH	Leverkusen, Germany	100.0	0.3	(0.3) *) , **)	
TECTRION GmbH	Leverkusen, Germany	100.0	7.0	0.6 *) , **)	
TOO Bayer KAZ	Astana, Kazakhstan	100.0	3.9	0.4 *)	
TravelBoard GmbH	Leverkusen, Germany	100.0	0.4	0.7 *) , **)	
UAB Bayer	Vilnius, Lithuania	100.0	1.8	0.6 *)	
Viverso GmbH	Bitterfeld-Wolfen, Germany	100.0	0.3	2.3 *) , **)	
ZAO Bayer	Moscow, Russia	100.0	106.6	(1.2) *)	
ZAO Rhône-Poulenc AO	Moscow, Russia	100.0	0.2	0.0 *)	
Zweite K-W-A Beteiligungsgesellschaft mbH	Leverkusen, Germany	100.0	3,444.1	0.0 *) , **)	
<b>North America</b>					
Bayer Corporation	Pittsburgh, U.S.A.	100.0	3,029.2	(69.0) *)	
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 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		+	
Bayer Puerto Rico Inc.	San Juan, Puerto Rico	100.0		+	
BayOne Urethane Systems LLC	Saint Louis, U.S.A.	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		+	

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\*\*) before profit/loss transfer

+) pre-consolidated

## Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/ loss	Foot- notes
		%	€ million	€ million	
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 Medical Equipment Trading Company	Beijing, China	100.0			+)
Medrad Medizinische Systeme GmbH	Volkach, Germany	100.0			+)
Medrad Mexicana S. de R. L. de CV	Mexico City, Mexico	100.0			+)
Medrad Sweden AB	Mölnådal, 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			+)
Artificial Muscle, Inc.	Sunnyvale, U.S.A.	100.0	6.6	(1.7)	
Bayer CropScience Holding Inc.	Research Triangle Park, U.S.A.	100.0	11.8	(0.7)	
Bayer CropScience Holdings Inc.	Calgary, Canada	100.0	207.9	14.1	*)
Bayer CropScience Inc.	Calgary, Canada	100.0	188.3	56.0	*)
Bayer CropScience Inc.	Research Triangle Park, U.S.A.	100.0	860.4	(1.1)	
Bayer Inc.	Toronto, Canada	100.0	396.9	35.7	*)
Bayer International Trade Services Corporation	Weirton, U.S.A.	100.0	0.0	0.0	
BayOne Canada, Inc.	Niagara Falls, Canada	100.0	0.5	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	

