



## Bayer AG Financial Statements

# 2022

The Management Report of Bayer AG is combined with the Management Report of the Bayer Group. The Combined Management Report is published in Bayer's Annual Report for 2022. The financial statements and the Combined Management Report of the Bayer Group and Bayer AG for fiscal 2022 have been sent to the operator of the Company Register and are accessible via the Company Register website.

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# Income Statements

€ million	Note	2021	2022
Net sales	[1]	15,497	16,470
Increase or decrease in inventories of finished goods and work in process		109	5
Other own work capitalized		7	7
Other operating income	[2]	3,207	4,294
Costs of materials	[3]	(10,224)	(11,597)
Expenses for raw materials, supplies and purchased goods		(4,062)	(4,632)
Expenses for purchased services		(6,162)	(6,965)
Personnel expenses	[4]	(3,003)	(3,431)
Wages and salaries		(2,395)	(2,346)
Social expenses and expenses for pensions and other benefits		(608)	(1,085)
<i>of which for pensions</i>		(324)	(811)
Write-downs	[5]	(108)	(185)
Other operating expenses	[6]	(6,923)	(8,637)
<b>Operating income</b>		<b>(1,438)</b>	<b>(3,074)</b>
Income from investments in affiliated companies – net	[7]	5,660	9,257
Interest income/expense – net	[8]	88	(1,199)
Other financial income/expense – net	[9]	81	(27)
<b>Nonoperating income</b>		<b>5,829</b>	<b>8,031</b>
Income taxes	[10]	(270)	(183)
Other taxes		(11)	(10)
<b>Income after taxes/net income</b>		<b>4,110</b>	<b>4,764</b>
Allocation to other retained earnings		(2,055)	(2,382)
<b>Distributable profit</b>		<b>2,055</b>	<b>2,382</b>

# Statements of Financial Position

€ million	Note	Dec. 31, 2021	Dec. 31, 2022
<b>ASSETS</b>			
<b>Noncurrent assets</b>			
Intangible assets	[11]	398	320
Property, plant and equipment	[12]	38	41
Investments	[13]	72,038	82,438
		<b>72,474</b>	<b>82,799</b>
<b>Current assets</b>			
Inventories	[14]	2,579	2,824
Receivables and other assets			
Trade accounts receivable	[15]	2,057	2,084
Accounts receivable from subsidiaries	[16]	2,001	5,388
Other assets	[17]	795	426
	[18]	4,853	7,898
Marketable securities	[19]	1,219	3,652
Cash and cash equivalents		2,555	3,621
		<b>11,206</b>	<b>17,995</b>
<b>Deferred charges</b>	[20]	<b>164</b>	<b>185</b>
<b>Surplus from offsetting</b>	[21]	<b>251</b>	<b>127</b>
		<b>84,095</b>	<b>101,106</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	[22]		
Capital stock		2,515	2,515
Capital reserves		18,845	18,845
Other retained earnings		7,035	9,508
Distributable profit		2,055	2,382
		<b>30,450</b>	<b>33,250</b>
<b>Provisions</b>			
Provisions for pensions	[23]	1,913	3,676
Other provisions	[24]	3,138	3,271
		<b>5,051</b>	<b>6,947</b>
<b>Other liabilities</b>			
Bonds	[25]	14,550	14,550
Liabilities to banks		333	3,009
Down payments received on orders		125	44
Trade accounts payable	[26]	2,025	2,164
Payables to subsidiaries	[27]	29,900	40,579
Miscellaneous liabilities	[28]	1,596	521
	[29]	<b>48,529</b>	<b>60,867</b>
<b>Deferred income</b>	[30]	<b>65</b>	<b>42</b>
		<b>84,095</b>	<b>101,106</b>

# Notes

## Accounting Policies

The financial statements of Bayer AG, Leverkusen, Germany (which is entered in the commercial register of the Local Court of Cologne, Germany, HRB 48248), are prepared in accordance with the German Commercial Code (HGB), the Stock Corporation Act (AktG) and the German Energy Industry Act (EnWG).

Business lease agreements exist between Bayer AG on the one hand, and Bayer Pharma AG and Bayer CropScience AG – the former parent companies of the respective divisions – on the other. Bayer AG as lessee manages these two companies' operational businesses on the basis of these agreements. The agreements were initially concluded as of 2017 for a term of one calendar year and are each extended by successive periods of one year unless written notice of termination effective as of the end of the preceding year is given six months in advance by either party. As of 2022, none of the parties had terminated the agreements.

Bayer AG is a generator and supplier of utilities at multiple locations and thus an energy utility as defined in Section 3, No. 18 of the EnWG. Since utility supply networks are operated by a subsidiary in addition, Bayer AG also constitutes a vertically integrated energy utility under Section 3, No. 38 of the EnWG.

Certain items in the income statement and statement of financial position are combined for the sake of clarity; they are explained in the Notes. Likewise for reasons of clarity, "of which" information required for certain items in the financial statements is presented in the Notes only. Financial income and expenses whose disclosure is not covered by a legally required item are reported under other financial income or expense.

A declaration of compliance with the German Corporate Governance Code has been issued pursuant to Section 161 of the German Stock Corporation Act (AktG) and made permanently available to stockholders online as part of the Declaration on Corporate Governance pursuant to Section 289f of the German Commercial Code (HGB). It can be downloaded from [www.bayer.com/en/investors/corporate-governance](http://www.bayer.com/en/investors/corporate-governance).

As the parent company, Bayer AG prepares the consolidated financial statements for both the largest and the smallest scope of consolidation. As in the previous year, the Management Report of Bayer AG has been combined with the Management Report of the Bayer Group pursuant to Section 315, Paragraph 3 of the German Commercial Code (HGB) in conjunction with Section 298, Paragraph 2 HGB.

## Recognition and Valuation Principles

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

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation of assets that are subject to wear and tear in line with their individual useful lives. The straight-line method of depreciation is normally used. Movable assets that were already recognized as of 2007 are depreciated using the declining balance method at the maximum depreciation rates permitted for tax purposes, switching to the straight-line method as soon as this leads to higher annual depreciation.

Depreciation of the individual categories of property, plant and equipment, and amortization of the individual categories of intangible assets are based on the following useful lives:

<b>Useful Life of Intangible Assets and Property, Plant and Equipment</b>	
Software	3 to 4 years
Other concessions, industrial property rights, similar rights and assets, and licenses thereunder	max. 30 years
Commercial buildings	25 to 40 years
Infrastructure facilities	12 to 20 years
Plant facilities	12 to 20 years
Plant and equipment	5 to 20 years
Laboratory and research equipment	3 to 5 years
Factory and office equipment	6 to 12 years
Communication technology	3 to 10 years
Vehicles	5 to 15 years
Computer equipment	3 to 4 years

Assets that can be utilized separately and are subject to depletion are depreciated in full in the year of acquisition if their cost of acquisition or construction does not exceed €800.

Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation or amortization and are expected to be permanent. If the reasons for a write-down no longer apply, a write-back is made, provided that this does not cause the carrying amount to exceed the cost of acquisition or construction less depreciation or amortization.

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

Investments in subsidiaries and affiliated companies as well as securities recognized in noncurrent assets are carried at cost, less write-downs for any decline in value that is expected to be permanent. As for the Bayer Pharma AG shares received against the contribution of a shareholding in Bayer Gesellschaft für Beteiligungen mbH, the accounting option was exercised to measure the Bayer Pharma AG shares at the fair value of the contributed shareholding according to exchange principles. This resulted in €9,592 million in income from affiliated companies.

Loans receivable that are interest-free or bear low rates of interest are carried at present value. The loans also include *jouissance right capital (Genussrechtskapital)* provided to the pension funds and drawings on effective initial funds, which are carried at nominal value. Other loans receivable are carried at nominal value. Existing risks are taken into account through write-downs for any decline in value that is expected to be permanent.

Where the reasons for write-downs made in previous years no longer apply or only partially apply, the respective items are written back accordingly, provided that the write-back does not cause the carrying amount to exceed the cost of acquisition.

Inventories are valued as follows: raw materials, supplies and goods purchased for resale at the average cost of acquisition less write-downs, and finished goods at the average cost of production. This comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads, including manufacturing-related depletion of noncurrent assets. Write-downs are recognized if the fair value is below the carrying amount.

Receivables and other assets are stated at nominal value, less any necessary write-downs. The amounts of such write-downs reflect the probability of default. Non-interest-bearing or low-interest receivables that are due in more than one year are recognized at their discounted value.

Cash and bank deposits held in euros are recognized at their nominal value; such assets held in foreign currencies are translated at the spot rate on the closing date of the financial statements.

The deferred charges on the statement of financial position contain expenditures prior to the closing date that will give rise to expense in a defined subsequent period. Also included are the differences between the issue and settlement amount for bonds issued by Bayer AG that will be amortized over the maturity of the bonds.

The amounts required to meet credit balances on employees' long-term worktime accounts and certain pension obligations are invested indirectly via intermediate investment vehicles through a Belgian investment company operating as a SICAV (*Société d'investissement à capital variable*). They are invested in basically liquid international fixed-income bonds, shares, real estate and alternative investments. The assets are administered on behalf of Bayer AG by Bayer Pension Trust e. V. (BPT), Germany. All investments are protected from other creditors in the event that the employer files for insolvency. They are measured at fair value. This is derived from stock market prices and market interest rates. The trust assets held by BPT are offset against the underlying obligations. If the obligations exceed the assets, a provision is recorded. If the value of the securities exceeds the obligations, it is recorded in the statement of financial position as a surplus from offsetting; this was the case in 2022. Accordingly, in the income statements, income from the trust assets is offset against the interest portion of the corresponding obligations and changes in the discount rate.

Deferred taxes are assessed for temporary differences between the amounts of assets, liabilities, deferred income and deferred charges in the accounting statements and those in the tax statements. This assessment takes into account not only the differences reflected in Bayer AG's own statement of financial position, but also those existing at subsidiaries with which it forms a fiscal entity for tax purposes and in which it holds an equity interest. In addition to temporary differences, tax loss carryforwards are taken into account. Deferred taxes are calculated on the basis of the combined income tax rate for the fiscal entity headed by Bayer AG, which is currently 29.61%. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. In the case of partnerships, however, deferred taxes relating to temporary differences in the statement of financial position are calculated using a combined income tax rate that includes only corporate income tax and the solidarity surcharge; this combined rate is currently 15.83%. Any resulting tax liability would be recognized as a deferred tax liability in the statement of financial position. In the event of a tax receivable, the corresponding option to recognize the deferred tax asset would not be used. In 2022, there was a deferred tax asset, which therefore was not recognized in the statement of financial position.

The capital stock of Bayer AG is divided into 982,424,082 no-par registered shares, each of which has a theoretical proportionate interest of €2.56 in the total capital stock of €2,515,005,649.92.

Provisions for pensions are computed using the projected unit credit method on the basis of biometric probability using the Heubeck 2018 G reference tables. Expected future salary and pension increases are taken into account. We assume annual salary increases of 2.75% (2021: 2.25%) and annual pension rises of 2.70% (2021: 1.80%). For pension entitlements granted since January 1, 2000, an annual pension increase of 1.00% is generally accounted for as this has been promised to the employees. The discount rate used for pension provisions as of December 31, 2022, was 1.78% (December 31, 2021: 1.87%), which is the average market interest rate for the past 10 years for instruments with an assumed remaining maturity of 15 years, as published by the Deutsche Bundesbank for December 2022.

Other provisions are established to cover all foreseeable risks and uncertain liabilities based on reasonable estimates of the future settlement amounts of such commitments. Future price and cost increases are taken into account where there are sufficient objective indications that such increases will most probably occur. Provisions maturing in more than one year are discounted to present value using the average market interest rate for the past seven years, based on their remaining maturities. For longer-term personnel-related provisions, such as provisions for long-service anniversaries, a discount rate of 1.44% (2021: 1.35%) is used for an assumed period of 15 years until utilization. Shorter-term personnel-related provisions, such as those for obligations under early retirement arrangements, are discounted using a rate that corresponds to their maturity, which in 2022 was three years. The discount rate was 0.58% (2021: 0.40%). These are the rates published or expected by the Deutsche Bundesbank for December 2022.

