

Bayer Public Limited Company

Annual Report and Audited Financial Statements

For the year ended 31 December 2022



Company Registration No. 00935048 (England and Wales)

Bayer Public Limited Company

Company Information

Directors	T Gerdau V R Jindal R A Payano Baez
Secretary	C A Barker
Company number	00935048
Registered office	400 South Oak Way Green Park Reading Berkshire United Kingdom RG2 6AD
Independent auditor	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD

Bayer Public Limited Company

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Bayer Public Limited Company

Strategic Report

For the year ended 31 December 2022

The directors present the strategic report for the company for the year ended 31 December 2022.

Review of the business

The company's principal activity is the marketing of pharmaceutical and consumer health products. In addition, the company also markets and distributes radiology contrast media and devices. The portfolio of products is principally manufactured by Bayer Group companies and supplied to the company. The company provides administration support to other Bayer Group companies.

The company continued to trade successfully during the year and consolidate its position within its markets.

VAT claims on medical rebates

During FY21 HMRC rejected the submission to claim VAT on rebates paid to the NHS. The company has since appealed the decision to the First Tier Tribunal. The tribunal have identified a separate lead case, and the tribunal process remains ongoing. The company continue to monitor the status of the case throughout the court process.

Restructuring

In November 2020, Bayer AG made a further announcement to look at all business groups to restructure to ensure a leaner and efficient organisation by 2024. The company has begun with the restructuring of its divisions, with changes in certain key brands and clustering of countries together having already commenced. The restructuring is expected to be completed towards the end of 2024.

Bayer AG announced during 2022 that it is divesting its men's health drug Nebido to a German pharmaceutical company Grünenthal GmbH. The completion of this transaction is expected by 31 March 2023. The interim purchase price agreed was €2.5m.

Investments

The Bayer AG - Crop Science board of management has divested the Environmental Science product portfolio to Cinven PLC. The divestment was successfully concluded on 1 August 2022 for a purchase price of USD6million.

Pharmaceutical

The pharmaceutical division showed turnover decrease of £53.4 million (-8.5%) down from the previous year sales of £628.7 million.

The decrease on previous year was caused for the most part by a significant increase in the rebate under the VPAS (government rebates) agreement which increased from 5.1% in 2021 to 15% in 2022.

Strong COVID recoveries continued across most therapeutic areas, assisted by strong partnerships with the NHS and Bayer supported capacity interventions.

EYLEA and Women's Health Care continued their recovery from COVID as patients returned to clinics with both Eylea and Women's Health Care growing in their respective markets.

Oncology services have recovered more slowly with sales growth significantly driven by Nubeqa for patients with nmCRPC.

Direct Oral Anticoagulants (DOACs) market continues to be impacted by reduced levels of face-to-face GP interactions and new patient starts - resulting in consistent year on year sales performance for Xarelto. The increased competition in the market during 2022, led to an impact on Xarelto's Market Share.

Bayer Pharmaceutical increased its' ranking from 7th in 2021 to 6th in the UK for December 2022 year to date sales values (source: IQVIA Xponent (British Pharmaceutical Industry and Hospital Pharmacy Audit National Overview)). EYLEA remains the number 1 branded medicine in the UK by sales value.

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Strategic Report (Continued)

For the year ended 31 December 2022

Radiology

Radiology is a market-leading diagnostic imaging provider delivering contrast media, medical devices and IT products and services to the imaging suite. The company is well positioned in radiology with a strong product portfolio and commitment to innovation.

Radiology delivered 7% growth from previous year, as the Radiology Departments (at both NHS and private hospitals) resumed procedures and have been committed to reducing the post pandemic wait lists.

Consumer Health

This business unit has a focus on marketing selfcare solutions in dermatology, allergy, digestive and nutritional healthcare products in the pharmacy and grocery retail environment.

The Consumer Health business performance was relatively flat in 2022 at £93.7 million (increase of 0.7%) compared to £93.1 million in 2021 with OTC (over the counter) growth offsetting a declining performance of the prescription portfolio, due to supply disruptions and inflation affecting our shoppers.

With the cost-of-living crisis, consumers will continue to be squeezed and the level of uncertainty will remain into 2023 but the Consumer Health team are continuing a focused strategy to deliver market share growth.

Development and performance of the company based on key performance indicators

Working capital continues to be a focus area for the company.

Net assets for 2022 were £185.7m (2021: £215.1m). This change in the net position is mainly due to the movement in the pension scheme with the pension asset declining by £62.7m from 2021. The decline is driven by market factors such as Covid-19 and GMP Equalisation.

The decrease of £17.8m for trade and other receivables from £141.8m to £124.0m is due to the timing of payment being received from customers.

The company did not suffer any significant bad debt write offs during the current or prior year.

Local stock levels have decreased by £26.9m to £117.2m. The driver for the decrease in inventory is due to reduced demand for key brands, and lowering of inventory holding levels.

Trade and other payables decreased by £79.8m to £190.0m (2021: £269.8). The decrease in payables is due to a decrease in the loan held with Bayer Ltd (Cyprus) of £37m.

The average number of staff employed by the company during 2022 was 698 (2021: 658) (note 6). The increase is driven in the research and development function.

Turnover decreased by a net of £50.9m (6.8%) to £699.7m. The decrease on previous year was caused for the most part by a significant increase in the rebate under the VPAS (government rebates) agreement which increased from 5.1% in 2021 to 15% in 2022.

Administrative expenses increased by £7.3m from 2021. The administration increase is due in large to the increase in the shared service organisations costs.

The decline of operating profit before tax and interest of £3.8m was mainly driven by the increase in the administration fees. The gross profit of the company improved by 1.2% from 22.4% in 2021 to 23.6% in 2022. This growth is driven by the annual budget setting of the products cost prices which ensures that that the company is compliant for tax and transfer pricing.

The operating profit margin remained relatively flat decreasing by 0.2% from 4.3% in 2021 to 4.1% in 2022, driven by a consistent transfer pricing mechanism.

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Strategic Report (Continued)

For the year ended 31 December 2022

Carbon and Energy Reporting

During the year the company's carbon footprint was 970 tonnes (2021: 1,368 tonnes). Included in the number is the energy usage for the office building, business travel and deliveries to customers. The methods used are:

- The actual kilowatt hours of energy used x DEFRA tables as supplied by the United Kingdom government for the respective years.
- Business miles travelled x DEFRA tables as supplied by the United Kingdom government for the respective years.
- Deliveries by customers (this is undertaken by a third party): actual miles travelled for the third party business x DEFRA tables as supplied by the United Kingdom government for the respective years x prorated of orders filled related to the company.

Currently for every £1,000 of revenue generated, the company generates 1.39 Kgs of Co2 emissions (2021: 1.82Kgs).

	2022 kg	2021 kg
Transportation of Goods to Customers (Scope 1 – tonnes of CO2e)	687,396.72	899,870.00
Business Travel (Scope 1 – tonnes of CO2e)	272,683.46	105,981.48
Utilities (Scope 2 – tonnes of CO2e)	9,819.98	361,949.52
	<u>969,900.16</u>	<u>1,367,801.00</u>
	<u>Tonnes</u>	<u>970</u>
		1,368
Net Sales	£699,731	£750,622
Every £1k generated creates	1.3861	1.8222

The directors of the company are directly responsible for climate protection in their roles as Sustainability Officers. Policies and initiatives are aligned with Bayer AG to support the global targets.

Bayer AG, the ultimate parent company, has undertaken to achieve a net zero target for greenhouse gas emissions throughout the entire value chain by 2050 or earlier.

Bayer AG has developed a net zero roadmap which comprises of various measures in the areas of energy & efficiency, governance and offsetting of which the directors of the company fully support.

Energies & efficiencies

Bayer AG intends for 100% of the electricity purchased to be derived from renewable sources. It has defined specific criteria for the procurement of green electricity and published this information on its website. To achieve an absolute reduction in our remaining emissions, Bayer AG intend to invest €500 million through 2030 in renewable energies and in increasing the energy efficiency of its facilities and buildings.