\*) provisional result

+) pre-consolidated

## Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
ICON Genetics, Inc.	Montmouth, U.S.A.	100.0	0.0	3.5 *)	
Intendis, Inc.	Morristown, U.S.A.	100.0	14.9	4.4	
NippoNex Holdings LLC	Pittsburgh, U.S.A.	100.0	0.0	0.0	
Nunhems USA, Inc.	Morgan Hill, U.S.A.	100.0	15.3	(1.4) *)	
PO JV, LP	Wilmington, U.S.A.	41.3	549.2	(34.4) *)	
Schein Pharmaceutical Canada, Inc.	Toronto, Canada	50.0	0.0	0.0 *)	
Technology JV, L.P.	Wilmington, U.S.A.	33.3	233.0	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	(4.0)	(1.1)	
<b>Asia / Pacific</b>					
Bayer (Beijing) Sheet Company Limited	Beijing, China	100.0	7.8	1.7 *)	
Bayer (China) Limited	Beijing, China	100.0	830.5	6.0 *)	
Bayer (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	100.0	4.5	(0.1) *)	
Bayer (Sichuan) Animal Health Co., Ltd.	Chengdu, China	100.0	9.7	3.1 *)	
Bayer (South East Asia) Pte Ltd	Singapore	100.0	59.1	13.9 *)	
Bayer Australia Limited	Pymble, Australia	100.0	154.7	24.1 *)	
Bayer BioScience Pvt. Ltd	Hyderabad, India	100.0	29.8	2.9	
Bayer Business Services Private Limited	Powai, India	100.0	0.5	0.0	
Bayer Co. (Malaysia) Sdn Bhd	Petaling Jaya, Malaysia	100.0	14.3	5.6 *)	
Bayer CropScience (China) Company Ltd.	Hangzhou, China	100.0	55.9	(1.6) *)	
Bayer CropScience (OHQ) (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	100.0	0.0	0.0 *)	
Bayer CropScience (Private) Limited	Karachi, Pakistan	100.0	8.2	3.0 *)	
Bayer CropScience (Thailand) Company Limited	Bangkok, Thailand	100.0	0.2	0.0 *)	
Bayer CropScience Holdings Pty Ltd	East Hawthorn, Australia	100.0	21.1	0.0 *)	
Bayer CropScience K. K.	Tokyo, Japan	100.0	264.5	11.0 *)	
Bayer CropScience Limited	Mumbai, India	71.1	93.7	20.6	
Bayer CropScience Ltd.	Dhaka, Bangladesh	60.0	4.0	0.2 *)	
Bayer CropScience Ltd.	Seoul, South Korea	100.0	14.3	(0.4) *)	
Bayer CropScience Pty Limited	East Hawthorn, Australia	100.0	47.1	3.5 *)	
Bayer CropScience, Inc.	Laguna, Philippines	100.0	17.2	5.1 *)	
Bayer Far East Service Co. Ltd.	Hong Kong, China	100.0	0.0	0.0 *)	
Bayer Healthcare Co. Ltd.	Beijing, China	100.0	171.7	62.7 *)	
Bayer HealthCare Limited	Hong Kong, China	100.0	8.1	1.2 *)	
Bayer Holding Ltd.	Tokyo, Japan	100.0	333.2	(11.8) *)	
Bayer Jinling Polyurethane Co., Ltd.	Nanjing, China	55.0	12.0	1.1 *)	
Bayer Korea Ltd.	Seoul, South Korea	100.0	53.4	(0.6) *)	
Bayer Malibu Polymers Private Limited	Mumbai, India	51.0	0.2	0.0	

\*) provisional result

## Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer MaterialScience (China) Company Limited	Shanghai, China	100.0	723.8	85.0	*)
Bayer MaterialScience (Qingdao) Co. Ltd.	Qingdao, China	100.0	0.0	0.0	
Bayer MaterialScience Limited	Hong Kong, China	100.0	64.4	6.2	*)
Bayer MaterialScience Ltd.	Tokyo, Japan	100.0	23.6	1.4	*)
Bayer MaterialScience Private Limited	Mumbai, India	100.0	19.3	0.2	
Bayer MaterialScience Pty Ltd	Pymble, Australia	100.0	3.8	2.2	*)
Bayer New Zealand Limited	Auckland, New Zealand	100.0	16.5	0.7	*)
Bayer Pakistan (Private) Limited	Karachi, Pakistan	100.0	3.1	(0.5)	*)
Bayer Pharmaceuticals Private Limited	Mumbai, India	100.0	4.3	(0.9)	
Bayer Philippines, Inc.	Makati City, Philippines	100.0	28.0	6.0	*)
Bayer Polyurethanes Taiwan Ltd.	Taipei, Taiwan	94.9	35.1	5.9	*)
Bayer Sheet Korea Ltd.	Kimhae City, South Korea	100.0	18.2	6.4	*)
Bayer Taiwan Company Ltd.	Taipei, Taiwan	100.0	31.6	7.8	*)
Bayer Technology and Engineering (Shanghai) Company Limited	Shanghai, China	100.0	12.5	6.6	*)
Bayer Thai Co., Ltd.	Bangkok, Thailand	100.0	424.6	67.0	*)
Bayer TPU (Shenzhen) Co. Ltd.	Shenzhen, China	100.0	9.0	0.9	*)
Bayer Uretech Ltd.	Yu Pu Village, Taiwan	100.0	10.6	0.5	*)
Bayer Vietnam Ltd.	Bien Hoa City (Amata), Vietnam	100.0	20.4	7.1	*)
Bayer Yakuhin, Ltd.	Osaka, Japan	100.0	200.9	80.9	*)
Bilag Industries Private Ltd.	Vapi, India	100.0	157.0	31.6	*)
Chemdyes Pakistan (Private) Limited	Karachi, Pakistan	100.0	0.3	0.0	*)
Cotton Growers Services Pty. Limited	Wee Waa, Australia	50.0	6.8	1.6	*)
DIC Bayer Polymer Ltd.	Tokyo, Japan	50.0	10.7	3.1	*)
Guangzhou Bayer Material-Science Company Limited	Guangzhou, China	100.0	14.4	(2.9)	*)
Medipharm (Pvt) Ltd.	Lahore, Pakistan	100.0	5.7	0.6	*)
Myanmar Aventis CropScience Ltd.	Yangon, Myanmar	100.0	0.0	0.0	*)
Nunhems Beijing Seeds Co. Ltd.	Beijing, China	95.0	3.9	0.9	*)
Nunhems India Private Limited	Haryana, India	100.0	17.4	4.4	*)
PT. Bayer Indonesia	Jakarta, Indonesia	99.8	118.7	24.8	*)
PT. Bayer MaterialScience Indonesia	Jakarta, Indonesia	99.9	16.8	1.9	*)
Schering Pty. Limited	Alexandria, Australia	100.0	0.6	0.0	*)
Sumika Bayer Urethane Co., Ltd.	Osaka, Japan	60.0	7.2	(7.0)	*)
Teijin-Bayer Polytec Ltd.	Tokyo, Japan	50.0	0.6	0.0	*)
U I M Agrochemicals (Aust) Pty Ltd.	East Hawthorn, Australia	100.0	2.0	0.0	*)