Liabilities are recognized at the settlement amount as of the closing date. Noncurrent liabilities relating to pension obligations are discounted using the average market interest rate in the past seven years applicable to their maturity.

Foreign currency receivables and liabilities, forward exchange contracts and other currency derivatives are recognized using the mark-to-market method. For this purpose, foreign currency receivables and payables are measured at spot rates, while the corresponding currency derivatives entered into for hedging purposes are valued at the market forward rates on the closing date. Unrealized gains and losses on the hedged items for which hedging relationships are established are then offset in each currency using the net hedge presentation method. Provisions are set up for any net unrealizable losses; net unrealizable gains are only recognized if they relate to receivables and liabilities with a remaining maturity of up to one year.

The deferred income on the statement of financial position contains payments received prior to the closing date that will give rise to income in a specific future period. This includes license payments, the majority of which will be amortized over the estimated useful life of the asset, starting when marketing approval is obtained for the respective product.

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



# Notes to the Income Statements

## 1. Sales

### Sales by Business Unit

€ million	2021	2022
Pharmaceuticals	9,866	10,383
Crop Science	4,636	4,817
Enabling Functions	995	1,270
	<b>15,497</b>	<b>16,470</b>

### Sales by Region

€ million	2021	2022
Europe/Africa/Middle East	6,572	7,511
North America	3,623	3,790
Asia/Pacific	3,904	4,026
Latin America	1,398	1,143
	<b>15,497</b>	<b>16,470</b>

## 2. Other operating income

### Other Operating Income

€ million	2021	2022
Income from currency translation	2,535	3,852
<i>Realized exchange gains</i>	2,497	3,747
<i>Unrealized income from valuation</i>	38	105
Gains from the disposal of noncurrent assets	1	31
Income from the reversal of provisions	530	139
<i>of which provisions for restructuring</i>	328	84
<i>of which energy-management obligations</i>	66	–
Intra-Group income from the sale of right-of-use assets	53	–
State grants for research and development	15	12
Income from the sale of the Environmental Science Professional business	–	127
Miscellaneous operating income	73	133
	<b>3,207</b>	<b>4,294</b>

## 3. Cost of materials

The primarily sales-related business lease fees paid to the lessors Bayer CropScience AG and Bayer Pharma AG are shown under expenses for purchased services. The same applies to license fees incurred relating to the use of production and marketing rights.

Energy costs are shown under expenses for raw materials, supplies and purchased goods.

## 4. Personnel expenses/employees

Personnel expenses do not contain the interest portion of personnel-related provisions, especially pension provisions, which is included in net interest expense.

The average number of employees at Bayer AG in 2022 was 18,377, subdivided as follows:

Employees	2022	
	Female	Male
Senior executives and senior managers	1,420	2,894
Junior managers and nonmanagerial employees	5,133	8,930
	<b>6,553</b>	<b>11,824</b>

Part-time employees are included in this figure on a prorated basis.

## 5. Write-downs

In 2022, write-downs of €100 million (2021: €29 million) were made on intangible assets. These figures mainly related to the termination of development collaborations.

## 6. Other operating expenses

Other Operating Expenses	2021	2022
€ million		
Expenses from currency translation	2,571	4,268
<i>Realized exchange losses</i>	2,541	3,849
<i>Unrealized expenses from valuation</i>	30	419
Expenses for severance payments	291	57
Expenses for logistics	208	265
Information expenses	375	429
Training expenses	29	31
External personnel expenses	133	126
Expenses for waste disposal	77	71
Dues and fees	24	55
Expenses for insurance and damage claims	92	117
Marketing and selling expenses	421	577
Rental and leasing expenses	343	357
Expenses for services	146	68
Research expenses	1,218	1,284
Consulting, auditing and administration expenses	313	241
Expenses for patents, trademarks and licenses	164	194
Donations, grants/funding	25	24
Expenses from the reimbursement of restructuring costs	288	344
Expenses in connection with the sale of the Animal Health business unit	9	–
Margin compensation for consortium businesses	67	–
Miscellaneous operating expenses	129	129
	<b>6,923</b>	<b>8,637</b>

## 7. Income from investments in affiliated companies – net

<b>Income from Investments in Affiliated Companies – Net</b>		
€ million	2021	2022
Income from affiliated companies	204	291
<i>of which subsidiaries</i>	204	291
Income from profit and loss transfer agreements with subsidiaries	2,073	390
Expenses from profit and loss transfer agreements with subsidiaries	(69)	(991)
Write-downs of investments in affiliated companies	(105)	(53)
Write-backs of investments in affiliated companies	–	28
Gains from the sale of investments in affiliated companies	3,557	9,592
	<b>5,660</b>	<b>9,257</b>

Details of the income and expenses from investments in affiliated companies are given in the Combined Management Report of Bayer AG and the Bayer Group.

The write-downs of investments in affiliated companies in 2022 included €53 million (2021: €89 million) for Bayer Türk Kimya Sanayii Limited Şirketi, Turkey. Whereas write-downs of €16 million were recognized for Bayer Capital Corporation B.V., Netherlands in 2021, there were write-backs of €28 million in 2022.

The €9,592 million in gains from the sale of investments in affiliated companies in 2022 pertained to the placement of a shareholding in Bayer Gesellschaft für Beteiligungen mbH into Bayer Pharma AG at its fair value in return for the granting of new shares.

The €3,557 million in gains from the sale of investments in affiliated companies posted in 2021 included €1,135 million from the placement of the shares of Bayer NV, Belgium, into Zweite K-W-A Beteiligungsgesellschaft mbH at their fair value and €2,374 million from the placement of the shares of Zweite K-W-A Beteiligungsgesellschaft mbH into Neunte Bayer VV GmbH at their fair value in return for the granting of new shares.

## 8. Interest income/expense – net

<b>Interest Income/Expense – Net</b>		
€ million	2021	2022
<b>Interest income</b>		
Income from other securities and loans recognized in noncurrent assets	554	504
<i>of which from subsidiaries</i>	543	494
Other interest and similar income	83	117
<i>of which from subsidiaries</i>	57	45
	<b>637</b>	<b>621</b>
<b>Interest expense</b>		
Interest and similar expenses	(549)	(1,820)
<i>of which to subsidiaries</i>	(56)	(336)
<i>Interest expense portion of pension and other noncurrent personnel-related provisions (net)</i>	(198)	(1,210)
<i>Interest expense portion of other noncurrent provisions</i>	(18)	(3)
	<b>(549)</b>	<b>(1,820)</b>
	<b>88</b>	<b>(1,199)</b>

The development of the net interest position is explained in the Combined Management Report of Bayer AG and the Bayer Group.

Expenses relating to the interest portion of pension and other noncurrent personnel-related provisions, including the impact of changes in the discount rate, are netted against the income/expense from the assets held by Bayer Pension Trust e. V. (BPT), Germany. The assets held by BPT serve the sole purpose of meeting pension obligations and the obligations arising from credit balances on employees' long-term worktime accounts. The Trust's assets are protected from other creditors.

The income/expense from plan assets was netted with the interest portion of pension and other personnel-related provisions as follows:

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

€ million	2021	2022
Interest expense portion of pension and other noncurrent personnel-related provisions and expenses from changes in the discount rate (gross)	(579)	(240)
Income/expense from assets held by Bayer Pension Trust e. V.	381	(970)
	<b>(198)</b>	<b>(1,210)</b>

## 9. Other financial income/expense – net

#### Other Financial Income/Expense – Net

€ million	2021	2022
<b>Other financial income</b>		
Gains from the sale of shares in Covestro AG	22	–
Income from Aspire	11	–
Allocation to pension provisions assigned to subsidiaries	91	127
Guarantee fees for sureties granted	46	45
	<b>170</b>	<b>172</b>
<b>Other financial expense</b>		
Changes in provisions for pensions and other noncurrent personnel-related provisions (excluding interest portion)	(70)	(171)
Bond fees	(10)	(17)
Miscellaneous financial expenses	(9)	(11)
	<b>(89)</b>	<b>(199)</b>
	<b>81</b>	<b>(27)</b>

## 10. Income taxes

Tax expense comprises amounts paid or owed for corporate income tax, trade tax and the solidarity surcharge, and income taxes paid outside Germany. It amounted to €183 million in 2022, and included tax income of €115 million from 2021.

As permitted by the option in Section 274, Paragraph 1, Sentence 2 of the German Commercial Code (HGB), the €2,337 million excess of deferred tax assets over deferred tax liabilities at year-end 2022 was not recognized.

Deferred tax assets mainly resulted from the valuation of pension obligations being higher in the accounting statements than in the tax statements. Other deferred tax assets resulted from provisions that are not tax-deductible, such as those for impending losses and pre-retirement leave, and from differences in the measurement of, for example, provisions for early retirement and service anniversaries, as well as interests in partnerships. There was also a deferred tax asset relating to an as yet unused tax loss carryforward.

Deferred tax liabilities principally arose from measurement differences with respect to investments in subsidiaries, inventories, and receivables and other assets that arose from unrealized foreign exchange gains.

# Notes to the Statements of Financial Position

## 11. Intangible assets

<b>Intangible Assets</b>			
€ million	Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder	Advance payments	Total
Gross carrying amounts, Dec. 31, 2021	590	59	649
Additions	56	42	98
Retirements	3	2	5
Transfers	23	(23)	–
<b>Gross carrying amounts, Dec. 31, 2022</b>	<b>666</b>	<b>76</b>	<b>742</b>
Accumulated amortization and write-downs, Dec. 31, 2021	245	6	251
Amortization and write-downs	174	–	174
Retirements	1	2	3
<b>Accumulated amortization and write-downs, Dec. 31, 2022</b>	<b>418</b>	<b>4</b>	<b>422</b>
<b>Net carrying amounts, Dec. 31, 2022</b>	<b>248</b>	<b>72</b>	<b>320</b>
Net carrying amounts, Dec. 31, 2021	345	53	398

## 12. Property, plant and equipment

<b>Property, Plant and Equipment</b>					
€ million	Land and buildings	Plant and equipment	Furniture, fixtures and other equipment	Advance payments and assets under construction	Total
Gross carrying amounts, Dec. 31, 2021	63	33	34	6	136
Additions	–	2	8	4	14
Retirements	–	2	–	–	2
Transfers	–	1	1	(2)	–
<b>Gross carrying amounts, Dec. 31, 2022</b>	<b>63</b>	<b>34</b>	<b>43</b>	<b>8</b>	<b>148</b>
Accumulated depreciation and write-downs, Dec. 31, 2021	61	19	18	–	98
Depreciation and write-downs	–	5	6	–	11
Retirements	–	2	–	–	2
<b>Accumulated depreciation and write-downs, Dec. 31, 2022</b>	<b>61</b>	<b>22</b>	<b>24</b>	<b>–</b>	<b>107</b>
<b>Net carrying amounts, Dec. 31, 2022</b>	<b>2</b>	<b>12</b>	<b>19</b>	<b>8</b>	<b>41</b>
Net carrying amounts, Dec. 31, 2021	2	14	16	6	38

## 13. Investments

### Investments

€ million	Investments in subsidiaries	Loans to subsidiaries	Investments in other affiliated companies	Securities included in investments	Other loans	Total
Gross carrying amounts, Dec. 31, 2021	57,514	13,870	133	–	790	72,307
Additions	11,713	103	18	–	690	12,524
Retirements	2,096	3	–	–	–	2,099
Transfers	–	–	–	–	–	–
<b>Gross carrying amounts, Dec. 31, 2022</b>	<b>67,131</b>	<b>13,970</b>	<b>151</b>	<b>–</b>	<b>1,480</b>	<b>82,732</b>
Accumulated write-downs, Dec. 31, 2021	264	4	–	–	1	269
Write-downs	53	–	–	–	–	53
Write-backs	28	–	–	–	–	28
Retirements	–	–	–	–	–	–
<b>Accumulated write-downs, Dec. 31, 2022</b>	<b>289</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>294</b>
<b>Net carrying amounts, Dec. 31, 2022</b>	<b>66,842</b>	<b>13,966</b>	<b>151</b>	<b>–</b>	<b>1,479</b>	<b>82,438</b>
Net carrying amounts, Dec. 31, 2021	57,250	13,866	133	–	789	72,038

Investments in subsidiaries increased to €66,842 million (2021: €57,250 million). The change in the shareholding structure, as part of an intra-Group contribution in kind through a share swap, resulted in additions of €11,680 million through new Bayer Pharma AG shares and retirements of €2,088 million through a shareholding in Bayer Gesellschaft für Beteiligungen mbH.