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Strategic Report (Continued)

For the year ended 31 December 2022

Carbon and Energy Reporting (continued)

Governance

Bayer AG is aligning its capital expenditures to its goal of achieving net zero greenhouse gas emissions by 2050. This is in line with the international goal of limiting global warming to 1.5°C. It has established an internal CO2 price of €100 per metric ton of CO2 for the calculation of its capital expenditure projects.

Offsetting

The company will offset its own emissions (Scope 1 and 2) that still remain following reduction through technological measures and cannot be avoided (such as greenhouse gas emissions generated by chemical processes) by purchasing certificates from climate protection projects that meet recognised quality standards. The company has established specific criteria for its own procurement of certificates from climate protection projects.

Financial Risk Management

The directors recognise that under the current economic climate customers may not be able to repay their debts owed to the company. The directors regularly monitor the customers ability to pay by credit reviews and ability to pay on time. The risk of vendors not delivering is covered under the Inflationary pressures risk.

Principal risks and uncertainties

The principal risks and uncertainties for the company are derived from the development, performance and position of its ultimate parent company Bayer AG. During the year the principal factors that could cause risks to the company are listed below.

Market and Pricing

The potential market and pricing risks are:

- The ability to launch new products to market in an effective timeframe to maximise both financial and patient benefit. Price pressure caused by the increase in tendering strategies by the NHS. The pricing governance committee reviews and monitors pricing strategies and outcomes to ensure continuous improvement in the efficiency and effectiveness of tendering processes.
- The company continues to invest in the development of new pharmaceutical and Consumer health products and will continue to introduce new products into the UK market.
- The company carries out market research to ensure that its products are sold at competitive prices. In the case of pharmaceutical products, the prices are regulated by the 2019 Voluntary Scheme for Branded Medicines Pricing and Access (VPAS). The company is fully complying with The Department of Health VPAS which came into effect in 2019. However there is a risk that sustained higher levels of VPAS rates as seen in 2022, could reduce the attractiveness of the UK business for investment in innovative launches.

Inflationary pressures

The emergence of the global economy from the impacts of COVID related restrictions, as well as the effects of the conflict in Ukraine have resulted in some inflationary risks for Bayer Plc. These are summarised as:

- Consumers and businesses reduce discretionary spending. This may have specific risks within the preventative health category where consumers may prioritise other spend.
- Increase in business costs, including cost of goods, at all points along the supply chain. This could result in pressures on achievable margins, viability of some 3rd party partners supporting Bayer operations, and increased expectations from employees for increased benefit packages. To mitigate these areas company has engaged its critical suppliers across the business areas to ensure business continuity measures are in place to maintain continuity of service along its supply chain. In addition the company has further developed its employee wellbeing programmes to include support focused on the cost of living pressures, in particular financial management and signposting to support employees.

Bayer Public Limited Company

Strategic Report (Continued)

For the year ended 31 December 2022

Supply Chain Risks

The potential supply chain risks are:

- Supply chain disruption caused by service interruption event at a critical supplier. These are mitigated by detailed business continuity plans developed jointly with suppliers and are regularly tested and reviewed.
- Stock outs caused by production or logistics issues. The supply chain teams monitor stock levels and delivery schedules, working with global supply chain teams to ensure that supply schedules are adjusted to ensure supply.
- Fake products using Bayer branding is subject to extensive monitoring by the global product crime group to identify and close down counterfeit product supply.

Information Security

The potential Information security risks are:

- Targeted cyber-attack causing interruption to critical supply chain systems. Security operations monitor the external network for potential threats and have robust security measures to detect and prevent external attacks on Bayer systems.
- Information leakage, corruption or unavailability caused by activity from malicious actors is mitigated by internal controls including data leakage prevention tools and up to date anti-virus software. Third party supplier's implementation of appropriate policies and controls to support information protection, operational service levels and compliance with laws and regulations. All third parties are subject to information security and data protection contracts clauses and vendor governance processes to ensure compliance with these expected measures.

Brexit

There are some remaining risks associated with Brexit:

- Challenges resulting from the Northern Ireland protocol, in particular the restrictions on the movement of products from GB to NI, and the complexity created by NI operating under EU regulatory frameworks. Potential reduced viability due to the reduced volumes associated with the Northern Ireland market may continue to put at risk some product ranges in Northern Ireland.
- When the UK left the EU, negotiations resulted in a Trade and Cooperation agreement. This agreement provided a framework for tariff free trade, and in some areas future cooperation. However, it did not go as far as providing for a clear direction for future regulatory frameworks and clarity on the potential alignment or divergence from existing EU frameworks. For example, no MRA (Mutual Recognition Agreements) for medicines and medical devices was agreed. The UK regulatory bodies have an opportunity to define independent regulatory frameworks, however due to ongoing discussions between the UK and EU leaders, it appears that little progress has been made in defining the future frameworks. These political complexities, as well as severe capacity issues within UK regulatory bodies, is leading to delays in application review, uncertain lead times, and reduced appetite and ability to move forward with new frameworks.

External economic factors caused by global event

- During times where global events such as the Ukraine War and escalating energy prices have significantly impacted the economy of the country, there is an increased risk of insolvency to any company that incurs lower revenues, liquidity and profitability as a result. Such factors could either directly impact upon the company, or indirectly impact upon the company if its customers or suppliers were, themselves, directly impacted.
- The directors are closely monitoring this on a regular basis and taking the necessary actions where required. Bayer AG, the ultimate parent company, has assurance that it will continue to support its local businesses. The Russian-Ukraine conflict could impact energy costs which will increase the overall cost of goods.

Directors' Duties

The Statement of Directors' Duties can be located within the Directors' Report on page 11.

Bayer Public Limited Company

Strategic Report (Continued)

For the year ended 31 December 2022

Future Developments

The company continues to invest in the development of new pharmaceutical and consumer health products, and will continue to introduce new products into the UK market.

The strategic report has been authorised for issue by the board of directors and signed on behalf of the directors by:



C A Barker

Company secretary

Date: 16 June 2023

Bayer Public Limited Company

Directors' Report

For the year ended 31 December 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 19.

The assets and liabilities and financial position of the company at the end of the financial year are set out on pages 21 - 22.

A final dividend has not been proposed by the directors (2021: £nil). An interim dividend was paid during 2022 of £20 million to its parent company, Bayer Global Investments B.V. (2021: £20m).

In accordance with section 414C(11) of the Companies Act 2006, the information relating to future developments, Carbon and Energy Reporting and financial risk management are included in the Strategic Report, and form part of this report by cross-reference.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

T Gerdau
V R Jindal
R A Payano Baez

Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. For 2022 and 2021 the directors were remunerated by the immediate parent company, Bayer Global Investments B.V.

Going Concern

The directors of the company have continued to consider the impact of external economic factors, such as high energy costs, increased inflation and global events, in assessing the ability of the entity to continue as a going concern. The directors are satisfied that it is appropriate to present the financial statements on the going concern assumption based on a detailed assessment of future forecasts and assurances of the continued support from the Bayer group.

The directors believe that the company will continue to trade for the foreseeable future, based on the future forecasts prepared. There are also specific letters of support to cover vendor commitments.

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the date of the approval of the financial statements based on the profitability and net assets of the company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Research and Development

The company is committed to product improvement and does so through extensive product development. Development in the United Kingdom is carried out primarily by the Pharmaceutical Business Group. Considerable other research and development is carried out worldwide by other group companies. During the year the company spent £39.1m (2021: £32.9m) on research and development.

Independent Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Bayer Public Limited Company

Directors' Report (Continued)

For the year ended 31 December 2022

Statement of Directors' Duties

The directors' of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006, which is summarised as follows:

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

As part of their induction, a director is briefed on their duties and they can access professional advice on these, either from the company secretary or, if they judge it necessary from an independent adviser. It is important to recognise that in a complex organisation such as the company, the directors fulfil their duties partly through governance framework that delegates day-to-day decision making to employees of the company and the details of this can be found in our Statement of Corporate Governance, which can be found at <https://www.bayer.com/en/corporate-governance>.