\*) provisional result

## Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
<b>Latin America/Africa/Middle East</b>					
AgrEvo South Africa (Pty) Ltd.	Isando, South Africa	100.0	3.7	0.1	
Alimtec S. A.	Santiago, Chile	40.0	1.8	(0.3) *)	
Bayer (Proprietary) Limited	Isando, South Africa	100.0	128.1	11.6 *)	
Bayer Algeria S. P. A.	Algiers, Algeria	100.0	0.0	0.0 *)	
Bayer Boliviana Ltda	Santa Cruz De La Sierra, Bolivia	100.0	1.1	0.4 *)	
Bayer Central America Sociedad Anonima	San José, Costa Rica	100.0	0.6	0.3 *)	
Bayer Cropscience SA	Bogotá, Colombia	100.0	50.7	1.8 *)	
Bayer de México, S. A. de C. V.	Mexico City, Mexico	100.0	204.1	69.1 *)	
Bayer Distribuidora de Produtos Quimicos e Farmacêuticos Ltda.	São Paulo, Brazil	100.0	0.5	0.0 *)	
Bayer East Africa Ltd.	Nairobi, Kenya	55.0	12.6	2.6 *)	
Bayer IMSA, S. A. de C. V.	Nuevo León, Mexico	50.0	6.9	1.7 *)	
Bayer Israel LTD.	Hod Hasharon, Israel	100.0	2.2	0.0 *)	
Bayer Middle East FZE	Dubai, United Arab Emirates	100.0	1.1	0.0 *)	
Bayer Middle East Limited Liability Company	Dubai, United Arab Emirates	49.0	0.0	0.0	
Bayer Parsian AG	Tehran, Iran	100.0	0.9	0.6 *)	
Bayer S. A.	Asunción, Paraguay	100.0	16.9	1.6 *)	
Bayer S. A.	Bogotá, Colombia	100.0	74.5	16.8 *)	
Bayer S. A.	Buenos Aires, Argentina	100.0	160.0	34.9 *)	
Bayer S. A.	Caracas, Venezuela	100.0	66.4	26.5 *)	
Bayer S. A.	Casablanca, Morocco	100.0	26.4	0.9 *)	
Bayer S. A.	Colón, Panama	100.0	16.8	6.9 *)	
Bayer S. A.	Guatemala City, Guatemala	100.0	45.1	6.4 *)	
Bayer S. A.	Lima, Peru	89.3	46.3	7.5 *)	
Bayer S. A.	Managua, Nicaragua	100.0	3.4	1.0 *)	
Bayer S. A.	Quito, Ecuador	100.0	15.3	1.9 *)	
Bayer S. A.	San José, Costa Rica	100.0	17.1	3.6 *)	
Bayer S. A.	Santiago, Chile	100.0	159.6	(5.6) *)	
Bayer S. A.	Santo Domingo, Dominican Republic	100.0	12.9	2.2 *)	
Bayer S. A.	São Paulo, Brazil	100.0	481.2	(12.4) *)	
Bayer S. A. de C. V.	Tegucigalpa, Honduras	100.0	5.1	0.7 *)	
Bayer SA	Montevideo, Uruguay	100.0	17.3	1.2 *)	
Bayer Schering Pharma Moçambique, Lda	Maputo, Mozambique	100.0	0.0	0.0	
Bayer Türk Kimya Sanayi Limited Sirketi	Istanbul, Turkey	100.0	88.2	0.6 *)	
Bayer Zimbabwe (Private) Limited	Harare, Zimbabwe	100.0	0.3	0.0 *)	
Bayer, S. A.	San Salvador, El Salvador	100.0	15.8	1.6 *)	