Other loans mainly comprised jouissance right capital (*Genussrechtskapital*) and the capital provided for the effective initial fund. Bayer AG undertook to provide jouissance right capital (*Genussrechtskapital*) with a nominal volume of €150 million for Bayer-Pensionskasse VVaG under a jouissance rights framework agreement. This repayable capital has been drawn in three €50 million installments, with each installment being provided for a period of at least five years.

In 2008, Bayer AG established a repayable “effective initial fund” of €800 million for Bayer-Pensionskasse VVaG, Germany, which was increased by €800 million in 2012 and then by a further €500 million in 2022 to a total of €2,100 million. Of this amount, the pension fund has so far drawn €1,261 million (2021: €635 million). The jouissance right capital and the effective initial fund loan are interest-bearing, but interest is only payable under certain contractually agreed conditions. Interest must be deferred if it would result in the pension fund reporting a net loss. The jouissance right capital and the amount drawn from the effective initial fund are contained in other loans.

In 2019, Bayer AG established an additional effective initial fund of €189 million for Rheinische Pensionskasse VVaG, thereby increasing the effective initial fund to a total of €192 million. Of this amount, Rheinische Pensionskasse VVaG has so far drawn €60 million (2021: €3 million).

Further information on the development of financial assets is given in the Combined Management Report of Bayer AG and the Bayer Group.

Details of the subsidiary and affiliated companies of Bayer AG pursuant to Section 285, Numbers 11, 11a and 11b of the German Commercial Code are included in the annual financial statements that have been certified and sent for entry into the Company Register. They are also available at [www.bayer.com/share-ownership2022](http://www.bayer.com/share-ownership2022).

## 14. Inventories

<b>Inventories</b>		
€ million	Dec. 31, 2021	Dec. 31, 2022
Raw materials and supplies	697	953
Work in process	1,334	1,326
Finished goods	433	446
Goods purchased for resale	115	99
	<b>2,579</b>	<b>2,824</b>

## 15. Trade accounts receivable

<b>Trade Accounts Receivable</b>		
€ million	Dec. 31, 2021	Dec. 31, 2022
Accounts receivable from subsidiaries	1,662	1,740
Accounts receivable from other customers	395	344
	<b>2,057</b>	<b>2,084</b>

## 16. Accounts receivable from subsidiaries

Accounts receivable from subsidiaries mainly comprised financial receivables, for example, in connection with loans or overnight funds, receivables pertaining to accrued interest, and receivables relating to profit transfers from subsidiaries that form a fiscal entity with Bayer AG.

## 17. Other assets

<b>Other Assets</b>		
€ million	Dec. 31, 2021	Dec. 31, 2022
Payroll receivables	16	15
Accrued interest	3	25
Claims for tax refunds	192	243
Short-term investments	492	2
Receivables from call deposits and current account	44	66
Advance payments disbursed	20	17
Other	28	58
	<b>795</b>	<b>426</b>

The other assets included €25 million (2021: €3 million) for assets that did not legally come into being until after year end. These consisted entirely of accrued interest.

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

As in the previous year, all receivables and other assets were due in less than one year.



## 19. Marketable securities

The €3,652 million in marketable securities reported here are short-term US dollar and euro investments with indefinite maturities. In 2021, the securities were exclusively euro investments.

## 20. Deferred charges

The deferred charges as of December 31, 2022, included unamortized discounts totaling €41 million pertaining to bonds issued by Bayer AG. The amount of €40 million recognized at the start of the year was increased by €6 million due to additions and was diminished by €5 million due to reversals.

Likewise reported here are accrued charges of €10 million (2021: €5 million) for credit facilities that Bayer had arranged for the acquisition of Monsanto, among other things.

The remaining deferred charges comprised advance payments of charges for other credit facilities, prepaid premiums for business insurance and other accrued charges.

## 21. Surplus from offsetting

Obligations arising from credit balances on employees' long-term worktime accounts and from pension commitments are either fully or partially secured. The assets invested under individual contractual trust arrangements (CTAs) are offset against the underlying obligations. Any positive difference is capitalized as a surplus from offsetting, otherwise it is reflected in provisions. As of December 31, 2022, the offset resulted in a positive difference of €127 million (2021: €251 million), of which €127 million (2021: €181 million) comprised obligations from long-term worktime accounts and €0 million (2021: €70 million) comprised pension commitments.

### Surplus from Offsetting

€ million	Dec. 31, 2021	Dec. 31, 2022
Settlement value of obligations relating to credit balances on employees' long-term worktime accounts	272	338
Fair value of assets invested with Bayer Pension Trust	453	465
<b>Excess of assets over obligations relating to long-term worktime accounts (surplus from offsetting)</b>	<b>181</b>	<b>127</b>
Acquisition cost of assets invested with Bayer Pension Trust	374	473

€ million	Dec. 31, 2021	Dec. 31, 2022
Settlement value of pension commitments	676	–
Fair value of assets invested with Bayer Pension Trust	746	–
<b>Excess of assets over obligations relating to pension commitments (surplus from offsetting)</b>	<b>70</b>	<b>–</b>
Acquisition cost of assets invested with Bayer Pension Trust	536	–

The collateral assets are measured at fair value. Their fair value as of December 31, 2022, was €4,622 million. Offsetting €465 million of the collateral assets against underlying obligations resulted in a positive difference, which was recorded as a surplus from offsetting; offsetting of the remaining €4,157 million against obligations was reported under provisions for pensions.

## 22. Equity

Changes in equity in 2022 were as follows:

€ million	Dec. 31, 2021	Dividend for 2021	Net income	Allocation to other retained earnings	Dec. 31, 2022
Capital stock	2,515	–	–	–	2,515
Capital reserve	18,845	–	–	–	18,845
Other retained earnings	7,035	–	–	2,473	9,508
Distributable profit	2,055	(1,964)	4,764	(2,473)	2,382
	<b>30,450</b>	<b>(1,964)</b>	<b>4,764</b>	–	<b>33,250</b>

The capital stock of Bayer AG remained at €2,515,005,649.92. As in the previous year, it was divided into 982,424,082 no-par registered shares and was fully paid up, with each share conferring one voting right. The “Allocation to other retained earnings” figure in the table above comprised €91 million pertaining to the Annual Stockholders’ Meeting resolution on the use of the distributable profit for 2021, and an amount of €2,382 million resulting from the net income for 2022.

For the purpose of the employee stock participation program BayShare, Bayer AG acquired 491,534 no-par registered shares at an average price of €50.11 per share on November 9, 2022, pursuant to Section 71, Paragraph 1, No. 8 of the German Stock Corporation Act. These shares corresponded to €1,258,327.04, or 0.05%, of the capital stock. The value of these shares was €24,629,979.34 at the date of acquisition. Of the shares acquired, 488,983.56 were placed in employees’ share deposit accounts in November 2022 at a price of €50.18 per share. The remaining 2,550.04 shares were sold on the stock market at a price of €51.60 per share. This generated a gain of €38,812.31 in total. Bayer AG did not hold any own shares as of December 31, 2022.

### Information on amounts barred from distribution pursuant to Section 253, Paragraph 6 and Section 268, Paragraph 8 of the German Commercial Code (HGB)

The provisions for pensions recognized in the statement of financial position (before deduction of the corresponding assets) were calculated on the basis of the relevant average market interest rate for the past ten years. If the average for the past seven years had been used, the obligations would have been €454 million higher.

To secure pension obligations and credit balances on employees’ long-term worktime accounts, funds have been transferred to Bayer Pension Trust e. V. (BPT), Germany, under several contractual trust arrangements (CTAs). They may only be used for the specified purpose and are protected from other creditors in the event that the employer becomes insolvent. They are measured at fair value. The total fair value of the fund assets of all the CTAs was €252 million above their total acquisition cost of €4,370 million.

The sum of the difference between the pension obligations based on the average interest rate for ten and seven years and the difference between the higher fair value and the acquisition cost of the assets held by BPT was €706 million. Since the freely available retained earnings amount to €8,802 million, there is no restriction on the use of the distributable profit of €2,382 million.

## Notifications of direct and indirect stockholdings pursuant to Section 33, Paragraph 1 of the Securities Trading Act (WpHG)

As of the closing date, we had received the following notifications of stockholdings in Bayer AG pursuant to Section 33, Paragraph 1 of the German Securities Trading Act (WpHG). In cases where stockholdings reached, exceeded or fell below the thresholds set out in this legislation on several occasions, only the most recent notification is mentioned.

### Voting Rights Notifications

Name, Domicile and Country of the Reporting Company	Date of change	Notification according to WpHG	Percent	Shares
BlackRock Inc., Wilmington, USA	Mar. 26, 2018	§ 33 WpHG		
		§ 34 WpHG	7.170	59,256,963
		§ 38 (1) Nr. 1 WpHG Securities lending	0.260	2,119,910
		§ 38 (1) Nr. 2 WpHG Call option	0.005	30,500
		§ 38 (1) Nr. 2 WpHG Contract for difference	0.020	143,918
		§ 39 WpHG	7.455	61,551,291
Republic of Singapore, Singapore	Apr. 18, 2018	§ 33 WpHG		
		§ 34 WpHG	3.970	34,078,853
		§ 38 (1) Nr. 2 WpHG Put option	0.200	1,684,676
		§ 39 WpHG	4.170	35,763,529
Harris Associates L.P., Wilmington, USA	Mar. 28, 2022	§ 33 WpHG		
		§ 34 WpHG	2.990	29,334,705
		§ 39 WpHG	2.990	29,334,705
Massachusetts Financial Services Company, Boston, USA	July 5, 2022	§ 34 WpHG	3.040	29,826,993
		§ 39 WpHG	3.040	29,826,993
The Goldman Sachs Group, Inc., Wilmington, USA	Dec. 19, 2022	§ 34 WpHG	0.385	3,784,573
		§ 38 (1) Nr. 1 WpHG Right to recall	0.193	1,896,672
		§ 38 (1) Nr. 1 WpHG Right of use	0.176	1,728,910
		§ 38 (1) Nr. 1 WpHG Forward	0.000	1,508
		§ 38 (1) Nr. 1 WpHG Swap	0.010	94,215
		§ 38 (1) Nr. 1 WpHG Call option	0.257	2,525,000
		§ 38 (1) Nr. 1 WpHG Call Warrant	0.017	171,210
		§ 38 (1) Nr. 2 WpHG Call option	1.192	11,709,637
		§ 38 (1) Nr. 2 WpHG Put option	0.929	9,131,354
		§ 38 (1) Nr. 2 WpHG Swap	0.247	2,430,414
		§ 38 (1) Nr. 2 WpHG Call warrant	0.169	1,656,715
		§ 38 (1) Nr. 2 WpHG Forward	0.025	249,185
		§ 38 (1) Nr. 2 WpHG Future	1.143	11,225,437
		§ 39 WpHG	4.743	46,604,830

For further details, please see the individual voting rights notifications received, which are published on our website at [www.bayer.com/en/investors/voting-rights-announcements](http://www.bayer.com/en/investors/voting-rights-announcements).

## 23. Provisions for pensions

This item includes provisions for current and future pension entitlements.

It also includes commitments to former employees of the business areas and service areas hived down into separate legal entities in 2002 and 2003 who retired before July 1, 2002, or who left the company before this date and have vested pension rights. The respective companies reimburse Bayer AG for these expenses as a matter of course.

Obligations arising from pension commitments are partially secured by assets invested with Bayer Pension Trust e. V., Leverkusen. Any positive difference from the offsetting of these assets against the underlying obligations is capitalized as a surplus from offsetting, while any negative difference is reflected in provisions.

Further information on the CTA is given in Note [21].