The following paragraphs summarise how the directors fulfil their duties:

In line with our corporate purpose "Science for a better life," we are driving the development of better medicines and the production of high-quality food through innovative solutions. Our focus on economic success goes hand in hand with substantial contributions to sustainable development and to attaining the Sustainable Development Goals (SDGs) set by the United Nations, particularly those aimed at combating hunger (SDG 2) and promoting health care (SDG 3).

We strive to meet our responsibility to the environment and society, and to continuously develop our businesses such that they assume leadership positions in their respective industries and segments to achieve long-term success for our company. We invest in a diversified portfolio of strong businesses that create value. Our efforts are sustained by our employees and our core competencies of innovation, customer focus, quality, process excellence and portfolio management.

The directors of the company interact with Bayer AG through the various forums that the holding company has, such as the Senior Bayer Representative and CFO forums where the strategy and changes that are happening are discussed. The directors where applicable share this information to the leadership forums, this is then cascaded to the employees of the company through the communications channels outlined in the employee involvement. Initiatives where the directors of Bayer PLC share with relevant stakeholders:

- The Environmental Sustainability Reporting (carbon reporting) of Bayer AG and how the company supports these initiatives.
- Restructuring measures announced by Bayer AG and the impacts for business.

Our Strategic Priorities

- Positioning businesses to current trends 'health and nutrition'. Bayer provides solutions for two of the most pressing challenges of our times.
- Steering a leading portfolio 'leadership in our relevant markets'. We invest in a portfolio of strong, value-generating businesses and form close working partnerships with leading researchers.
- Driving value 'profitable growth'. We increase the value of our businesses in the long-term.
- Focusing on our strength 'innovation'. We address unmet societal challenges through innovation.

Our diversified portfolio of Life Science businesses delivers profitable growth. We continuously strive to develop our businesses such that they assume leading positions in their respective industries and segments.

Bayer Public Limited Company

Directors' Report (Continued)

For the year ended 31 December 2022

Bayer's Core Strengths

Innovation

Our innovations are driven by deep scientific expertise and know-how developed across boundaries of organisations and supported by new digital technologies and business models.

The board encourages investment in time and resource into new products that will improve the lives of the general public.

In Pharmaceuticals, new product innovations help to alleviate pain and suffering, halt or slow down the rate of deterioration of health, prolong life and generally increase the quality of life for their users. During the year the directors supported the initiative to ensure that the launch of Nebeqa was successful and gain approval for use with the NHS.

In Consumer Care, new product innovations alleviate irritation, discomfort, pain and suffering, help maintain a healthy body and alleviate allergy symptoms.

Quality

Stringent, enterprise-wide quality management enabling us to consistently develop, process and handle our products to the highest standards.

The company maintains strict Quality Assurance controls and also operates processes whereby end users can raise any product complaint or suspected adverse event with the company, 24 hours per day, 365 days per year.

With the withdrawal of the UK from the European Union (Brexit) the risk was that the UK government would require testing of products from the EU. During 2022 the directors supported the Quality team to strive for not testing, on 15 December 2022 the UK government accepted the proposal that no testing will be done for pharmaceutical products from companies on the approved list.

Process Excellence

Global and local platforms of support functions and a global supply network provide efficiencies and enable our businesses to focus on their core value drivers.

Bayer AG the ultimate parent company has announced in 2021 to bring about further efficiencies within the organisation to meet a €1.5 billion saving by 2024. The company has begun its restructuring of the business, primarily in the pharmaceutical division of the company, where the directors supported the creation of a new cluster between the United Kingdom and the Republic of Ireland. The efficiencies to realise this new structure are being implemented. The directors are looking further at how brands are marketed and are bring about efficiencies in those areas.

Portfolio Management

Continuously evolving our business portfolio supported by strong ability to execute.

The board periodically reviews its activities to ensure that those ongoing activities undertaken by the company generate a level of financial performance that meets shareholder's expectations and the needs of society.

Risk Management

We provide life enhancing drugs to our customers, which operate in very regulated environments. To ensure that the company remains compliant in this complex environment, it is vital that we effectively identify, evaluate, manage and mitigate the risks we face, and ensure that our approach to risk management evolves to meet these challenges.

For additional information on our approach to risk management, refer to the strategic report.

Disabled persons

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the training, career development and promotions of disabled employees.

Bayer Public Limited Company

Directors' Report (Continued)

For the year ended 31 December 2022

Employee involvement

The company actively continues its policy of employee consultation by way of a voluntary staff association elected by all employees on a democratic basis.

Employee forum meetings are held regularly where the views of staff members are sought and management has an opportunity to inform staff of developments within the company and its financial standing and prospects.

All staff are kept informed by way of published minutes of these meetings.

Information on current issues and events within the local and global Bayer community is also provided to employees through an extensive range of news articles on the intranet and using the Bayer internal social media platforms.

Regular meetings are also held where information from the Bayer Country Council and Leadership teams is shared with all the employees. The employees are actively encouraged to participate and give feedback or request additional information.

The company also encourages the involvement of employees in its performance through the operation of a share scheme. Each year training and development needs analysis is undertaken across all sites. In addition to training and development, the UK undertakes an assessment of individuals to identify candidates with potential for senior management. This information is forwarded via various parts of the UK organisation into the Bayer Personnel and Organisational Conferences (POCs) which take place on a regional and functional basis.

Inclusion and Diversity

Mutual understanding and a company culture that leverages talented employees of various backgrounds and perspectives is an important success factor for the company. We create an inclusive workplace where all employees feel welcome and contribute at their best. We will continue to seek out and promote the best talent and drive for a workforce that both reflects the highest quality of skills and qualifications, and our strong focus on inclusion and diversity.

The directors are integrating inclusion and diversity into core people processes such as talent attraction and talent management.

Business Relationships

The directors enable and empower the business to understand and successfully engage with a wide range of customers and consumers, with the emphasis on the value of long-term customer relationships.

The company maintains a broad spectrum of customers that encompasses warehouseers, distributors, pharmacies, grocers, and a wide range of National Health Service (NHS) customers ranging from individual hospitals and clinics to hospital trusts and clinical commissioning groups.

To support the future strategic partnerships with the NHS the directors have agreed to enter into arrangements where joint working projects are financed by the Company. This creates goodwill with our customers ensuring that Bayer Plc products are the choice for our customers.

The directors have agreed and supported the supply chain management team to continue using the current distributor for distribution and storage of products for the next five years.

Corporate social responsibilities

During the year the company spent £711,000 (2021: £648,000) on various corporate social responsibility programmes.

Carbon and Energy Reporting

Reporting for carbon and energy can be located in strategic report at page 6.

Bayer Public Limited Company

Directors' Report (Continued)

For the year ended 31 December 2022

Statement of Corporate Governance

Directors of companies usually delegate day to day management and decision making to its employees. The directors should maintain oversight of the company's performance and ensure that the company is acting in accordance with the strategy and plans as agreed with different divisions of the company and its delegated authority.

The culture, values and standards that underpin this delegation should help ensure that when decisions are made their wider impact has been considered.

The directors require assurance that a company's financial reporting, risk management, governance and internal control processes, including policies maintaining procedural requirements and standards are operating effectively.

An overview of how the directors discharged their duties:

- Quarterly review with the group finance teams to go through the legal entity management accounts.
- Independent internal audit reviews on the HR, IT and business process for the pharmaceutical and commercial health business.
- Regular risk review with risk management.
- Corporate governance is aligned with the ultimate parent company, Bayer AG.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 "Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

The directors of the company have agreed to the acquisition of Blackford Analysis Limited, a company which provides a digital platform for the radiology devices. The sale was concluded on the 9 February 2023 and the fair value of the acquisition was \$110m.

Bayer Public Limited Company

Directors' Report (Continued)

For the year ended 31 December 2022

Statement of disclosure to auditor

Each of the persons who is a director at the date of approval of this report confirms that so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Authorised for issue by the Board of Directors



C A Barker
Company secretary

Date: 16 June 2023

Independent auditor's report to the members of Bayer Public Limited Company

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bayer Public Limited Company (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Bayer Public Limited Company (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Medicines & Healthcare Products Regulatory Agency (MHRA), General Data Protection Regulation (GDPR) and Good Clinical Practice (GCP).