\*) provisional result

## Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
BaySystems Pearl FZCO	Dubai, United Arab Emirates	51.0	8.5	2.2 *)	
BaySystems Pearl Limited Liability Company	Dubai, United Arab Emirates	49.0	0.1	0.0 *)	
Centro Estratégico Canada Latinoamerica S.A. de C.V.	Mexico City, Mexico	100.0	0.0	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	1.8	0.2	
Corporación Bonima S.A. de C.V.	Ilopango, El Salvador	99.8	21.0	0.6 *)	
CROPSA S.A.C.	Lima, Peru	100.0	2.0	0.2 *)	
Farmaco Ltda.	São Paulo, Brazil	100.0	0.1	0.0 *)	
Industrias Gustafson, S.A. de C.V.	Mexico City, Mexico	100.0	0.0	0.0 *)	
Intendis Ilac Ticaret Limited Sirketi	Istanbul, Turkey	100.0	4.8	(1.4) *)	
Laboratorio Berlimed S.A.	Santiago, Chile	100.0	0.0	0.0	
Mediterranean Seeds Ltd.	Einat, Israel	100.0	1.3	0.1 *)	
Miles, S.A. Guatemala Branch	Guatemala City, Guatemala	100.0	0.0	0.0	
Nunhems Chile S.A.	Santiago, Chile	100.0	4.4	1.5 *)	
Nunhems do Brasil Comercio de Sementes Ltda	Campinas, Brazil	100.0	3.4	0.6 *)	
Nunhems México S.A. de C.V.	Queretaro, Mexico	100.0	(0.9)	0.0 *)	
Nunhems Tohumculuk Limited Sirketi	Antalya, Turkey	100.0	16.3	4.4 *)	
Paltough Industries (1998) Ltd.	Kibbutz Ramat Yochanan, Israel	25.0	52.6	2.9 *)	
Polygal (Management) 1998 Ltd.	Megiddo, Israel	25.7	0.0	0.0 *)	
Polygal (Marketing) Ltd. Limited Partnership	Megiddo, Israel	25.0	0.5	0.7 *)	
Polygal Plastics Industries Ltd.	Kibbutz Ramat Yochanan, Israel	25.8	15.5	1.5 *)	
PROQUINA Productos Químicos Naturales, S.A. de C.V.	Orizaba, Mexico	100.0	16.5	(1.0) *)	
Químicas Unidas S.A.	Havana, Cuba	100.0	0.0	0.0	
Schering (Pty) Ltd.	Midrand, South Africa	100.0	21.8	1.2	
Schering do Brasil Química e Farmacêutica Ltda.	São Paulo, Brazil	100.0	77.7	20.9 *)	
Schering Peruana S.A.	Lima, Peru	100.0	0.0	0.0 *)	

\*) 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
		%
Hokusan Co. Ltd.	Tokyo, Japan	19.8
Salzgewinnungsgesellschaft Westfalen mbH & Co. KG	Ahaus, Germany	10.0

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, 2011  
Bayer Aktiengesellschaft

The Board of Management

# Proposal for Distribution of the Profit

The net income of Bayer AG in 2010 amounted to €1,245 million. €5 million was allocated to other retained earnings, giving a distributable profit of €1,240 million. We propose that this amount be used to pay a dividend of €1.50 per no-par share (826,947,808 shares) on the capital stock of €2,117 million entitled to the dividend for 2010.