<b>Provisions for Pensions</b>		
€ million	<b>Dec. 31, 2021</b>	<b>Dec. 31, 2022</b>
Settlement value of pension commitments	6,164	7,833
Fair value of assets invested with Bayer Pension Trust	4,251	4,157
<b>Net value of pension commitments (provisions)</b>	<b>(1,913)</b>	<b>(3,676)</b>
Acquisition cost of assets invested with Bayer Pension Trust	3,318	3,898

The deficit due to unrecognized pension obligations from indirect commitments under Article 28, Paragraph 2 of the Introductory Law to the German Commercial Code (EGHGB) amounted to €1,369 million.

## 24. Other provisions

<b>Other Provisions</b>		
€ million	<b>Dec. 31, 2021</b>	<b>Dec. 31, 2022</b>
Provisions for taxes	571	630
Other provisions for	2,567	2,641
– Early retirement	300	9
<i>of which restructuring- and employee-related<sup>1</sup></i>	285	–
– Service-anniversary obligations	98	101
– Stock programs for employees	113	158
– Restructuring related to personnel <sup>1</sup>	663	750
– Restructuring not related to personnel	292	477
– Variable, one-time payments to employees	528	410
– Litigations	5	18
– Rebates/bonuses	11	12
– Impending losses	415	589
– Miscellaneous provisions	142	117
	<b>3,138</b>	<b>3,271</b>

<sup>1</sup> The other provisions for restructuring- and employee-related matters presented under "Early retirement" in 2021 are shown solely under the "Restructuring related to personnel" item in 2022.

## 25. Bonds

Bonds with a total nominal value of €14,550 million existed as of December 31, 2022 (2021: €14,550 million). They comprised:

Bonds	Nominal value	Stated rate	Effective rate	Dec. 31, 2021	Dec. 31, 2022
		%	%	€ million	€ million
Hybrid bond 2014/2074 <sup>1</sup>	EUR 1,500 million	3.750	3.811	1,500	1,500
Hybrid bond 2015/2075	EUR 1,300 million	2.375	2.517	1,300	–
Hybrid bond 2019/2079 <sup>2</sup>	EUR 1,000 million	2.375	2.597	1,000	1,000
Hybrid bond 2019/2079 <sup>3</sup>	EUR 750 million	3.125	3.192	750	750
Hybrid bond 2022/2082 <sup>4</sup>	EUR 800 million	5.375	5.564	–	800
Hybrid bond 2022/2082 <sup>5</sup>	EUR 500 million	4.500	4.713	–	500
Bond 2020/2024	EUR 1,500 million	0.375	0.528	1,500	1,500
Bond 2020/2027	EUR 1,500 million	0.750	0.898	1,500	1,500
Bond 2020/2030	EUR 1,500 million	1.125	1.163	1,500	1,500
Bond 2020/2032	EUR 1,500 million	1.375	1.412	1,500	1,500
Bond 2021/2025	EUR 1,200 million	0.050	0.053	1,200	1,200
Bond 2021/2029	EUR 1,000 million	0.375	0.484	1,000	1,000
Bond 2021/2031	EUR 1,000 million	0.625	0.749	1,000	1,000
Bond 2021/2036	EUR 800 million	1.000	1.089	800	800
				<b>14,550</b>	<b>14,550</b>

<sup>1</sup> Redeemable at 12 months' notice from 2024; fixed interest rate until 2024, thereafter floating rate based on 5-year swap rate

<sup>2</sup> Redeemable at 12 months' notice from 2025; fixed interest rate until 2025, thereafter floating rate based on 5-year swap rate

<sup>3</sup> Redeemable at 12 months' notice from 2027; fixed interest rate until 2027, thereafter floating rate based on 5-year swap rate

<sup>4</sup> Redeemable at 12 months' notice from 2030; fixed interest rate until 2030

<sup>5</sup> Redeemable at 12 months' notice from 2027; fixed interest rate until 2027

## 26. Trade accounts payable

### Trade Accounts Payable

€ million	Dec. 31, 2021	Dec. 31, 2022
Payables to subsidiaries	589	711
Payables to other suppliers	1,436	1,453
	<b>2,025</b>	<b>2,164</b>

## 27. Payables to subsidiaries

The payables to subsidiaries mainly comprised financial liabilities such as loans and overnight funds made available to Bayer AG by subsidiaries, plus the respective accrued interest.

## 28. Miscellaneous liabilities

<b>Miscellaneous Liabilities</b>		
€ million	Dec. 31, 2021	Dec. 31, 2022
Commercial paper	1,223	96
Accrued interest	115	123
Liabilities from hedges	85	27
Liabilities from employees' income and church taxes	90	72
Liabilities relating to income and sales taxes	32	20
Current account liabilities	18	11
Payment obligation to Bayer-Pensionskasse VVaG for drawings on the effective initial fund	–	126
Purchase price adjustment from the sale of the Animal Health business unit	2	2
Other	31	44
	<b>1,596</b>	<b>521</b>

As in the previous year, the other miscellaneous liabilities included payroll and other operating liabilities.

## 29. Further information on liabilities

<b>Maturity Structure of Other Liabilities</b>				
€ million	Dec. 31, 2021		Dec. 31, 2022	
	Maturing in 2022	Maturing after 2022	Maturing in 2023	Maturing after 2023
Bonds	1,300	13,250	–	14,550
Liabilities to banks	333	–	3,009	–
Down payments received on orders	125	–	44	–
Trade accounts payable	2,025	–	2,164	–
Payables to subsidiaries	29,400	500	40,579	–
Miscellaneous liabilities	1,596	–	516	5
	<b>34,779</b>	<b>13,750</b>	<b>46,312</b>	<b>14,555</b>

Of the total other liabilities, €6,600 million (2021: €8,050 million) had residual maturities of more than five years. The 2022 amount consisted entirely of bonds, as in the previous year.

The total other liabilities included €123 million (2021: €115 million) in liabilities that did not legally come into being until after year end. These consisted almost entirely of accrued interest.

## 30. Deferred income

The deferred income comprised advance payments under licenses and settlement agreements as well as payments for services to be delivered in the future.

# *Other Information*

## **31. Contingent liabilities**

Liabilities arising from debt guarantees totaled €22,115 million (2021: €23,042 million). They were issued in favor of subsidiaries. Based on our knowledge of their respective economic situations, all of these companies are able to meet the underlying liabilities. The contingent liabilities are therefore not expected to materialize.

**Debt Guarantees**

	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2022
	Nominal amount	€ million	Nominal amount	€ million
<b>Guarantees for current and former Group companies</b>				
Bayer Capital Corporation B.V., Netherlands				
– 1.250% DIP notes, maturing in 2023	EUR 500 million	500	EUR 500 million	500
– 0.000% DIP notes, maturing in 2022 <sup>1</sup>	EUR 750 million	750	–	–
– 0.625% DIP notes, maturing in 2022	EUR 1,000 million	1,000	–	–
– 1.500% DIP notes, maturing in 2026	EUR 1,750 million	1,750	EUR 1,750 million	1,750
– 2.125% DIP notes, maturing in 2029	EUR 1,500 million	1,500	EUR 1,500 million	1,500
Bayer Corporation, USA				
– 6.650% notes, maturing in 2028	USD 350 million	308	USD 350 million	328
– Liabilities to banks	USD 81 million	71	USD 83 million	78
Bayer US Finance LLC, USA				
– 3.375% notes, maturing in 2024	USD 1,750 million	1,545	USD 1,750 million	1,640
Bayer US Finance II LLC, USA				
– 2.200% notes, maturing in 2022	USD 189 million	166	–	–
– 1.213% notes, maturing in 2023 <sup>2</sup>	USD 1,250 million	1,104	USD 1,250 million	1,171
– 3.875% notes, maturing in 2023	USD 2,250 million	1,986	USD 2,250 million	2,108
– 3.375% notes, maturing in 2024	USD 609 million	538	USD 609 million	571
– 2.850% notes, maturing in 2025	USD 250 million	220	USD 250 million	234
– 5.500% notes, maturing in 2025	USD 276 million	244	USD 276 million	259
– 4.250% notes, maturing in 2025	USD 2,500 million	2,207	USD 2,500 million	2,342
– 4.375 % notes, maturing in 2028	USD 3,500 million	3,090	USD 3,500 million	3,279
– 4.200% notes, maturing in 2034	USD 427 million	377	USD 427 million	400
– 5.500% notes, maturing in 2035	USD 318 million	281	USD 318 million	298
– 5.875% notes, maturing in 2038	USD 212 million	188	USD 212 million	199
– 4.625% notes, maturing in 2038	USD 1,000 million	883	USD 1,000 million	937
– 3.600% notes, maturing in 2042	USD 241 million	213	USD 241 million	226
– 4.650% notes, maturing in 2043	USD 292 million	258	USD 292 million	274
– 4.400% notes, maturing in 2044	USD 916 million	809	USD 916 million	858
– 3.950% notes, maturing in 2045	USD 449 million	396	USD 449 million	420
– 4.875% notes, maturing in 2048	USD 2,000 million	1,765	USD 2,000 million	1,874
– 4.700% notes, maturing in 2064	USD 727 million	642	USD 727 million	681
Bayer Holding Ltd., Japan				
– 0.260% DIP bond, maturing in 2022	JPY 10 billion	77	–	–
Monsanto Company, USA				
– Lease contracts	USD 120 million	106	USD 120 million	112
Bayer Real Estate GmbH, Germany				
– Contractual obligations to Bayer-Pensionskasse VVaG	EUR 61 million	61	EUR 57 million	57
Guarantees for other Group companies		7		19
		<b>23,042</b>		<b>22,115</b>

<sup>1</sup> 3-month Euribor +0.55%<sup>2</sup> 3-month USD-Libor +1.01%



Bayer AG issued commitments for its subsidiaries Bayer CropScience Beteiligungsgesellschaft mbH, Bayer CropScience Vermögensverwaltungsgesellschaft mbH, Zweite Bayer Real Estate VV GmbH, Dritte Bayer Real Estate VV GmbH, Monsanto Agrar Deutschland GmbH and Gloryfeel GmbH under which it assumed liability until the end of 2023 for obligations of these companies that arose in 2022. Based on our knowledge of their respective economic situations, these companies are able to meet the underlying obligations. The contingent liabilities are therefore not expected to materialize.

The company remains liable for pension obligations of €413 million (2021: €406 million) that were transferred to a subsidiary through a liability assumption agreement or via carve-outs. The company's liability in this regard is not expected to materialize. To our knowledge, the subsidiary concerned is able to meet the respective obligations.

In connection with the sale of the Animal Health business to Elanco Animal Health Incorporated, agreements were reached regarding the potential settlement of tax claims that may result in corresponding liabilities.

## 32. Other financial commitments

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

### Other Financial Commitments

	€ million
Rental and lease agreements	4,637
<i>of which with subsidiaries</i>	4,492
Collaboration agreements	3,858
<i>of which with subsidiaries</i>	1,131
Planned or ongoing capital expenditure projects (with order commitments)	373
<i>of which with subsidiaries</i>	1
Effective initial fund of Bayer-Pensionskasse	839
Effective initial fund of Rheinische Pensionskasse	132
	<b>9,839</b>

## 33. Derivatives/hedging relationships

In the course of their business, Bayer AG and companies in the Bayer Group are exposed to foreign exchange, interest-rate and price risks, which are hedged principally by means of derivatives. Most of these are over-the-counter (OTC) instruments. Derivative financial instruments are employed on the basis of uniform guidelines and are subject to strict internal controls. Apart from a few low-value exceptions, their use is confined to the hedging of the Bayer Group's operating business and of the related investments and financing transactions. The instruments used for currency hedging are mainly forward exchange contracts, currency options and cross-currency interest-rate swaps. Interest-rate swaps are used to hedge interest rates. Stock options are used to hedge fluctuations in the value of commitments to employees under stock-based compensation programs. Commodity futures are used to hedge against price risks.

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

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

In the case of derivatives with a positive fair value, a credit or default risk arises if the counterparties cannot meet their obligations. To minimize this risk, contract limits are assigned to the individual banks according to their creditworthiness.