We discussed among the audit engagement team including relevant internal specialists such as tax and pensions regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of procedures above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Revenue recognition in relation to gross-to-net rebate adjustments, specifically the amount outstanding at the balance sheet date which represents management's estimates based on the agreements in place with customers and distributors. We assessed the accuracy and completeness of management's estimates through developing an understanding of the type of rebate agreements in place, performing detailed substantive testing including agreeing selected sample to subsequent credit notes, copies of agreements and sales invoices as appropriate and developing independent estimates based on historical information and post balance sheet activity.

Independent auditor's report to the members of Bayer Public Limited Company (Continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Hornby, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

16 June 2023

Bayer Public Limited Company

Income Statement

For the year ended 31 December 2022

	Note	2022 £000s	2021 £000s
Revenue	3	699,731	750,622
Cost of sales		(534,933)	(582,506)
Gross profit		164,798	168,116
Distribution costs		(7,995)	(6,831)
Administrative expenses		(175,101)	(167,825)
Other operating income	3	46,831	38,861
Operating profit	4	28,533	32,321
Loss recognised on measurement to fair value less cost to sell or on disposal of assets		(29)	-
Interest receivable and similar income	8	604	-
Income from shares in group undertakings	9	20,000	1,120
Interest payable and similar expenses	10	(5,502)	(3,615)
Reversal of impairment	11	-	12,189
Profit before taxation		43,606	42,015
Tax on profit	12	(3,587)	(5,482)
Profit for the financial year		40,019	36,533

All activities are derived from continuing operations.

Bayer Public Limited Company

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £000s	2021 £000s
Profit for the financial year		<u>40,019</u>	<u>36,533</u>
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension scheme	24	(65,359)	118,587
Movement on deferred tax relating to pension scheme	23	<u>15,938</u>	<u>(30,307)</u>
Other comprehensive (expense)/income for the financial year, net of tax		<u>(49,421)</u>	<u>88,280</u>
Total comprehensive (expense)/income for the financial year		<u>(9,402)</u>	<u>124,813</u>

Bayer Public Limited Company

Statement of Financial Position

As at 31 December 2022

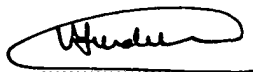
	Note	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Non-current assets					
Intangible assets	14		1,257		748
Property, plant and equipment	15		19,439		20,953
Investments	16		121,423		121,423
Retirement benefit obligations	24		68,457		131,194
			<u>210,576</u>		<u>274,318</u>
Current assets					
Inventories	18	117,192		144,108	
Trade and other receivables: amounts falling due within one year	19	123,984		141,757	
Corporation tax		3,018		1,942	
Cash at bank and in hand		1,010		342	
		<u>245,204</u>		<u>288,149</u>	
Current liabilities					
Trade and other payables: amounts falling due within one year	20	(190,036)		(269,754)	
Net current assets			<u>55,168</u>		<u>18,395</u>
Total assets less current liabilities			<u>265,744</u>		<u>292,713</u>
Non-current liabilities					
Trade and other payables	20		(16,026)		(17,639)
Provisions for liabilities					
Other provisions for liabilities	22		(48,372)		(28,135)
Deferred tax liabilities	23		(15,661)		(31,852)
			<u>(64,033)</u>		<u>(59,987)</u>
Net assets			<u>185,685</u>		<u>215,087</u>
Capital and reserves					
Share capital	25		25,062		25,062
Share premium			10,655		10,655
Retained earnings			149,968		179,370
Total equity			<u>185,685</u>		<u>215,087</u>

Bayer Public Limited Company

Statement of Financial Position (Continued)

As at 31 December 2022

The financial statements were approved by the board of directors and authorised for issue on 16 June 2023 and are signed on its behalf by:



V R Jindal
Director

Company Registration No. 00935048

Bayer Public Limited Company

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital £000s	Share premium £000s	Retained earnings £000s	Total £000s
Balance at 1 January 2021		25,062	10,655	74,557	110,274
Profit for the financial year		-	-	36,533	36,533
Actuarial gains on defined benefit pension plans	24	-	-	118,587	118,587
Movement on deferred tax relating to pension scheme	23	-	-	(30,307)	(30,307)
Total comprehensive income for the financial year		-	-	124,813	124,813
Dividends	13	-	-	(20,000)	(20,000)
Balance at 31 December 2021		25,062	10,655	179,370	215,087
Profit for the financial year		-	-	40,019	40,019
Actuarial losses on defined benefit pension plans	24	-	-	(65,359)	(65,359)
Movement on deferred tax relating to pension scheme	23	-	-	15,938	15,938
Total comprehensive expense for the financial year		-	-	(9,402)	(9,402)
Dividends	13	-	-	(20,000)	(20,000)
Balance at 31 December 2022		25,062	10,655	149,968	185,685

Bayer Public Limited Company

Notes to the Financial Statements

For the year ended 31 December 2022

1 Accounting policies

Company information

Bayer Public Limited Company sells and markets pharmaceutical and consumer health products and provides administration services to group companies within the United Kingdom and Ireland.

The company is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales, under the Companies Act 2006. The registered office is 400 South Oak Way, Green Park, Reading, Berkshire, RG2 6AD.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and in accordance with the Companies Act 2006.

1.2 Accounting basis of preparation

These financial statements are prepared under the historical cost convention modified to include certain items at fair value.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements are prepared in pound sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand pounds.

The principal accounting policies adopted, which have been applied consistently, are set out below.

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

- Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
- Amendments to References to the Conceptual Framework in IFRS 3
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use
- Annual Improvements to IFRS Standards 2018-2020
 - IFRS 1 – Subsidiary as a first-time adopter
 - IFRS 9 – Financial Instruments
 - IFRS 16 – Leases – Lease incentives.

The following UK-adopted IFRSs have been issued but have not been applied by the company in preparing these financial statements as they are not as yet effective. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates.
- IFRS 3 Business Combinations. The amendments are effective for annual periods beginning on or after 1 January 2022
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.
- IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the company in future periods.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the company's activities and which have not therefore been adopted in preparing these financial statements.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.3 Going concern

The directors of the company have continued to consider the impact of external economic factors, such as high energy costs, increased inflation and global events, in assessing the ability of the entity to continue as a going concern. The directors are satisfied that it is appropriate to present the financial statements on the going concern assumption based on a detailed assessment of future forecasts and assurances of the continued support from the Bayer group.

The directors believe that the company will continue to trade for the foreseeable future, based on the future forecasts prepared. There are also specific letters of support to cover vendor commitments.

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from the date of the approval of the financial statements based on the profitability and net assets of the company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Consolidated Financial Statements

The company is a wholly owned subsidiary of Bayer Global Investments B.V. and is included in the consolidated financial statements of Bayer AG, which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

1.5 Exemptions for qualifying entities under FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 'Business Combinations';
- paragraph 33(c) of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations';
- IFRS 7, 'Financial Instruments: Disclosures';
- paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases';
- paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of:
 - (i) paragraph 79(a) (iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property Plant and Equipment'; and
 - (iii) paragraph 118 (e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period)
- the following paragraphs of IAS1, 'Presentation of financial statements':
 - (i) paragraphs 10(d) and 10(f) (statement of cash flows);
 - (ii) 16 (statement of compliance with all IFRS);
 - (iii) 38A (requirement for minimum of two primary statements, including cash flow statements);
 - (iv) 38B-D (additional comparative information);
 - (v) 40A-D (requirements for a third statement of financial position);
 - (vi) 111 (cash flow statement information; and
 - (vii) 134-136 (capital management disclosures).
- IAS 7 'Statement of Cash Flows';
- IFRS 2 Share Based Payments in respect of group settled share based payments;
- paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group;
- paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.
- paragraphs 52, second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

Where required, equivalent disclosures are given in the group financial statements of Bayer AG. The group financial statements of Bayer AG are available to the public and can be obtained as set out in note 28.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.6 Revenue recognition

Revenue for Pharmaceutical, Radiology and Consumer Health division's comprises the fair value of consideration receivable in respect of sales of goods and services after deductions of discounts and sales taxes. Discounts include rebates, price reductions and incentives given to customers in cash or company products. At each reporting date any such expenditure incurred but not yet invoiced is estimated and accrued.