# 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 the Combined Management Report includes a fair review of the development and performance of the business and the position of the Bayer Group and Bayer AG, together with a description of the principal opportunities and risks associated with the expected development of Bayer Group and Bayer AG.

Leverkusen, February 15, 2011  
Bayer Aktiengesellschaft

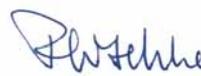
The Board of Management



Dr. Marijn Dekkers



Werner Baumann



Dr. Wolfgang Plischke



Dr. Richard Pott

# Auditor's Report

We have audited the annual financial statements – comprising the statement of financial position, income statement and notes – together with the accounting system, and the management report of Bayer Aktiengesellschaft, Leverkusen, Germany – which is combined with the Group management report – for the financial year from January 1 to December 31, 2010. 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, 2011

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Armin Slotta)  
Wirtschaftsprüfer

(Anne Böcker)  
Wirtschaftsprüferin

# Report of the Supervisory Board

*Dear stockholders:*

During 2010 the Supervisory Board monitored the conduct of the company's business by the Board of Management 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 maintained a constant exchange of information with both the Chairman of the Board of Management serving until September 30, 2010, and with his successor. 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 2010. No member of the Supervisory Board attended fewer than half of its meetings. The members of the Board of Management attended all 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. The discussions at the respective meetings in 2010 centered on various topics. At the February meeting, the Supervisory Board discussed the 2009 Annual Report and the agenda for the 2010 Annual Stockholders' Meeting. It also dealt at length with the Bayer Group's risk management system and matters related to the Board of Management's compensation. At its September meeting, the Supervisory Board dealt mainly with the company's situation and strategic issues and discussed the new recommendations of the German Corporate Governance Code. At the meeting in December 2010, 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 2011 through 2013. In accordance



with the new recommendation of the Corporate Governance Code with regard to the appropriate consideration of women for membership of supervisory and management boards, the Supervisory Board resolved at this meeting on measures to increase the proportion of women on both boards and also resolved on the target described in the Corporate Governance Report regarding the composition of the Supervisory Board. In addition, the results of the audit of the Supervisory Board's efficiency were discussed and amendments made to its rules of procedure. Following the December meeting, an information and discussion forum took place on the subject of the legal basis for the Supervisory Board's activities.

#### **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 2010 and therefore is not reproduced here.

### **Work of the committees**

In 2010 the Presidial Committee was not required to convene in its capacity as the Mediation Committee under Section 27 Paragraph 3 of the German Codetermination Act, or to make any other decisions.

The Audit Committee met four times during the year, addressing in particular the company's and the Group's accounting and 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 2010 fiscal year. The Chairman of the Board of Management and the Chief Financial Officer regularly attended the meetings of the Audit Committee. 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, which covered the risk management system, planning and market risks, legal risks, corporate compliance, the report on process and organizational risks and the internal control system, and the report by Corporate Auditing. 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. The April meeting focused on the Bayer Group's financial management system and the Compliance Officer's yearly report.

The Human Resources Committee convened on two 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 matters concerning the compensation of the members of the Board of Management and their service contracts.

On one occasion in 2010, 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 and developed the target set by the Supervisory Board for its composition.

The meetings and decisions of the committees, and especially the meetings of the Audit Committee, were prepared on the basis of reports and other information provided by the Board of Management. 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 May 2010. 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 2010 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.

### Membership of the Supervisory Board

Karl-Josef Ellrich left the Supervisory Board on June 30, 2010. Roswitha Süsselbeck, an elected substitute, joined the Supervisory Board on July 1, 2010. The Supervisory Board elected Willy Beumann to succeed Mr. Ellrich as a member of the Human Resources Committee.

### Financial statements and audits

The financial statements of Bayer AG were prepared according to the requirements of the German Commercial Code and Stock Corporation 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 Corporation 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 €1.50 per share.

The Supervisory Board would like to thank the Board of Management and all employees for their dedication and hard work in 2010.