The notional amount of financial derivatives contracts concluded with external counterparties was €17.1 billion as of December 31, 2022 (December 31, 2021: €15.0 billion). Back-to-back derivatives contracts in a notional amount of €9.0 billion (December 31, 2021: €7.0 billion) were concluded with Group companies. Thus the total notional amount of derivatives was €26.1 billion (December 31, 2021: €22.0 billion), including those forming hedging relationships. The derivatives comprised the following:

Derivatives	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022
	€ million					
Currency contracts	20,767	24,654	126	245	(230)	(325)
Currency options	515	1,203	9	18	(9)	(18)
Cross-currency interest-rate swaps	117	–	22	–	(22)	–
Commodity futures	–	8	–	–	–	–
Stock options	602	251	61	24	(78)	(31)
	<b>22,001</b>	<b>26,116</b>	<b>218</b>	<b>287</b>	<b>(339)</b>	<b>(374)</b>

## Measurement methods

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

- // Forward exchange contracts are measured individually at their forward rates on the closing date. The forward rates depend on spot rates, including time spreads.
- // The fair values of currency options are determined using a Black-Scholes model.
- // The fair values of interest-rate swaps are determined by discounting expected future cash flows. Discounting applies market interest rates for the remaining term of these instruments.
- // The fair values of stock options are determined by a Monte Carlo simulation.

## Hedging relationships

Due to existing and planned transactions, the company is subject to currency, interest-rate and share-price risks that in most cases are hedged through the use of financial derivatives that are pooled together to form hedging relationships. The table below presents the obligations that would arise without the hedging.

Hedging Relationships	Type of risk	Hedging relationship	Amount of the underlying transaction	Hedged risk
				Dec. 31, 2022
€ million				
Hedging of currency risks through currency contracts and options				
– Dividend receivables in foreign currencies	Currency risk	Micro-hedge	–	–
– Planned future sales	Currency risk	Portfolio hedge	2,500	63

Currency-based portfolio hedges were also formed with the respective transactions underlying the hedges, which were concluded for Bayer AG.

The negative ineffectiveness of micro-hedges, which would have required provisions to be established, did not occur in 2022 (2021: €4.8 million). Anticipated foreign exchange exposure is regularly based on financial planning for the next 12 months that is used to derive transactional foreign exchange exposure.

For sales and purchase transactions in foreign currencies that are considered highly probable, a net position of purchases and sales is hedged. The planning horizon for anticipated future transactions is 12 months.

### Derivatives that do not form hedging relationships

Financial derivatives that do not form hedging relationships were used to hedge a portion of the obligations arising from the Aspire stock-based compensation program of Bayer AG. The customized forward trade contracts concluded for this purpose had a negative fair value of €7 million, which was recognized in provisions for impending losses. Forward exchange transactions that do not form hedging relationships had a negative fair value of €182 million, which was recognized in provisions for impending losses.

### Items in the statement of financial position and carrying amounts

The carrying amounts of hedging transactions that did not form hedging relationships or that led to ineffectiveness were recognized under the following items in the statement of financial position:

€ million	Item in the statement of financial position	Carrying amount
		<b>Dec. 31, 2022</b>
Options premiums paid	Other assets	11
Provisions for impending losses from forward exchange transactions	Other provisions	182
Provisions for impending losses from forward stock transactions	Other provisions	7
Options premiums received	Other liabilities	11

## 34. Legal risks

As a global company with extensive business activities, the Bayer Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, anticorruption, patent disputes, tax assessments and environmental matters. The outcome of any current or future proceedings cannot normally be predicted. It is therefore possible that legal or regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our sales and earnings. Legal proceedings we currently consider to be material are outlined below. The legal proceedings referred to do not represent an exhaustive list.

The legal risks outlined in the following are presented irrespective of whether claims are asserted or threatened solely or directly against Bayer AG, or only against Group companies. Nothing in the descriptions that follow represents an acknowledgement by Bayer AG of any legal responsibility whatsoever or, in particular, of a joint or contingent liability of Bayer AG for claims filed primarily or exclusively against Group companies. The legal risks described are those to which Bayer AG is exposed either directly or through subsidiaries. For information on the corresponding provisions established at subsidiaries, please see the Notes to the Consolidated Financial Statements of the Bayer Group as of December 31, 2022.

## Product-related litigation

**Essure™:** In the United States, a large number of lawsuits by users of Essure™, a medical device offering permanent birth control with a nonsurgical procedure, had been served upon Bayer. Plaintiffs allege personal injuries from the use of Essure™, including hysterectomy, perforation, pain, bleeding, weight gain, nickel sensitivity, depression and unwanted pregnancy, and seek compensatory and punitive damages.

Bayer reached agreements in principle with plaintiff law firms to resolve approximately 99% of the nearly 40,000 total filed and unfiled US Essure™ claims involving women who allege device-related injuries. The settlements include all of the jurisdictions with significant volumes of Essure™ cases, including the state of California Joint Council Coordinated Proceedings (JCCP) and the Federal District Court for the Eastern District of Pennsylvania (EDPA). Taking into account the payments already made, the remaining provision for settlements amounts to US\$0.1 billion as of December 31, 2022. This includes an allowance for outstanding claims, and the company is in resolution discussions with counsel for the remaining plaintiffs. At the same time, we continue to support the safety and efficacy of the Essure™ device and are prepared to vigorously defend it in litigation where no amicable resolution can be achieved.

As of February 1, 2023, two Canadian lawsuits relating to Essure™ seeking class action certification had been served upon Bayer. One of the proposed class actions has been certified. Certification in the other class action has been denied; the decision has been appealed by plaintiffs. In addition, approximately 160 single-plaintiff claims have been served on Bayer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

**Class actions over neonicotinoids in Canada:** Proposed class actions against Bayer were filed in Quebec and Ontario (Canada) concerning crop protection products containing the active substances imidacloprid and clothianidin (neonicotinoids). The plaintiffs are honey producers, who have filed a proposed nationwide class action in Ontario and a Quebec-only class action in Quebec. Plaintiffs claim for compensatory damages and punitive damages and allege Bayer and another crop protection company were negligent in the design, development, marketing and sale of neonicotinoid pesticides. The proposed Ontario class action is in a very early procedural phase. In Quebec, a court certified a class proposed by plaintiffs in 2018. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

**Roundup™ (glyphosate):** A large number of lawsuits from plaintiffs claiming to have been exposed to glyphosate-based products manufactured by Bayer's subsidiary Monsanto have been served upon Monsanto in the United States. Glyphosate is the active ingredient contained in a number of Monsanto's herbicides, including Roundup™-branded products. Plaintiffs allege personal injuries resulting from exposure to those products, including non-Hodgkin lymphoma (NHL) and multiple myeloma, and seek compensatory and punitive damages. Plaintiffs claim, inter alia, that the glyphosate-based herbicide products are defective and that Monsanto knew, or should have known, of the risks allegedly associated with such products and failed to adequately warn its users. Additional lawsuits are anticipated. The majority of plaintiffs have brought actions in state courts in Missouri and California. Cases pending in US federal courts have been consolidated in a multidistrict litigation (MDL) in the Northern District of California for common pre-trial management.

In 2020, Monsanto reached an agreement in principle with plaintiffs, without admission of liability, to settle most of the current Roundup™ litigation. As of February 1, 2023, Monsanto had reached settlements and/or was close to settling in a substantial number of claims. As we now have greater visibility regarding the number and quality of claims made, we consider that, of the approximately 154,000 claims in total, approximately 109,000 have been settled or are not eligible for various reasons.

The three adverse verdicts – Johnson, Hardeman and Pilliod – were not covered by the settlement. In both the Hardeman and Pilliod cases, following unsuccessful appeal procedures, the Company petitioned the Supreme Court for review. In June 2022, the Supreme Court denied review of both Hardeman and Pilliod. There may be future cases in the Roundup™ litigation (or other unrelated actions) that present the Supreme Court with preemption questions, and the Company will continue to review its legal options regarding further proceedings. Currently, in the Carson case, the 11<sup>th</sup> Circuit Federal Court of Appeals' en banc full panel is considering plaintiff's appeal of a Georgia federal district court's grant of preemption in Monsanto's favor. Oral argument on the appeal is scheduled for June 2023. In the Schaffner case, the 3<sup>rd</sup> Circuit Federal Court of Appeals is considering Monsanto's appeal of the MDL court's denial of preemption. Briefing in the appeal is ongoing.

In November 2022, the jury in the Ferro (St. Louis County, Missouri) case issued a verdict in Monsanto's favor, determining that Roundup™ did not cause the plaintiff's cancer. This is the sixth consecutive trial win for the Company.

For costs to resolve potential future claims, Bayer has implemented corresponding accounting measures. As of December 31, 2022, Bayer had a provision of US\$6.4 billion for the aforementioned settlements to resolve existing and future glyphosate claims. Bayer continues to believe there is no reason for safety concerns in connection with these products.

As of February 1, 2023, a total of 31 Canadian lawsuits relating to Roundup™ had been served upon Bayer, including 11 seeking class action certification.

Bayer believes it has meritorious defenses and intends to defend the safety of glyphosate and our glyphosate-based formulations vigorously.

**Dicamba:** In November 2016, Bader Peach Farms filed a lawsuit against Monsanto and BASF in Missouri state court. Subsequently, lawsuits from approximately 250 plaintiffs were filed in both US state and federal courts alleging crop damage claims against Monsanto, primarily for soybeans, and there were approximately six non-soybean lawsuits. The general claims are that off-target movement from the dicamba herbicide and/or the Xtend™ system has damaged non-dicamba-tolerant soybean and other crops. The Dicamba Herbicide MDL, which currently includes approximately 30 cases, was formed in US federal court in 2018; it is pending in the Eastern District of Missouri, Southeastern Division. Separate from the MDL, there are two state court lawsuits: one in Tennessee (Tandy Ray King) alleging damage to tobacco crops for 2018, and one in Texas (Timmons) filed on behalf of approximately 50 vineyard owners alleging damage to their vineyards for crop years 2017–2022.

The first dicamba trial was the Bader Farms case which was heard in 2020. The jury rendered a verdict for plaintiffs in the amount of US\$15 million in compensatory damages and US\$250 million in punitive damages, jointly and severally against defendants Monsanto and BASF. Monsanto filed post-trial motions resulting in the punitive damages being reduced to US\$60 million, thereby reducing the total verdict to US\$75 million. In October 2022, Monsanto and plaintiffs agreed to settle all claims without admission of liability.

We continue to receive new dicamba-related claims that could be potential future lawsuits. The most significant of those is a claim by Frey Farms, which is a producer of watermelons, pumpkins and other vegetables. With respect to all of the other dicamba cases except for Frey and a small number of newly filed lawsuits and claims, Monsanto has entered into a mass tort settlement agreement. The settlement will provide for the payment of substantiated claims by soybean growers in crop years 2015-2020 who can demonstrate a yield loss due to the application of dicamba products to an Xtend™ crop. That portion of the settlement is capped at US\$300 million. The settlement also provides for additional funds of up to US\$100 million to pay for dicamba damage claims made by growers of other, non-soybean crops, as well as attorneys' fees, litigation costs, and settlement administration costs. Claims could be filed until May 2021, and the settlement claims administrator is currently in the process of determining claim eligibility and the amounts to be awarded to eligible claimants. Taking into account the payments already made, the remaining provision for settlements amounts to US\$0.3 billion as of December 31, 2022.

## Insurance against statutory product liability claims

In connection with the above-mentioned product-related litigations, Bayer is insured against statutory product liability claims to the extent customary in the respective industries and has, based on the information currently available, taken corresponding accounting measures. However, the accounting measures relating to, in particular, Essure™, dicamba and Roundup™ (glyphosate) claims exceed the available insurance coverage.

## Patent disputes

**Bollgard II RR Flex™/Intacta™:** In 2019, the Cotton Producers Association of the State of Mato Grosso (AMPA) in Brazil filed a patent invalidity action in federal court seeking to invalidate four of Bayer's patents covering Bollgard II RR Flex™, a cotton technology owned by Bayer. In 2020, the Brazilian patent office, in the court proceedings, acknowledged the validity of all four challenged patents. Two of the patents are also being challenged in administrative nullity proceedings before the Brazilian patent office. One of the patents, the promoter patent, is also at issue in a patent invalidation action filed in Brazilian federal court by the Soybean Growers Association from the State of Mato Grosso (Aprosoja/MT) in 2017 regarding the Intacta™ soybean technology. In addition to the patent invalidity claims, both lawsuits seek a refund of twice the amount of the paid royalties. Both lawsuits were filed as collective actions and are proceeding before the same federal judge. Bayer's Intacta™ soybean technology is further protected by two other patents, one of which has been challenged in administrative nullity proceedings before the Brazilian patent office by the Soybean Growers Association from the State of Rio Grande do Sul (Aprosoja/RS).