Revenue is recognised once the goods have been dispatched.

Reimbursements from group companies are recognised as other operating income. These reimbursements are inter-company charges to other Bayer Group Companies for research and development.

1.7 Goodwill

Purchased goodwill is determined by comparing the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is initially recognised as an asset with an indefinite useful life at cost and is assessed for impairment when there are indications of impairment. Goodwill is stated at cost less any accumulated impairment losses. Goodwill have been fully impaired.

1.8 Intangible assets - Marketing Rights

Marketing rights are capitalised and stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost in equal annual investments over their useful lives which are estimated to be between 4 - 10 years.

1.9 Intangible assets - Computer software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised over its useful life of between 3 - 10 years, on a straight-line basis.

1.10 Research and development

Expenditure on research and development and clinical trials is written off to the income statement in the year in which it is incurred.

1.11 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of accumulated depreciation and any impairment losses.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life on a straight-line basis, as follows:

Long leasehold land and buildings	5 - 15 years dependent on lease term
Fixtures, fittings & equipment	3 - 10 years
Plant and machinery	2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

Interest costs on major additions are capitalised during the year and are depreciated as part of the total cost of the asset.

No depreciation is provided in respect of freehold land or assets in the course of construction until they have been completed and transferred to the relevant asset class.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.12 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and when there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.13 Investments in subsidiaries

Investments in subsidiaries are stated at historical cost less any accumulated provision for impairment.

Investment in subsidiaries

If the recoverable amount of an investment in a subsidiary is determined by value in use, the investor's share of the present value of the subsidiary's estimated cash flows may be a proxy for value in use in separate financial statements where the parent is able to control the extraction of dividends from the subsidiary. The above is true if the subsidiary has no debt. Otherwise, the present value of expected cash flows from the subsidiaries' underlying assets should be reduced by the fair value of outstanding debt in order to determine the net amount available to equity holders. The investor's share of this net amount is the amount to use in the impairment test.

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value after provisions for obsolescence. In general, cost is determined on a weighted average basis and includes appropriate overhead expenses. Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Inventories on consignment and their related obligations are recognised when the risk and rewards of ownership pass to the company. Provision is made for slow moving and defective inventory.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.15 Financial instruments

Financial assets

Management determines the classification of its financial assets at initial recognition. In this reporting period the company only had financial assets classified as fair value through profit or loss ("FVTPL"), apart from defined benefit pension scheme assets which are measured at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's FVTPL comprise trade and other receivables, amounts due from group undertakings, corporation tax receivable and cash.

Purchases and sales of financial assets are recognised on the trade date - the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the company has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The company's financial liabilities including fair value through OCI and accruals are initially recognised at transaction price.

Trade and other payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current and non-current liabilities.

Purchases and sales of financial liabilities are recognised on the trade date. Financial liabilities are derecognised when the company has transferred substantially all risks and rewards of ownership.

Loans and payables are subsequently carried at amortised cost.

Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.15 Financial instruments

(continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.16 Equity instruments

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's directors or shareholders. These amounts are recognised in the statement of changes in equity.

1.17 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.18 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event; it is probable that the company will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Refund liabilities relating to deferred sales discounts are recognised at the date of any transaction in line with IFRS 15, 'Revenue from Contracts with Customers'.

1.19 Employee benefits

The company operates a defined benefit pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented within provisions. Related deferred tax assets or liabilities are shown within trade and other receivables or provisions for liabilities respectively.

The liability recognised in the statement of financial position in respect of the defined benefit scheme is the fair value of the scheme assets at the reporting date, less the present value of the defined benefit obligation at the end of the reporting date.

The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Actuarial gains on defined benefit pension schemes'.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of scheme assets. This cost is recognised in the income statement as 'Finance costs'.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 24 represents contributions payable to the defined contribution section of the pension scheme.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.20 Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is also assessed for impairment, if such indicators exist, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease. Lease liabilities have been included in trade and other payables in the statement of financial position.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in the income statement on a straight-line basis over the lease term.

1.21 Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction or at an average rate for the relevant month where that provides a close approximation.

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the income statement.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

2 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors are of the opinion that no critical accounting judgment have been made.

2.1 Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

Inventory provision

The company sells pharmaceutical, consumer health and radiology devices and contrast media products and is subject to changing market demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 18 for the net carrying amount of the inventory.

Impairment of investments

The company performs annual impairment reviews on the carrying value of investments. The impairment review is based on the net present value of discounted cash flows over a five year period with a terminal cash flow in perpetuity. This requires an estimation of the future cash flows expected to arise for the investment and a suitable discount rate to calculate present value. See note 16 for the carrying value of investments and note 11 for the impairment losses recognised.

Refund Liabilities

The company enters into strategic alliances and agreements with distributors, wholesalers, pharmacy chains and governments where these arrangements result in recognition of deductions from gross revenue at the time the associated revenue is recognised. This requires an estimation of the closing liability and this is determined based on historical information and trends as well as specific terms in the individual agreements. The refund liability is reviewed and adjusted regularly based on historical information as well as future market conditions therefore future events within the next 2-3 months could cause the assumptions on which the liability is based on to change. See note 22 for the disclosures relating to the refund liabilities figures.

Retirement benefit obligations

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

See note 24 for the disclosures relating to the defined benefit pension scheme.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

3 Revenue

An analysis of the company's revenue is as follows:

	2022 £000s	2021 £000s
Sale of goods	695,671	747,017
Manufacturing services	4,060	3,605
	<u>699,731</u>	<u>750,622</u>
Revenue analysed by division		
Pharmaceutical	575,297	628,722
Radiology	30,695	28,700
Consumer Health	93,720	93,101
Other	19	99
	<u>699,731</u>	<u>750,622</u>
Revenue analysed by geographical market		
United Kingdom	684,239	737,676
Rest of Europe	14,523	12,358
Rest of the World	969	588
	<u>699,731</u>	<u>750,622</u>
Other operating income		
Reimbursements from group companies	44,154	35,753
Research and Development expenditure tax credit	1,682	1,666
Other income	995	1,442
	<u></u>	<u></u>

The company's revenue and profit originates entirely in the UK from its principal trading activities as discussed in the Strategic Report. The company's net assets are entirely based in the UK.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

4 Operating profit

	2022 £000s	2021 £000s
Operating profit for the year is stated after charging:		
Foreign exchange losses	10	39
Research and development costs	39,106	32,942
Depreciation of property, plant and equipment	778	942
Depreciation of right-of-use assets	2,657	2,594
Amortisation of intangible assets	235	142
Cost of inventories recognised as an expense	530,720	581,596
Impairment in inventories	4,213	4,352
Reorganisation expense	3,630	1,006
Employee related expense provisions	5,369	4,083
Regulatory fees provisions	15	1,221
Provision for refund liabilities	154,430	60,602
Legal cost provisions	2,200	2,253
Building retirement obligations provisions	563	53

The total research and development costs incurred by the company were £39,106,000 (2021: £32,942,000). Amounts reimbursed by group companies in respect of these costs were £36,687,000 (2021: £28,389,000). The gross research and development costs incurred in the company is shown above for both years, with reimbursements included in Other operating income.

Amortisation and impairment in inventories are recognised in cost of sales.

5 Auditor's remuneration

	2022 £000s	2021 £000s
The analysis of the auditor's remuneration is as follows:		
For audit services		
Fees payable to the company's auditor for the audit of the company's annual financial statements	134	112

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

6 Employees

The average monthly number of employees (including directors) were:

	2022 Number	2021 Number
Sales and marketing	388	390
Research and development	227	176
General administration	83	92
	<u>698</u>	<u>658</u>

Their aggregate remuneration comprised:

Employment Costs	2022 £000s	2021 £000s
Wages and salaries	71,769	66,299
Social security costs	9,131	8,199
Pension costs	8,131	7,765
	<u>89,031</u>	<u>82,263</u>

7 Directors' remuneration

	2022 £000s	2021 £000s
Remuneration for qualifying services	887	1,232
Amounts receivable under long term incentive schemes	12	113
Company contributions to money purchase pension plans	18	30
	<u>917</u>	<u>1,375</u>

The number of directors who are entitled to receive emoluments under long term incentive schemes during the year was 2 (2021: 2).

