

Notes to the Statements of Cash Flows

The statement of cash flows shows how cash inflows and outflows during the year affected the cash and cash equivalents (liquidity) of the Bayer Group as of the closing date. The effects of changes in the scope of consolidation are stated separately. Cash flows are classified by operating, investing and financing activities in accordance with IAS 7 (Statement of Cash Flows). The cash and cash equivalents shown in the statement of cash flows comprise cash, checks and balances with banks. Also included are financial instruments with original maturities of up to three months.

The amounts reported by consolidated companies outside the euro zone are translated at average exchange rates for the year, with the exception of cash and cash equivalents, which are translated at closing rates as in the statement of financial position. The effect of changes in exchange rates on cash and cash equivalents is shown separately.

Cash and cash equivalents contain both the proceeds from divestitures of discontinued operations and the cash inflows from these operations prior to the divestitures. In principle, therefore, the statement of cash flows must account for all cash inflows and outflows for both continuing and discontinued operations. However, IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) specifies that cash flows from operating, investing and financing activities be classified by continuing and discontinued operations. The discontinued operations' shares of the cash flows from operating, investing and financing activities are stated separately in Note [6.3].

The amounts corresponding to the components of the net operating cash flow are shown both in the statement of financial position and in the income statement. This applies, for example, to the amounts of inventories, receivables and payables recognized in the statement of financial position that determine the changes in working capital shown in the statement of cash flows. The income after taxes forms the starting point for the statement of cash flows.

33. Net cash provided by (used in) operating activities

The gross cash flow for 2009 of €4,658 million (2008: €5,295 million) is the cash surplus from operating activities before any changes in working capital. The cash flows by segment are shown in the table in Note [1].

The net operating cash flow of €5,375 million (2008: €3,608 million) takes into account the changes in working capital and other non-cash transactions.

The line "Non-cash effects of the remeasurement of acquired assets (inventory work-down)" has been inserted in the statement of cash flows in order to eliminate the effects of the Schering purchase price allocation from gross cash flow. In this way the non-cash effect of the work-down of the step-up from the remeasurement of Schering inventories to fair value as of June 23, 2006, the date of acquisition, is already neutralized in the gross cash flow. In 2008, a final amount of €208 million was transferred to this line from "Decrease (increase) in inventories."

The net operating cash flow for 2009 included an income-tax-related net cash flow of €500 million (2008: €1,073 million). The changes in income tax liabilities, income tax provisions and claims for reimbursement of income taxes are shown in the line "Changes in other working capital, other non-cash items."