In addition to the action filed in 2017 regarding the promoter patent, the Soybean Growers Association from the State of Mato Grosso (Aprosoja/MT) is also seeking a correction of the expiration dates of all three patents protecting Bayer's Intacta™ soybean technology in a separate action claiming that two of these patents had already expired and is additionally seeking a corresponding refund of paid royalties and reduction of ongoing royalty payments. In 2021, the federal court decided to grant the requests by further soybean grower associations and the Cotton Producers Association of the State of Mato Grosso (AMPA) to be admitted as co-plaintiffs to this lawsuit. One of the two patents, the promoter patent, also covers Bollgard II RR Flex™ and is at issue in the disputes with AMPA. Aprosoja/MT argues that the term of the patents had been determined unconstitutionally. In 2021, a decision by the Brazilian Supreme Court – that the term of patents previously determined to be a minimum of 10 years from the patent being granted is unconstitutional, and that this term shall instead be set at 20 years from the filing of the patent application – became final. This will apply retroactively to certain patents, thereby shortening their term. However, Bayer believes that neither Aprosoja/MT nor other associations are entitled to a refund of paid royalties or to a reduction of ongoing royalty payments.

**MON 87429:** In August 2022, Corteva Agriscience LLC ("Corteva") filed a complaint in a US federal court against Bayer alleging that Bayer's herbicide tolerance technology MON 87429 infringes a patent held by Corteva. However, Bayer asserts that its technology does not infringe any valid patent claim of Corteva and that Corteva's patent is invalid.

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

## Further legal proceedings

**Trasylol™/Avelox™/Baycol™:** A qui tam complaint relating to marketing practices for Trasylol™ (aprotinin) and Avelox™ (moxifloxacin) filed by a former Bayer employee was pending in the US District Court in New Jersey. Another qui tam complaint (filed by the same relator as in the Trasylol™/Avelox™ complaint) asserting Bayer fraudulently induced a contract with the Department of Defense was pending in the US District Court in Minnesota. In 2022, the parties reached a final settlement with the Department of Justice (DOJ) and the former Bayer employee for the Baycol™, Trasylol™ and Avelox™ qui tam matters. The attorneys' fees claim remains unresolved and will be litigated in 2023. Bayer believes the risks remaining in these matters are no longer material.

**BASF arbitration:** In 2019, Bayer was served with a request for arbitration by BASF SE. BASF alleges to have indemnification claims under the asset purchase agreements signed in 2017 and 2018 related to the divestment of certain Crop Science businesses to BASF. BASF alleges that particular cost items, including certain personnel costs, had not been appropriately disclosed and allocated to some of the divested businesses. In August 2022, the arbitral tribunal dismissed BASF's claims in their entirety and awarded Bayer approximately two-thirds of its arbitration fees and costs. In November 2022, BASF filed a motion to set aside the award. Bayer believes that the award has been rendered fully in line with the legal requirements and intends to defend itself vigorously.

**Newark Bay environmental matters:** In the United States, Bayer is a backup indemnitor for certain environmental liabilities in the Lower Passaic River and/or the Newark Bay Complex which are being satisfied by an unrelated company. Bayer is currently unable to determine the extent of its potential future liability for this matter.

**Mine permit Idaho:** In 2019, the United States Bureau of Land Management (BLM) granted a permit to Bayer's subsidiary P4 Production, LLC, for a new phosphate mine in Idaho. Phosphorus is needed for glyphosate which is contained in a number of Bayer's herbicides, including Roundup™ agricultural herbicides. In 2021, three non-governmental organizations (NGOs) challenged the permit in the United States District Court for the District of Idaho. P4 Production joined the proceeding as an intervenor. In January 2023, the court decided in favor of the NGOs on four of their ten claims but has not yet issued a ruling on remedies. If the court orders remedies that unacceptably constrain P4's ability to develop the mine, we will evaluate all options to vigorously defend P4's interests.

**Asbestos:** In many cases, plaintiffs allege that Bayer and co-defendants employed third parties on their sites in past decades without providing them with sufficient warnings or protection against the known dangers of asbestos. Additionally, a Bayer affiliate in the United States is the legal successor to companies that sold asbestos products until 1976. Union Carbide has agreed to indemnify Bayer for this liability. Similarly, Bayer's subsidiary Monsanto faces numerous claims based on exposure to asbestos at Monsanto premises without adequate warnings or protection and based on the manufacture and sale of asbestos-containing products. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

**PCBs:** Bayer's subsidiary Monsanto has been named in lawsuits brought by various governmental entities in the United States claiming that Monsanto, Pharmacia and Solutia, collectively as a manufacturer of PCBs, should be responsible for a variety of damages due to PCBs in the environment, including bodies of water, regardless of how PCBs came to be located there. PCBs are chemicals that were widely used for various purposes until the manufacture of PCBs was prohibited by the EPA in the United States in 1979.

In 2020, Bayer reached an agreement for a nationwide class settlement to settle claims of approximately 2,500 municipal government entities across the United States for a total payment, including class benefits and attorney fees, of approximately US\$650 million. In November 2022, the court issued its final approval of the class settlement.

Additionally, in 2020, Bayer reached agreements to settle individual suits brought by the Attorneys General of the States of New Mexico and Washington, as well as the District of Columbia for a total amount of approximately US\$170 million. Suits by Ohio and New Hampshire were settled in 2021, for a total amount of approximately US\$105 million. In July 2022, the Superior Court of Delaware dismissed, in its entirety, the Delaware State Attorney General's individual lawsuit that alleged environmental damages from PCBs and the State has appealed that decision. In December 2022, Bayer settled a suit brought by the Oregon Attorney General for US\$698 million reflecting the unique circumstances in that state. Individual suits by Attorneys General of the States of Pennsylvania, Maryland, New Jersey and Illinois are currently pending, as are lawsuits brought in 2022 by several counties and cities in California (City of Los Angeles, County of Marin, County of San Mateo and County of Contra Costa). Bayer will continue its vigorous defense of any case that remains pending.

Monsanto also faces numerous lawsuits claiming personal injury and/or property damage due to use of and exposure to PCB products. There is one group of cases with approximately 200 plaintiffs claiming a wide variety of personal injuries allegedly due to PCBs in the building products of a school (Sky Valley Education Center) in King County, Washington. Since 2021, six trials have taken place in these matters, with five of the trials resulting in plaintiffs' verdicts totaling approximately US\$627 million in combined compensatory and punitive damages. One of the trials ended in a mistrial and the latest trial in December 2022 resulted in defense verdicts for three of the four plaintiffs. Bayer disagrees with each of the adverse verdicts based on many of the same errors seen in the first trial and plans to appeal. The undisputed evidence in these cases does not support the conclusions that plaintiffs were exposed to unsafe levels of PCBs or that any exposure could have possibly caused their claimed injuries. Each of the adverse verdicts are in different stages of post-trial motions and appeal due to numerous significant trial errors, with the first appeal expected to be heard and decided in 2023. The next trial is scheduled to begin in May 2023. Three additional trials are scheduled in 2023. We believe that we also have meritorious defenses in these matters and intend to defend ourselves vigorously.

To recover costs associated with the PCB-related litigation, the Company filed a complaint in August 2022 in the Circuit Court of St. Louis County for the State of Missouri to enforce its rights under certain indemnity contracts. Under these contracts, the companies who purchased PCBs for use in their products agreed to indemnify Monsanto for PCB-related litigation costs, including settlements.

**Shareholder litigation concerning Monsanto acquisition:** In Germany and the United States, investors have filed lawsuits claiming damages suffered due to the drop in the company's share price. Plaintiffs allege that the company's capital market communication in connection with the acquisition of Monsanto Company was flawed and that the information provided by Bayer on the risks, in particular regarding glyphosate product liability claims in the United States, was insufficient. In Germany, as of December 31, 2022, 31 claims by approximately 340 plaintiffs had been filed and served upon Bayer. In July 2022, the Cologne Regional Court initiated a model case proceeding in accordance with the Capital Markets Model Case Act. This does not include a decision on the merits of the matter. In the parallel proceeding in the United States, one lawsuit seeking class action certification has been served upon Bayer. In October 2021 and in May 2022, the United States District Court for the Northern District of California, San Francisco Division, decided that the lawsuit shall move forward with regard to some of the allegations. Bayer believes it has duly complied with its capital markets law obligations at all times in connection with the acquisition of Monsanto Company and its disclosures concerning glyphosate product liability claims and intends to defend itself vigorously against the claims in all shareholder lawsuits.



## 35. Related parties

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

Transactions with related parties mainly comprise rental, service and financing transactions with subsidiaries, joint ventures and other affiliated companies, and with pension plans. Such transactions are conducted on market terms (arm's length principle).

Bayer AG has undertaken to provide *jouissance* right capital (*Genussrechtskapital*) totaling €150 million for Bayer-Pensionskasse. The entire amount remained drawn in both 2021 and 2022.

Furthermore, in 2008 the establishment of a repayable "effective initial fund" was agreed with Bayer-Pensionskasse. This was increased by €800 million to €1,600 million in 2012 and by a further €500 million in 2022. The amount drawn as of December 31, 2022, was €1,261 million (December 31, 2021: €635 million).

Moreover, in 2019, the establishment of an additional repayable "effective initial fund" totaling €189 million had also been agreed with Rheinische Pensionskasse VvaG. The effective initial fund therefore has a total volume of €192 million, of which €60 million had been drawn upon as of December 31, 2022 (December 31, 2021: €3 million).

## 36. Disclosures pursuant to Section 6b, Paragraph 2 of the German Energy Act

There were no unusual transactions in connection with energy supply that were of material significance for the net assets and results of operations of Bayer AG and required disclosure under Section 6b, Paragraph 2 of the German Energy Act (EnWG).

## 37. Audit fees

Information on audit fees for 2022 is provided in the Notes to the Consolidated Financial Statements of the Bayer Group. The exemption under Section 285, No. 17 of the German Commercial Code (HGB) is applied in this respect.

The fees for the financial statements audit services of Deloitte GmbH Wirtschaftsprüfungsgesellschaft primarily comprised those for the audits of the consolidated financial statements of the Bayer Group and of the financial statements of Bayer AG and its subsidiaries. The audit-related services and other audit work performed by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in 2022 mainly concerned voluntary financial statements audits of the combined financials in connection with the concluded sale of the Environmental Science Professional business.

## 38. Events of particular significance after the end of the fiscal year

The Supervisory Board of Bayer AG has appointed Bill Anderson to become CEO of Bayer, effective June 1, 2023. He will join Bayer as a member of the Board of Management on April 1, 2023. Current CEO Werner Baumann will retire at the end of May 2023.

## 39. Total compensation of the Board of Management and the Supervisory Board and loans

The total compensation of the members of the Board of Management serving in 2022 comprised:

<b>Total Compensation of the Board of Management</b>		
€ thousand	2021	2022
Fixed compensation	5,975	6,335
Fringe benefits	2,982	1,296
Pension installment	303	732
Short-term variable cash compensation	11,105	7,280
Long-term stock-based cash compensation (Aspire) <sup>1</sup>	8,809	10,136
<b>Aggregate compensation</b>	<b>29,174</b>	<b>25,779</b>
Pension service cost <sup>2</sup>	2,803	2,048

<sup>1</sup> Fair value at the grant date

<sup>2</sup> Including company contribution to Bayer-Pensionskasse WaG or Rheinische Pensionskasse WaG

The total compensation of the Board of Management included €1,281 thousand (2021: €577 thousand) in fixed compensation, €48 thousand (2021: €311 thousand) in fringe benefits, €1,758 thousand (2021: €1,087 thousand) in short-term variable cash compensation, and €2,050 thousand (2021: €839 thousand) in long-term stock-based cash compensation that members of the Board of Management received from foreign subsidiaries. Of the pension service cost, €193 thousand (2021: €180 thousand) pertained to commitments at subsidiaries outside Germany.