Leverkusen, February 24, 2011

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 corporations listed (as at December 31, 2010 or the date on which they ceased to be members of the Supervisory Board of Bayer AG):

### DR. MANFRED SCHNEIDER

Cologne, Germany  
born December 21, 1938

Chairman of the Supervisory Board effective April 2002

- Daimler AG
- Linde AG (Chairman)
- RWE AG (Chairman)
- TUI AG

### THOMAS DE WIN

Cologne, Germany  
born November 21, 1958

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

Chairman of the Bayer Group Works Council  
Chairman of the Bayer Central Works Council

- Bayer MaterialScience AG

### DR. PAUL ACHLEITNER

Munich, Germany  
born September 28, 1956

Member of the Supervisory Board effective April 2002

Member of the Board of Management of Allianz SE

- Allianz Deutschland AG (until the end of June 2010)
- Allianz Global Investors AG
- Allianz Investment Management SE, Chairman of the Board of Directors
- Daimler AG (effective April 2010)
- RWE AG
- Henkel AG & Co. KGaA, Shareholders' Committee

### ANDRÉ AICH

Berlin, Germany  
born February 17, 1969

Member of the Supervisory Board effective April 2007

Member of the Works Council of Bayer Schering Pharma AG\*

### WILLY BEUMANN

Wuppertal, Germany  
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\*

### DR. CLEMENS BÖRSIG

Frankfurt am Main, Germany  
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.
- Linde AG

### DR.-ING. THOMAS FISCHER

Krefeld, Germany  
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

Winsen an der Aller, Germany  
born February 13, 1954

Member of the Supervisory Board effective April 2006

Member of the Executive Committee of the German Mining, Chemical and Energy Industrial Union

- Evonik Services GmbH

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

Berlin, Germany  
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
- Heliad Equity Partners GmbH & Co. KGaA
- Ringier AG
- SMS GmbH

### REINER HOFFMANN

Brussels, Belgium  
born May 30, 1955

Member of the Supervisory Board effective October 2006

North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union

- Evonik Services GmbH (effective September 2010)
- SASOL Germany GmbH

### DR. RER. POL. KLAUS KLEINFELD

New York, U.S.A.  
born November 6, 1957

Member of the Supervisory Board effective April 2005

Chairman and Chief Executive Officer of ALCOA Inc.

### PETRA KRONEN

Krefeld, Germany  
born August 22, 1964

Member of the Supervisory Board effective July 2000

Chairman of the Works Council of the Uerdingen site of Bayer

- Bayer MaterialScience AG (Vice Chairman)

\* company to be renamed Bayer Pharma AG

**DR. RER. NAT. HELMUT PANKE**

Munich, Germany  
born August 31, 1946

Member of the Supervisory Board  
effective April 2007

Member of various supervisory boards

- Microsoft Corporation
- Singapore Airlines Limited
- UBS AG

**HUBERTUS SCHMOLDT**

Soltau, Germany  
born January 14, 1945

Member of the Supervisory Board  
effective January 1995

Member of various supervisory boards

- BP Europe SE (formerly Deutsche BP AG)  
(Vice Chairman until May 2010)
- Dow Olefinverbund GmbH  
(Vice Chairman)
- E.ON AG
- RAG AG (Vice Chairman)
- RAG Deutsche Steinkohle AG  
(Vice Chairman)

**DR.-ING. EKKEHARD D. SCHULZ**

Krefeld, Germany  
born July 24, 1941

Member of the Supervisory Board  
effective April 2005

Chairman of the Executive Board of  
ThyssenKrupp AG

- AXA Konzern AG
- MAN SE (Vice Chairman)
- RWE AG
- ThyssenKrupp Elevator AG (Chairman)
- ThyssenKrupp Steel Europe AG  
(Chairman)

**DR. KLAUS STURANY\*\***

Dortmund, Germany  
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

**ROSWITHA SÜSSELBECK**

Leichlingen, Germany  
born March 19, 1954

Member of the Supervisory Board  
effective July 2010

Vice Chairman of the Works Council of the  
Leverkusen site of Bayer

- Bayer CropScience AG (Vice Chairman  
effective December 2010)