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

7 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	487
Amounts receivable under long term incentive schemes	12
Company contributions to money purchase pension plans	10

Retirement benefits are no longer accruing under a defined contribution scheme for the highest paid director. Contributions for the year amounted to £nil (2021: £nil). Of this amount, £nil remains payable at the year end (2021: £nil). There was 1 director in 2022 (2021: 1) to whom retirement benefits are accruing in respect of qualifying services for (i) money purchase schemes and (ii) defined benefit schemes.

The emoluments of the other directors during the current and prior year were paid by other group companies for services to the group as a whole, and the directors received no separate emoluments for their services to this company.

No recharge for any of these services was made to the company and no apportionment of their total remuneration for these services is practicable. Where required by local legislation, their remuneration is disclosed in the financial statements of their employer. This remuneration is to a past director, and any remuneration in respect of loss of office.

8 Interest receivable and similar income

	2022 £000s	2021 £000s
Interest income		
Interest receivable from group companies	604	-
Total income	604	-

9 Income from shares in group undertakings

	2022 £000s	2021 £000s
Income from shares in group undertakings		
Dividend income	20,000	1,120
Total income	20,000	1,120

10 Finance costs

	2022 £000s	2021 £000s
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities (note 21)	1,184	1,202
Interest payable to group undertakings	6,679	2,371
Interest on other financial liabilities:		
Net interest on retirement benefit obligations (note 24)	(2,361)	42
Total interest expense	5,502	3,615

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

11 Reversal of impairment

	2022 £000s	2021 £000s
Reversal of impairment on investment	-	(12,189)

	2022 £000s	2021 £000s
The reversal of impairment on investments comprises:		
Bayer Crop Science	-	(12,189)
	-	(12,189)

The reversal of the impairment was driven by the improvement in the overall balance sheet position and business.

12 Tax on profit

	2022 £000s	2021 £000s
Current tax		
UK corporation tax	4,208	427
Adjustments in respect of prior periods	(368)	(415)
Total current tax charge	3,840	12
Deferred tax		
Origination and reversal of temporary differences	441	5,598
Impact of change in tax rates	60	(131)
Adjustments in respect of prior periods	(754)	3
Total deferred tax (credit)/charge	(253)	5,470
Total tax charge on profit	3,587	5,482

The tax for the year is lower than (2021: lower) the standard rate of corporation tax in the UK of 19% (2021: 19%).

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

12 Tax on profit

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £000s	2021 £000s
Profit before taxation	43,606	42,015
Profit before taxation multiplied by standard rate of corporation tax of 19.00% (2021: 19.00%)	8,285	7,983
Taxation impact factors affecting tax charge:		
Tax effect of expenses that are not deductible in determining taxable profit	164	(838)
Tax effect of income not taxable in determining taxable profit	(3,800)	(1,120)
Adjustments in respect of prior periods	(1,122)	(412)
Effect of change in corporation tax rate	60	(131)
Total adjustments	(4,698)	(2,501)
Tax expense for the year	3,587	5,482

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £000s	2021 £000s
Deferred tax arising on:		
Actuarial gains on defined benefit pension schemes recognised as other comprehensive income	(15,938)	30,307

Factors that may affect future tax charges:

The standard rate of tax applied to reported profit on ordinary activities is 19% (2021: 19%). In the Finance Bill 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 11 March 2021.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

13 Dividends

	2022 £ per share	2021 £ per share	2022 £000s	2021 £000s
Amounts recognised as distributions to equity holders:				
Ordinary shares				
Interim dividend paid	0.80	0.80	20,000	20,000

14 Intangible fixed assets

	Goodwill £000s	Marketing rights £000s	Computer software £000s	Total £000s
Cost				
At 1 January 2022	39,229	18,106	471	57,806
Additions	-	744	-	744
At 31 December 2022	39,229	18,850	471	58,550
Accumulated amortisation				
At 1 January 2022	39,229	17,358	471	57,058
Charge for the year	-	235	-	235
At 31 December 2022	39,229	17,593	471	57,293
Carrying amount				
At 31 December 2022	-	1,257	-	1,257
At 31 December 2021	-	748	-	748

Goodwill of £29,524,000 and marketing rights of £3,079,000 arose on the purchase of the UK and Irish Over the Counter business of Roche in 2005.

Goodwill of £9,379,000 arose in 2014 on the acquisition of the Over the Counter Consumer Care business of Merck Co., Inc..

Goodwill is stated at cost less any accumulated impairment losses. It is not amortised but is tested annually for impairment.

Included within Marketing rights are trademarks of £13,956,000 (2021: £13,956,000) which were fully amortised in prior years. Trademark registrations in 2022 were £744,000 (2021: £327,000).

Computer software is made up of various license fees for a range of enterprise software which were fully amortised in prior years.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

15 Property, plant and equipment

	Long, leasehold land and buildings £000s	Fixtures, fittings & equipment £000s	Plant and machinery £000s	Total £000s
Cost				
At 1 January 2022	27,296	8,469	100	35,865
Additions	-	1,922	-	1,922
Disposals	-	(1,729)	-	(1,729)
At 31 December 2022	27,296	8,662	100	36,058
Accumulated depreciation				
At 1 January 2022	9,158	5,700	54	14,912
Charge for the year	1,930	1,485	20	3,435
Eliminated on disposal	-	(1,728)	-	(1,728)
At 31 December 2022	11,088	5,457	74	16,619
Carrying amount				
At 31 December 2022	16,208	3,205	26	19,439
At 31 December 2021	18,138	2,769	46	20,953

Included in property, plant and equipment are right-of-use assets as follows:

Right-of-use assets	Long leasehold land and buildings £000s	Fixtures, fittings and equipment £000s	Total £000s
Cost			
At 1 January 2022	19,709	4,714	24,423
Additions	-	1,884	1,884
Disposals	-	(1,729)	(1,729)
At 31 December 2022	19,709	4,869	24,578
Accumulated depreciation			
At 1 January 2022	6,453	3,148	9,601
Charge for the year	1,416	1,241	2,657
Eliminated on disposal	-	(1,728)	(1,728)
At 31 December 2022	7,869	2,661	10,530
Carrying amount			
At 31 December 2022	11,840	2,208	14,048
At 31 December 2021	13,256	1,566	14,822

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

15 Property, plant and equipment

(Continued)

Included within long leasehold land and buildings is a right-of-use asset associated with the lease on the Reading office building. The rate applied in respect of this asset is 5.2298%.

The plant and equipment and fixture and fittings rate applied ranges from 4.0739% to 5.9110% depending on the period of the lease.

	2022	2021
Average lease term	8 years	8 years

16 Investments

	Shares in group undertakings £000s
Cost	
At 1 January 2022 & 31 December 2022	137,814
Impairment	
At 1 January 2022	16,391
At 31 December 2022	16,391
Carrying amount	
At 31 December 2022	121,423
At 31 December 2021	121,423

17 Subsidiaries

Significant shareholdings

Company	Country of registration or incorporation	Shares Held Class	%
Subsidiary undertakings			
Directly held			
Bayer Agriculture Limited**	England and Wales	Ordinary	100.00
Bayer CropScience Limited*	England and Wales	Ordinary	100.00
Silver Birch Trustees Limited**	England and Wales	Ordinary	100.00
Schering Health Care Limited**	England and Wales	Ordinary	100.00
Schering Agrochemicals Holdings**	England and Wales	Ordinary	100.00
Indirectly held			
Bayer AEH Limited*	England and Wales	Ordinary	100.00
Bayer CropScience Norwich Limited*	England and Wales	Ordinary	100.00
Monsanto UK Limited*	England and Wales	Ordinary	100.00

*The registered office of these companies is 230 Cambridge Science Park, Milton Road, Cambridge, CB4 0WB

**The registered office of these companies is the same as the company.

Bayer CropScience Norwich Limited was dissolved on 16 March 2021.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

18 Inventories

	2022 £000s	2021 £000s
Raw materials	1,008	866
Work in progress	1,402	2,470
Finished goods	114,782	140,772
	<u>117,192</u>	<u>144,108</u>

The replacement value of inventories is not materially different from the value above.