The expense for 2022 contained the following components relating to long-term stock-based cash compensation (Aspire) that differ from the amounts included in aggregate compensation:

<b>Multi-Year Variable Compensation of the Board of Management</b>		
€ thousand	2021	2022
<b>Long-term stock-based cash compensation (Aspire)</b>		
– Entitlements earned in the fiscal year	8,809	10,136
– Change in the value of entitlements earned in previous years	(760)	533
	<b>8,049</b>	<b>10,669</b>
<b>Expense</b>	<b>8,049</b>	<b>10,669</b>

Pension payments to former members of the Board of Management and their surviving dependents in 2022 amounted to €12,230 thousand (2021: €11,789 thousand). Provisions for pensions and similar commitments to former members of the Board of Management and their surviving dependents amounting to €205,949 thousand (2021: €188,952 thousand) were reflected in the statement of financial position of Bayer AG.

The total compensation of the Supervisory Board in 2022 was €5,007 thousand (2021: €4,564 thousand). This included attendance fees of €435 thousand (2021: €239 thousand).

There were no loans to members of the Board of Management or the Supervisory Board as of December 31, 2022, nor were any loans repaid during the year.

Further information on the compensation of the Board of Management and Supervisory Board is provided in the Compensation Report, which is publicly accessible at [www.bayer.com/cpr](http://www.bayer.com/cpr).

## 40. Proposal for the use of the distributable profit

The Board of Management will propose to the Annual Stockholders' Meeting on April 28, 2023, that, of the distributable profit of €2,382,306,539.65 reported in the annual financial statements for the fiscal year 2022, an amount of €2,357,817,796.80 be used to pay a dividend of €2.40 per share carrying dividend rights and the remaining amount of €24,488,742.85 be allocated to other retained earnings.

# Governance Bodies

## Supervisory Board

Members of the Supervisory Board held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as of December 31, 2022, or the date on which they ceased to be members of the Supervisory Board of Bayer AG) and as shown attended the meetings of the Supervisory Board and committees to which he or she belonged.

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### Prof. Dr. Norbert Winkeljohann\*

Osnabrück, Germany  
(born November 5, 1957)

Chairman of the Supervisory Board effective April 2020

Member of the Supervisory Board effective May 2018

Independent management consultant

Memberships on other supervisory boards:

- Bohnenkamp AG (Chairman)
- Deutsche Bank AG (Vice Chairman effective July 2022)
- Georgsmarienhütte Holding GmbH
- Sievert SE (Chairman)

Attendance at Supervisory Board and committee meetings: 28 of 28

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### Oliver Zühlke

Solingen, Germany  
(born December 11, 1968)

Vice Chairman of the Supervisory Board until April 2022

Member of the Supervisory Board until April 2022

Chairman of the Bayer Central Works Council (until April 2022)

Attendance at Supervisory Board and committee meetings: 9 of 9

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### Heike Hausfeld

Leverkusen, Germany  
(born September 19, 1965)

Vice Chairwoman of the Supervisory Board effective April 2022

Member of the Supervisory Board effective April 2017

Chairwoman of the Bayer Central Works Council (effective April 2022)

Chairwoman of the Works Council of the Leverkusen site (until May 2022)

Attendance at Supervisory Board and committee meetings: 17 of 21

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### Dr. Paul Achleitner

Munich, Germany  
(born September 28, 1956)

Member of the Supervisory Board effective April 2002

Chairman of the Supervisory Board of Deutsche Bank AG (until May 2022)

Investor (effective June 2022)

Memberships on other supervisory boards:

- Deutsche Bank AG (Chairman) (until May 2022)

Memberships in comparable supervising bodies of German or foreign corporations:

- Henkel AG & Co. KGaA (Shareholders' Committee)

Attendance at Supervisory Board and committee meetings: 16 of 17

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### Dr. rer. nat. Simone Bagel-Trah

Düsseldorf, Germany  
(born January 10, 1969)

Member of the Supervisory Board effective April 2014

Chairwoman of the Supervisory Board of Henkel AG & Co. KGaA and Henkel Management AG and of the Shareholders' Committee of Henkel AG & Co. KGaA

Memberships on other supervisory boards:

- Henkel AG & Co. KGaA (Chairwoman)
- Henkel Management AG (Chairwoman)
- Heraeus Holding GmbH

Memberships in comparable supervising bodies of German or foreign corporations:

- Henkel AG & Co. KGaA (Shareholders' Committee, Chairwoman)

Attendance at Supervisory Board and committee meetings: 18 of 18

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### Horst Baier\*\*

Hanover, Germany  
(born October 20, 1956)

Member of the Supervisory Board effective April 2020

Independent consultant

Memberships in comparable supervising bodies of German or foreign corporations:

- DIAKOVERE gGmbH
- Ecclesia Holding GmbH
- Whitbread PLC (Board of Directors)

Attendance at Supervisory Board and committee meetings: 18 of 18

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### Dr. Norbert W. Bischofberger

Hillsborough, USA  
(born January 10, 1956)

Member of the Supervisory Board effective April 2017

President and Chief Executive Officer of Kronos Bio, Inc.

Memberships in comparable supervising bodies of German or foreign corporations:

- Morphic Holding, Inc. (Board of Directors)

Attendance at Supervisory Board and committee meetings: 14 of 15

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### André van Broich

Dormagen, Germany  
(born June 19, 1970)

Member of the Supervisory Board effective April 2012

Chairman of the Bayer Group Works Council

Chairman of the Works Council of the Dormagen site

Attendance at Supervisory Board and committee meetings: 19 of 21

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**Ertharin Cousin**

Chicago, USA  
(born May 12, 1957)

Member of the Supervisory Board effective October 2019

Independent consultant

Memberships in comparable supervising bodies of German or foreign corporations:

- Camelot North America (Board of Directors)
- Mondelez International, Inc. (Board of Directors)

Attendance at Supervisory Board and committee meetings: 17 of 17

**Dr. Thomas Elsner**

Düsseldorf, Germany  
(born April 24, 1958)

Member of the Supervisory Board until April 2022

Chairman of the Bayer Group Executives' Committee (until April 2022)

Chairman of the Executives' Committee of Bayer AG Leverkusen (until April 2022)

Attendance at Supervisory Board and committee meetings: 7 of 7

**Yasmin Fahimi**

Hanover, Germany  
(born December 25, 1967)

Member of the Supervisory Board effective October 2022

Chairwoman of the German Trade Union Confederation

Attendance at Supervisory Board and committee meetings: 1 of 1

**Dr. Barbara Gansewendt**

Essen, Germany  
(born September 29, 1963)

Member of the Supervisory Board effective April 2022

Chairwoman of the Bayer Group Executives' Committee (effective April 2022)

Chairwoman of the Executives' Committee of Bayer AG Wuppertal

Attendance at Supervisory Board and committee meetings: 11 of 11

**Colleen A. Goggins**

Princeton, USA  
(born September 9, 1954)

Member of the Supervisory Board effective April 2017

Independent consultant

Memberships in comparable supervising bodies of German or foreign corporations:

- The Toronto-Dominion Bank (Board of Directors)
- IQVIA Holdings, Inc. (Board of Directors)
- SIG Combibloc Group AG (Board of Directors)

Attendance at Supervisory Board and committee meetings: 17 of 17

**Francesco Grioli**

Ronnenberg, Germany  
(born April 22, 1972)

Member of the Supervisory Board effective April 2022

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

Memberships on other supervisory boards:

- Continental AG
- Gerresheimer AG (Vice Chairman)

Attendance at Supervisory Board and committee meetings: 7 of 7

**Robert Gundlach**

Velten, Germany  
(born November 23, 1957)

Member of the Supervisory Board until April 2022

Vice Chairman of the Works Council of the Berlin site

Attendance at Supervisory Board and committee meetings: 6 of 7

**Reiner Hoffmann**

Wuppertal, Germany  
(born May 30, 1955)

Member of the Supervisory Board until September 2022

Chairman of the German Trade Union Confederation (until May 2022)

Member of the European Economic and Social Committee of the European Union

Attendance at Supervisory Board and committee meetings: 12 of 13

**Dr. Fei-Fei Li**

Palo Alto, USA  
(born July 3, 1976)

Member of the Supervisory Board until August 2022

Professor in the Computer Science Department at Stanford University and Co-Director of Stanford's Human-Centered Artificial Intelligence Institute

Memberships in comparable supervising bodies of German or foreign corporations:

- Nimble Robotics, Inc. (Board of Directors)
- Twitter, Inc. (Board of Directors)

Attendance at Supervisory Board meetings: 0 of 9

**Frank Löllgen**

Cologne, Germany  
(born June 14, 1961)

Member of the Supervisory Board effective November 2015

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

Memberships on other supervisory boards:

- Evonik Industries AG (until May 2022)
- Covestro AG (effective April 2022)
- Covestro Deutschland AG (effective April 2022)

Attendance at Supervisory Board and committee meetings: 16 of 20

**Kimberly Mathisen**

Oslo, Norway  
(born May 24, 1972)

Member of the Supervisory Board effective September 2022

Chief Executive Officer of HUB Ocean

Memberships in comparable supervising bodies of German or foreign corporations:

- Aker BioMarine ASA (Board of Directors)
- Aize AS (Board of Directors)

Attendance at Supervisory Board meetings: 4 of 4

**Petra Reinbold-Knape**

Gladbeck, Germany  
(born April 16, 1959)

Member of the Supervisory Board until April 2022

Trade Union Secretary at the German Mining, Chemical and Energy Industrial Union, board division 1, overall management

Memberships on other supervisory boards:

- Covestro AG
- Covestro Deutschland AG

Attendance at Supervisory Board and committee meetings: 6 of 6

**Andrea Sacher**

Berlin, Germany  
(born May 8, 1981)

Member of the Supervisory Board effective September 2020

Chairwoman of the Works Council of the Berlin site

Vice Chairwoman of the Bayer Central Works Council

Attendance at Supervisory Board and committee meetings: 18 of 18

**Claudia Schade**

Leverkusen, Germany  
(born December 20, 1978)

Member of the Supervisory Board effective April 2022

Vice Chairwoman of the Works Council of the Leverkusen site (until May 2022)

Chairwoman of the Works Council of the Leverkusen site (effective May 2022)

Attendance at Supervisory Board meetings: 7 of 7

**Michael Schmidt-Kießling**

Schwelm, Germany  
(born March 24, 1959)

Member of the Supervisory Board until April 2022

Chairman of the Works Council of the Elberfeld site

Attendance at Supervisory Board meetings: 6 of 6

**Heinz Georg Webers**

Bergkamen, Germany  
(born December 27, 1959)

Member of the Supervisory Board effective April 2022

Chairman of the Works Council of the Bergkamen site

Attendance at Supervisory Board and committee meetings: 8 of 8

**Alberto Weisser**

Igrejinha, Portugal  
(born June 26, 1955)

Member of the Supervisory Board effective April 2021

Senior Consultant at Temasek International Pte. Ltd.

Memberships in comparable supervising bodies of German or foreign corporations:

- Linde plc (Board of Directors)
- PepsiCo, Inc. (Board of Directors)

Attendance at Supervisory Board and committee meetings: 16 of 19

**Michael Westmeier**

Leverkusen, Germany  
(born August 3, 1972)

Member of the Supervisory Board effective April 2022

Chairman of the Works Council of Bayer Vital GmbH

Vice Chairman of the Bayer Group Works Council

Memberships on other supervisory boards:

- Bayer Vital GmbH

Attendance at Supervisory Board meetings: 7 of 7

**Prof. Dr. med. Dr. h. c. mult. Otmar D. Wiestler**

Berlin, Germany  
(born November 6, 1956)

Member of the Supervisory Board effective October 2014

President of the Hermann von Helmholtz Association of German Research Centers e. V.