**DIPL.-ING. DR.-ING. E.H. JÜRGEN WEBER**

Hamburg, Germany  
born October 17, 1941

Member of the Supervisory Board  
effective April 2003

Chairman of the Supervisory Board of  
Deutsche Lufthansa AG

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

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

Munich, Germany  
born July 26, 1941

Member of the Supervisory Board  
effective April 1997

Secretary General of the Human Frontier  
Science Program, Strasbourg

- Medigene AG (Chairman)
- Wacker Chemie AG

**OLIVER ZÜHLKE**

Solingen, Germany  
born December 11, 1968

Member of the Supervisory Board  
effective April 2007

Chairman of the Works Council of the  
Leverkusen site of Bayer

Chairman of the Bayer European Forum

**KARL-JOSEF ELLRICH**

Dormagen, Germany  
born October 5, 1949

Member of the Supervisory Board  
until the end of June 2010

Chairman of the Bayer Group Works  
Council (until the end of May 2010)

Chairman of the Works Council  
of the Dormagen site of Bayer  
(until January 2010)

- Bayer CropScience AG (Vice Chairman  
until the end of June 2010)

Standing committees of the  
Supervisory Board of Bayer AG  
(as at Dec. 31, 2010)

**PRESIDIAL COMMITTEE/  
MEDIATION COMMITTEE**

Schneider (Chairman), Achleitner,  
Schmoldt, de Win

**AUDIT COMMITTEE**

Sturany (Chairman), Fischer,  
Hausmann, Henkel, Schneider, de Win

**HUMAN RESOURCES COMMITTEE**

Schneider (Chairman), Beumann,  
Kronen, Weber

**NOMINATIONS COMMITTEE**

Schneider (Chairman), Achleitner

\*\* 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, 2010 or the date on which they ceased to be members of the Board of Management):

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### DR. MARIJN DEKKERS

born September 22, 1957

Chairman (effective October 1, 2010)

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

### WERNER BAUMANN

born October 6, 1962

Finance

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

- Bayer Business Services GmbH (Chairman effective May 1, 2010)
- Bayer CropScience AG (Chairman effective May 1, 2010)

### DR. WOLFGANG PLISCHKE

born September 15, 1951

Technology, Innovation & Environment

Member of the Board of Management effective March 1, 2006, appointed until February 28, 2014

- ARK Therapeutics, Non-Executive Director (until August 16, 2010)
- Bayer MaterialScience AG (Chairman)
- Bayer Technology Services GmbH (Chairman)
- Bayer Innovation GmbH, Shareholders' Committee (Chairman)
- Bayer Real Estate GmbH, Shareholders' Committee (Chairman)

### DR. RICHARD POTT

born May 11, 1953

Strategy & Human Resources

Member of the Board of Management effective May 1, 2002, appointed until April 30, 2012

- Bayer Chemicals AG (Chairman)
- Bayer HealthCare AG (Chairman)
- Bayer Schering Pharma AG\* (Chairman)
- Currenta Geschäftsführungs-GmbH (Chairman)
- Bayer Innovation GmbH, Shareholders' Committee

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### KLAUS KÜHN

born February 11, 1952

Member of the Board of Management until April 30, 2010

- Bayer Business Services GmbH (Chairman until April 30, 2010)
- Bayer CropScience AG (Chairman until April 30, 2010)

### WERNER WENNING

born October 21, 1946

Member of the Board of Management (Chairman) until September 30, 2010

- Deutsche Bank AG
- E.ON AG
- HDI V.a.G
- Talanx AG
- Henkel AG & Co. KGaA, Shareholders' Committee

# Financial Calendar

Q1 2011 Interim Report	<b>APRIL 28, 2011</b>
Annual Stockholders' Meeting 2011	<b>APRIL 29, 2011</b>
Payment of Dividend	<b>MAY 2, 2011</b>
Q2 2011 Interim Report	<b>JULY 28, 2011</b>
Q3 2011 Interim Report	<b>OCTOBER 27, 2011</b>
2011 Annual Report	<b>FEBRUARY 28, 2012</b>
Q1 2012 Interim Report	<b>APRIL 26, 2012</b>
Annual Stockholders' Meeting 2012	<b>APRIL 27, 2012</b>

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## MASTHEAD

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### 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](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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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.

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