19 Trade and other receivables

	Amounts falling due within one year	
	2022 £000s	2021 £000s
Trade receivables	81,486	104,326
Other receivables	487	403
Amounts owed by group undertakings*	41,140	34,827
Prepayments	871	2,201
	<u>123,984</u>	<u>141,757</u>

* Amounts owed by group undertakings are further split as below;

Entity	2022 £000s	2021 £000s
Amounts owed by parent company	37,965	33,746
Amounts owed by group companies	3,175	1,081
	<u>41,140</u>	<u>34,827</u>

Amounts owed by the parent and fellow subsidiary undertakings are repayable on demand, unsecured and interest bearing at a rate of 2.86% per annum.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

20 Trade and other payables

	Amounts falling due within one year		Amounts falling due after more than one year	
	2022 £000s	2021 £000s	2022 £000s	2021 £000s
Trade payables	25,439	28,930	-	-
Amounts owed to group undertakings	120,245	191,153	-	-
Accruals	13,887	16,969	-	-
Other payables	263	556	-	-
Taxation and social security	27,116	29,293	-	-
Lease liabilities (note 21)	3,086	2,853	16,026	17,639
	<u>190,036</u>	<u>269,754</u>	<u>16,026</u>	<u>17,639</u>

Included within amounts owed to group undertakings is an amount of £103,000,000 (2021: £140,000,000) owed to Bayer Limited, a company registered in Cyprus. This loan accrued interest at a rate of 1.68% and was repaid in full 12 January 2022. All other amounts owed to the parent and fellow subsidiary undertakings are unsecured, repayable on demand and non-interest bearing.

* Amounts owed to group undertakings are further split as below;

Entity	2022 £000s	2021 £000s
Amounts owed to parent company	14,242	21,058
Amounts owed to group companies	106,003	170,095
	<u>120,245</u>	<u>191,153</u>

21 Lease liabilities

Maturity analysis	2022 £000s	2021 £000s
Within one year	3,086	2,853
In one to five years	9,388	9,124
In over five years	6,638	8,515
Total liabilities	<u>19,112</u>	<u>20,492</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022 £000s	2021 £000s
Current liabilities	3,086	2,853
Non-current liabilities	16,026	17,639
	<u>19,112</u>	<u>20,492</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

21 Lease liabilities

(Continued)

	2022 £000s	2021 £000s
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities (note 10)	1,184	1,202

Movement of lease liability	Long leasehold land and buildings £000s	Fixtures, fittings & equipment £000s	Total £000s
At 1 January 2022	18,514	1,978	20,492
Interest expense	1,103	81	1,184
Effect of modification to lease term	(216)	(321)	(537)
Additions	-	1,884	1,884
Termination	-	(7)	(7)
Lease payments	(2,577)	(1,327)	(3,904)
At 31 December 2022	16,824	2,288	19,112

The fair value of the company's lease obligations is equal to their carrying amount.

	2022 £000s	2021 £000s
Lease related expenses not included in liabilities		
Lease with remaining term of less than 12 months	130	105

22 Provisions for liabilities

	2022 £000s	2021 £000s
Restructuring costs	2,250	1,515
Employee related	2,342	1,832
Regulatory fees	157	560
Building retirement obligations	1,340	777
Legal costs	3,525	1,968
Refund liabilities	38,758	21,483
	48,372	28,135

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

22 Provisions for liabilities

(Continued)

Movements on provisions:

	Restructuring costs	Employee related	Regulatory fees	Building retirement obligations	Refund liabilities	Legal costs	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 January 2022	1,515	1,832	560	777	21,483	1,968	28,135
Additional provisions in the year	4,067	6,449	15	563	154,430	2,200	167,724
Reversal of provision	(437)	(1,080)	(45)	-	(24,031)	(622)	(26,215)
Utilisation of provision	(2,895)	(4,859)	(373)	-	(113,124)	(21)	(121,272)
At 31 December 2022	2,250	2,342	157	1,340	38,758	3,525	48,372

The restructuring costs are predominantly related to the re-organisation of the business, which is mainly made up of severance payments usually paid within 12 months.

Employee related provisions are contractual obligations for Long Service awards and Long Term Initiatives. The timing of the expected utilisation is uncertain being between 4 – 30 years, and are adjusted for time value of money.

The regulatory fees provision relates to subscriptions and license fees due to regulatory bodies.

Building retirement obligations relate to the dilapidation provision made for restoring the Reading office building to its original state on termination of the lease. The provision is adjusted for the time value of money.

Refund liabilities relate to deferred discounts and have been accounted for in line with IFRS 15 'Revenue from Contracts with Customers'.

The legal costs relates to solicitors fees that may arise from appeals against court rulings.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

23 Deferred taxation

The following are the deferred tax assets and liabilities recognised by the company and movements thereon during the current and prior reporting year.

	(Accelerated) /decelerated capital allowances £000s	Other timing differences £000s	Defined benefit pension deficit £000s	Total £000s
Deferred tax asset at 1 January 2021	(38)	953	3,010	3,925
Deferred tax movements in prior year				
Charge to the income statement	(134)	(5,336)	-	(5,470)
Charge to other comprehensive income	-	-	(30,307)	(30,307)
Deferred tax liability at 31 December 2021	(172)	(4,383)	(27,297)	(31,852)
Deferred tax movements in current year				
Credit to the income statement	698	211	(656)	253
Credit to other comprehensive income	-	-	15,938	15,938
Deferred tax liability at 31 December 2022	526	(4,172)	(12,015)	(15,661)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £000s	2021 £000s
Deferred tax liabilities	(15,661)	(31,852)

The timing of the expected reversal of the net deferred tax liability is uncertain, but is expected to be in more than one year.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

24 Retirement benefit schemes

The company participates in the Bayer Group Pension Plan (BGPP), which is a funded occupational pension scheme where the assets of the Plan are held separately from those of the company in separate trustee administered funds. The BGPP is a sectionalised scheme and the company has employees in two sections providing defined benefits and also in the defined contribution section.

Sensitivity analysis to changes in key assumptions has been derived by re-running the balance sheet liability calculation with an isolated change to the assumption being analysed.

The calculations have been prepared on a 'going concern' basis. If the company was not a going concern then a wind-up basis would be more appropriate and would result in a significantly higher shortfall.

The benefits have been valued based on a summary of the Plan's benefits set out in the Plan's most recent triennial valuation, together with our knowledge of the Plan's Trust Deed and Rules and information provided in conversations with the company and Scheme Actuary.

The assumptions have been calculated with reference to the duration of the Plan's liabilities of approximately 17 years.

The duration is calculated based on the membership data and results of the 31 March 2020 triennial valuation. We have not explicitly adjusted the duration to allow for the passage of time since the valuation date. We are not aware of significant changes to the membership since the 31 March 2020 triennial valuation.

The actual pension expense for 31 December 2022 will be calculated at the following year end allowing for actual benefit cash flows, payroll and employer contributions during the year. However, any differences to the interest cost and interest on assets as a result of differences from expected benefit cash flows, payroll, employer contributions and administration expenses benefit payments, will be recognised as an experience item in OCI.

Defined Benefit - BGPP (Group DB Section and SHCL Section)

These sections are funded defined benefit arrangements where benefits are provided by reference to final salary. Both sections are closed to new members. Contributions to the Plan are charged to the income statement so as to spread the cost of pensions over members' future working lives. The contributions are determined with the advice of an independent qualified actuary on the basis of regular valuations. The most recent valuation of the Plan was carried out as at 31 March 2021.

From 1 April 2021 and for the year ended 31 December 2022, normal company contributions were 48.8% of members' pensionable salaries for the Group DB Section and 47.1% of members' pensionable salaries for the BCSPF Section.

The last two active members retired from the Plan midway through the year on the 30 June 2021 and 21 July 2021 respectively. As a result the company confirmed they do not expect to pay any additional contributions in 2022.

