

2. General information

The consolidated financial statements of the Bayer Group as of December 31, 2009, have been prepared – pursuant to Section 315a of the German Commercial Code – according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Union and in effect at the closing date.

Bayer Aktiengesellschaft (Bayer AG) is a global enterprise based in Germany. Its registered office is at Kaiser-Wilhelm-Allee 1, 51368 Leverkusen. Its material business activities in the fields of health care, nutrition and high-tech materials take place in the HealthCare, CropScience and MaterialScience subgroups, respectively. The activities of the various segments are outlined in Note [5].

A declaration of compliance with the German Corporate Governance Code has been issued pursuant to Section 161 of the German Stock Corporation Act and made available to stockholders.

The Board of Management of Bayer AG prepared the consolidated financial statements of the Bayer Group on February 15, 2010. The Audit Committee of the Supervisory Board of Bayer AG discussed the consolidated financial statements of the Bayer Group at its meeting on February 23, 2010 and the Supervisory Board approved them at its meeting on February 24, 2010.

The consolidated financial statements of the Bayer Group are drawn up in euros. Amounts are stated in millions of euros (€ million) except where otherwise indicated. The financial statements of the individual consolidated companies are prepared as of the closing date of the Group financial statements.

In the income statement and statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, certain items are combined for the sake of clarity. These are explained in the notes. The income statement is prepared using the cost-of-sales method. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the company or the Group, or are held for sale. The normal business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods or services produced in that process. Trade accounts receivable and payable, claims for tax refunds, tax liabilities and inventories are always presented as current items, deferred tax assets and liabilities and pension provisions as noncurrent items.

In compliance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), a distinction is made between continuing operations and discontinued operations or assets held for sale. The discontinued operations are recognized as separate line items in the income statement, statement of financial position and statement of cash flows. Depreciation of noncurrent assets allocable to discontinued operations and of assets held for sale ceased when the respective divestiture was announced. All data in these notes refer to continuing operations, except where otherwise indicated. Discontinued operations are described in Note [6.3].

Changes in recognition and valuation principles are explained in the notes. The retrospective application of new or revised standards requires – except as otherwise provided in the respective standard – that earnings for the preceding year and the opening statement of financial position for the reporting year be restated as if the new recognition and valuation principles had been applied in the past.