The actuarial valuations of the BGPP were updated to 31 December 2022 by an independent qualified actuary. The defined benefit liabilities have been measured using the projected unit method.

The risks of the scheme are as follows:

a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

24 Retirement benefit schemes

(Continued)

Defined Benefit - BGPP (Group DB Section and SHCL Section) (continued)

d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Defined Contribution - BGPP (DC Section)

Since 1 April 2004 new employees have been eligible to join the DC Section of BGPP. With effect from 1 May 2007, members of the defined benefit sections of the BGPP who were under age 50 ceased future accrual under the defined benefits sections and joined the DC section in respect of pensionable service from that date.

Members of the DC Section of BGPP can contribute between 2% and 9% of pensionable pay with the company matching the employees' contributions plus 3%. In addition, members who switched from the defined benefit sections to the DC Section with effect from 1 May 2007 have additional employer contributions, based on the members' age as at 1 April 2007.

The cost of the company contributions to the Plan amounted to £427,000 (2021: £26,474,000).

There were no prepaid or outstanding contributions to the Plan at the current or prior year end.

Key assumptions	2022 %	2021 %
Rate of increase in salaries	3.05	3.15
Rate of increase in pensions payment:		
LPI maximum 5%	2.85	3.15
LPI minimum 3% maximum 5%	3.75	3.65
LPI maximum 2.5%	1.85	2.25
Rate of increase for deferred pensioners:		
CPI maximum 2.5%	1.65	1.95
CPI minimum 3%	3.70	3.25
Discount rate	4.50	1.80
Inflation Assumption (RPI)	3.10	3.25

Mortality assumptions

Significant demographic assumptions

The mortality assumption at 31 December 2022 is based on an experience investigation prior to the previous funding valuation. The current assumption uses 100% (2021: 100%) of mortality rates included in the standard tables known as "S3NMA". Allowance for future longevity improvements is made in line with the CMI 2021 (2021: CMI 2020) projections with a long term improvement rate of 1.25% (2021: 1.25%) for males and 1.25% (2021: 1.25%) for females.

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Longevity at 65 for current pensioners		
- Males	22	22
- Females	24	25
Longevity at 65 for pensioners in 20 years time		
- Males	23	24
- Females	26	26

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

24 Retirement benefit schemes

(Continued)

Amounts recognised in the income statement in respect of defined benefit plans are as follows:

	2022 £000s	2021 £000s
Current service cost	-	116
Net interest on defined benefit liability	(2,361)	42
The effect of curtailments or settlements	166	379
	<u>(2,195)</u>	<u>537</u>

Amounts recognised in other comprehensive income in respect of defined benefit plans are as follows:

	2022 £000s	2021 £000s
Retirement healthcare benefits (wholly unfunded)		
Actuarial changes arising from changes in financial assumptions	(274,095)	(63,253)
Actuarial changes relating to plan assets	339,454	(55,334)
	<u>65,359</u>	<u>(118,587)</u>

The amounts included in the statement of financial position arising from the company's obligations in respect of its defined benefit plans are as follows:

	2022 £000s	2021 £000s
Defined benefit pension plans		
Present value of defined benefit obligations	580,321	870,747
Fair value of plan assets	(648,778)	(1,001,941)
	<u>(68,457)</u>	<u>(131,194)</u>

The GMP ruling in 2021 had no significant impact to the pension disclosures.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

24 Retirement benefit schemes

(Continued)

Movements in the present value of defined benefit obligations:

	2022 £000s	2021 £000s
Defined benefit pension plans		
At 1 January 2022	870,747	955,982
Current service cost	-	116
Curtailments	166	379
Benefits paid by the employer	(31,854)	(34,697)
Contributions from scheme members	-	(2)
Actuarial gain	(274,095)	(63,253)
Interest cost	15,357	12,222
At 31 December 2022	580,321	870,747

Movements in the fair value of plan assets:

	2022 £000s	2021 £000s
At 1 January 2022	1,001,941	942,652
Interest income	17,718	12,180
Return on plan assets (excluding amounts included in net interest)	(339,454)	55,334
Benefits paid by the employer	(31,854)	(34,697)
Contributions by the employer	427	26,474
Contributions by scheme members	-	(2)
At 31 December 2022	648,778	1,001,941

The actual loss on plan assets was £321,736,000 (2021: £87,339,000 gain).

There were no amounts recognised in the income statement or statement of comprehensive income for the unfunded unapproved arrangement in the current or prior year. There was no net pension deficit at 1 January 2022 and 31 December 2022 and there were no plan assets or plan liabilities for the unfunded unapproved arrangement in the current or prior year.

Expected contributions for the year ended 31 December 2022

Defined benefit pensions plans	2022 £000s
Employer	Nil

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

24 Retirement benefit schemes

(Continued)

Sensitivity of the net obligation to changes in assumptions

Scheme obligations would have been affected by changes in assumptions as follows:

	2022 £000s	2021 £000s
Discount rate		
0.5% pa increase	(36,611)	(66,679)
0.5% pa decrease	40,625	75,282
Rate of increase in pension payments		
0.5% pa increase	16,037	31,941
0.5% pa decrease	(16,775)	(33,364)
Rate of increase in salaries		
0.5% pa increase	1,375	2,676
0.5% pa decrease	(1,297)	(2,526)
Life expectancy		
1 year increase in life expectancy	20,547	47,346
1 year decrease in life expectancy	(20,657)	(44,289)

Approach and methodology

The calculations have been performed in a manner compliant with the requirements of IAS 19. The liabilities in respect of the Plan as at 31 December 2021 have been calculated using the "projected unit method" and by rolling forward the results of the 31 March 2020 technical provisions using actuarial techniques, allowing for cashflows and interest over the period, and differences between the assumptions used to set the technical provisions and those selected for accounting under IAS 19.

The liability for the Welfare Plan has been calculated based on a roll forward approach from the previous year, allowing for cashflows and interest over the period, and differences in assumptions used.

No allowance for deferred tax has been made in the figures presented.

Assumptions

The financial assumptions are based on market conditions as at 31 December 2021. The assumptions have been calculated with reference to the duration of the Plan's liabilities of approximately 17 years.

The duration is calculated based on the membership data and results of the 31 March 2020 triennial valuation.

The fair value of plan assets at the reporting year end was as follows:

	Quoted 2022 £000s	Unquoted 2022 £000s	Quoted 2021 £000s	Unquoted 2021 £000s
Equity instruments	149,159	-	252,214	-
Debt instruments	452,743	-	661,758	-
Property	-	42,839	-	83,334
Other	4,488	-	4,637	-
	<u>606,390</u>	<u>42,839</u>	<u>918,609</u>	<u>83,334</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

25 Called up share capital

	2022 £000s	2021 £000s
Allotted and fully paid		
25,062,356 Ordinary shares of £1 each	25,062	25,062
	<u>25,062</u>	<u>25,062</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

26 Contingent Liabilities

Cross-guarantees

The company has, in respect of certain UK bank facilities, entered into a cross-guarantee arrangement with fellow UK subsidiaries of Bayer AG. There was no contingent liability arising from this arrangement at 31 December 2022 (2021: £nil).

Bayer Public Limited Company as guarantor

In 2006, the company acquired Schering Health Care Limited, and included in the acquisition was a 25 year lease on a building. The lease agreement was transferred to a third party on the understanding that the company remained guarantor in the unlikely event that the third party was unable to pay the annual rental charges until the expiry of the agreement in 2031. These had a total value of £1,242,000 (2021: £1,380,000).

The extent of the potential liability arising from this agreement at 31 December 2022 is £1,242,000 (2021: £1,380,000). However, the company believes that it is unlikely for this liability to arise and therefore no provision has been made in the financial statements.

27 Post balance sheet event

On 9 February 2023 the directors of the company agreed to the acquisition of Blackford Analysis Ltd, a digital radiology platform for the amount of USD 110m.

28 Controlling party

At 31 December 2022, the company's immediate parent company was Bayer Global Investments B.V., a company incorporated in the Netherlands.

The ultimate parent undertaking and controlling party is Bayer AG, a company incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the financial statements of Bayer AG may be obtained from the registered address of the group:

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51368 Leverkusen
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