Attendance at Supervisory Board and committee meetings: 14 of 15

\* Expert member in the field of auditing pursuant to Section 100, Paragraph 5 of the German Stock Corporation Act (AktG)

\*\* Expert member in the field of accounting pursuant to Section 100, Paragraph 5 of the German Stock Corporation Act (AktG)

**Standing committees of the Supervisory Board of Bayer AG (as of December 31, 2022)****Presidial Committee / Mediation Committee**

Winkeljohann\* (Chairman),  
Achleitner, Grioli, Hausfeld

**Audit Committee**

Baier\*\* (Chairman),  
Gansewendt, Hausfeld, Löllgen,  
Weisser, Winkeljohann\*

**Human Resources and Compensation Committee**

Winkeljohann\* (Chairman),  
Bagel-Trah, Baier\*\*, van Broich,  
Hausfeld, Sacher

**Nomination Committee**

Winkeljohann\* (Chairman),  
Bagel-Trah, Goggins, Weisser

**Innovation Committee**

Wiestler (Chairman),  
Bischofberger, van Broich,  
Cousin, Hausfeld, Löllgen, Sacher,  
Winkeljohann\*

**ESG Committee**

Cousin (Chairwoman), Achleitner,  
van Broich, Fahimi, Goggins,  
Hausfeld, Webers, Winkeljohann\*

**Board of Management**

Members of the Board of Management held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as of February 17, 2023):

**Werner Baumann**

(born October 6, 1962)

Member of the Board of Management effective January 1, 2010, appointed until May 31, 2023  
Chairman

**Sarena Lin**

(born January 9, 1971)

Member of the Board of Management effective February 1, 2021, appointed until January 31, 2024  
Transformation and Talent  
Labor Director  
• Siemens Healthineers AG (effective February 2023)

**Wolfgang Nickl**

(born May 9, 1969)

Member of the Board of Management effective April 26, 2018, appointed until April 25, 2025  
Finance

**Stefan Oelrich**

(born June 1, 1968)

Member of the Board of Management effective November 1, 2018, appointed until October 31, 2025  
Pharmaceuticals

- InforMed Data Systems, Inc. (Board of Directors)

**Rodrigo Santos**

(born May 28, 1973)

Member of the Board of Management effective January 1, 2022, appointed until December 31, 2024  
Crop Science

**Heiko Schipper**

(born August 21, 1969)

Member of the Board of Management effective March 1, 2018, appointed until February 28, 2025  
Consumer Health  
• Royal FrieslandCampina N.V.

# Responsibility Statement

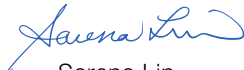
To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair representation of the assets, liabilities, financial position and profit or loss of the company, and the Combined Management Report includes a fair review of the development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

Leverkusen, February 17, 2023  
Bayer Aktiengesellschaft

The Board of Management



Werner Baumann



Sarena Lin



Wolfgang Nickl



Stefan Oelrich



Rodrigo Santos



Heiko Schipper

# Independent Auditor's Report

To Bayer Aktiengesellschaft, Leverkusen/Germany

## REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

### Audit Opinions

We have audited the annual financial statements of Bayer Aktiengesellschaft, Leverkusen/Germany, which comprise the statement of financial position as at December 31, 2022, and the income statement for the financial year from January 1 to December 31, 2022, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report for the parent and the group of Bayer Aktiengesellschaft, Leverkusen/Germany, for the financial year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited those parts of the combined management report set out in the appendix to the auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- // the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2022 and of its financial performance for the financial year from January 1 to December 31, 2022 in compliance with German Legally Required Accounting Principles, and
- // the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover those parts of the combined management report set out in the appendix to the auditor's report.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

### Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). We performed the audit of the annual financial statements in supplementary compliance with the International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.



## Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Determination of acquisition costs of investments in a subsidiary acquired as part of a non-cash contribution
2. Recoverability of investments in subsidiaries
3. Measurement of pension obligations and plan assets

Our presentation of these key audit matters has been structured as follows:

- a) description (including reference to corresponding information in the annual financial statements)
- b) auditor's response

### 1. Determination of acquisition costs of investments in a subsidiary acquired as part of a non-cash contribution

- a) In the course of an equity investment restructuring, Bayer Aktiengesellschaft made a non-cash contribution in December 2022 in return for which it received new shares in its affiliate Bayer Pharma Aktiengesellschaft, Berlin/Germany. A shareholding in Bayer Gesellschaft für Beteiligungen mbH, Leverkusen/Germany, was contributed into Bayer Pharma Aktiengesellschaft in the form of a non-cash capital increase. The newly acquired shares in Bayer Pharma Aktiengesellschaft were measured at the fair value of the contributed shareholding in Bayer Gesellschaft für Beteiligungen mbH. The contribution of the contributed shareholding at fair value resulted in gains on disposal of equity investments in the amount of EUR 9,592 million.

The fair value of the contributed shareholding was determined by an external expert based on, among others, corporate planning prepared by the executive directors.

Given the great number of equity investments held by Bayer Gesellschaft für Beteiligungen mbH, this transaction has some specifics regarding the required measurement of the contributed shareholding, in which, as a consequence, numerous corporate plannings were taken into account. The result of the measurement is to a large extent influenced by estimates and discretionary decisions made by the executive directors. In the current constellation of related parties, there is no a priori balancing of interests in value determination meeting the arm's length principle. In the light of this, and owing to the complexity of the measurement, this issue was of particular importance within the framework of our audit.

The statements and explanations of the executive directors on this subject are presented in the notes to the financial statements in the presentation of the recognition and valuation principles as well as in notes 7 and 13.

- b) Based on the underlying notarized resolution and contractual documents as well as the legally valid Commercial Register entries, we initially examined whether the capital increase was conducted on or before the reporting date for the annual financial statements.

In examining the measurement of the contributed shareholding in Bayer Gesellschaft für Beteiligungen mbH, we assessed the competence, capabilities and objectivity of the external expert engaged by the executive directors of Bayer Aktiengesellschaft. In collaboration with our internal specialists from the Valuation Services department, we evaluated the appropriateness of the valuation methods that the expert applied to measure the contributed shareholding and assessed whether the external expert's valuation was performed in observance of the relevant valuation standards. Our examination of the assumptions was based, among other things, on a comparison with general and industry-specific market expectations and extensive explanations by the executive directors of the key value drivers and corporate planning premises. Moreover,

we verified the cash flows underlying the measurement of selected equity investments with the corporate plannings. In order to examine that the fair value of the contributed shareholding was correctly determined, we reviewed the discount rates used together with our internal specialists. We also reconstructed the separate calculation steps and verified the calculations. During our audit, we assessed to what extent the valuation was influenced by subjectivity, complexity or other inherent risk factors.

## 2. Recoverability of investments in subsidiaries

- a) As of December 31, 2022, the annual financial statements of Bayer Aktiengesellschaft show investments in subsidiaries amounting to EUR 66,842 million (66.1% of total assets). Bayer Aktiengesellschaft carried out impairment testing on the carrying amounts of the investments in affiliated companies as of the closing date by performing internal company valuations. As a general rule, Bayer Aktiengesellschaft determines a total company value for significant investments in subsidiaries, which is then corrected for the net financial positions. The respective carrying amount of the investments is then checked against the equity value so calculated and if a permanent impairment is found, the carrying amount is written down to the lower fair value. The total company values are generally calculated as the present value of the future cash flows expected by the executive directors on the basis of discounted cash flow models. The total company values are particularly dependent on the executive directors' estimate of future cash flows, the discount factors and growth rates applied in each case, and the determination of the net financial position. The valuations are therefore fraught with uncertainties. Even minor changes in the assumptions applied can have major effects. Against this background and given the significance of this matter for the assets, liabilities and financial performance of Bayer Aktiengesellschaft, we deemed this to be a key audit matter.

The statements of the executive directors on the subject of investments and the recoverability of those assets are presented in note 7 and note 13 of the notes to the financial statements.

- b) In the course of our audit, we obtained an understanding of the process applied by the Company to assess the recoverability of the investments held in subsidiaries. Among other things, we assessed whether the valuation models applied in each case to determine the total company value accurately reflect the conceptual requirements of the relevant valuation standards and whether the calculations were correctly performed in the respective models. We also assured ourselves that the fair values were correctly calculated in observance of the relevant valuation standards. To this end, we assessed, among other things, whether the expected future cash flows and assessed capital costs together provide a suitable basis. In our audit, we also relied upon a comparison with general and sector-specific market expectations, among other things, as well as extensive explanations of the executive directors on the subject of the main value drivers and planning assumptions. We also assessed the parameters applied to calculate the discount rate by checking them against market data and reconstructed the calculation formula both logically and computationally. In performing individual audit areas, we also consulted internal specialists from the Valuation Services department.

## 3. Measurement of pension obligations and plan assets

- a) Bayer Aktiengesellschaft has pension obligations to employees that are measured using the projected unit credit method. The present value of the defined benefit obligation as at December 31, 2022 is EUR 7,833 million. After deducting the fair value of the plan assets in the amount of EUR 4,157 million held to meet the defined benefit obligations, the resulting surplus from offsetting in the pension plans of EUR 3,676 million is reported under provisions for pensions.

Determining the present value of pension obligations is complex since the valuation requires to make various actuarial assumptions of a financial and demographic nature. Therefore, the Company deploys an external actuary for calculating the present value of pension obligations. In the calculation, the assumptions about the discount rate and future pension increases are of most significance on account of the present value of pension obligations' sensitivity with respect to changes of each of these parameters. While the assumptions about the discount rate are largely

fixed on account of the binding specifications of Deutsche Bundesbank (the German central bank), the future pension increases in the reporting period are considerably influenced by market-driven volatilities in inflation expectations, which are subject to discretionary assumptions in determining the pension trend. Moreover, the market volatilities have led to greater fluctuations in the fair values of material asset classes.

The assumption about future pension increases combines current inflation with the market's inflation expectations for future periods taking into account the structure and duration of pension obligations.

In our view, this matter was of particular importance for our audit, as the measurement of the pension provisions is to a large extent based on discretionary estimates and assumptions made by the executive directors.

The statements and explanations of the executive directors on the subject of pension provisions are contained in the notes to the financial statements in the presentation of recognition and valuation principles as well as in note 23.

- b) First, based on the existing benefit obligations, we reconstructed the methodology used to value the pension obligations and assessed whether the actuarial calculation method applied is acceptable and to what extent the valuation can be influenced by subjectivity, complexity and other inherent risk factors.

In assessing the assumptions as well as the applied calculation methodology, we involved internal specialists, in particular actuaries, from the Benefit & Compensation department in the audit team. In the course of their activities, our actuaries assured themselves of the competence, capabilities and objectivity of the actuary commissioned by Bayer Aktiengesellschaft and reviewed its work results, including by recalculating the present value of pension obligations of individual deliberately selected pension entitlements. Our audit procedures also included evaluating the appropriateness of the assumptions used as well as assessing the underlying model for deriving the pension trend parameter classified as critical due to the present value of pension obligations' sensitivity. With regard to the pension trend model, we verified the appropriateness of the inflation data used, in particular by comparing it with market expectations, and assessed the modeling of the pension adjustment cycles and the timing of the forecast model.

As part of the audit of plan assets, we first obtained an understanding of the various asset sources and the processing of financial information in accounting. In order to examine the fair values of the plan assets, we were particularly provided with bank confirmations, trust confirmations and asset overviews of the fund managers. We have had the prices shown in these documents and the determination of the fair values of non-marketable financial instruments audited by internal valuation specialists for financial instruments in the Financial Services department on a sample basis. In auditing the notes on indirect obligations, we involved the auditor of the pension fund as a component auditor in respect of the audit of plan assets held via a pension fund. We assured ourselves of this auditor's competence, capabilities and objectivity and inspected its work results with professional skepticism before using them.

In addition, we assessed whether the disclosures in the notes to the financial statements on the assumptions underlying the valuation are complete and correct.

## Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- // the unaudited content of the combined management report specified in the appendix to the auditor's report,
- // the executive directors' confirmation regarding the annual financial statements and the combined management report pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB.

The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the corporate governance statement in section "Corporate Governance Report" of the combined management report. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- // is materially inconsistent with the annual financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- // otherwise appears to be materially misstated.

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.

### **Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Combined Management Report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and

risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the ISA will always detect a material misstatement. 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 annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- // identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- // obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- // evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- // conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- // evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- // obtain sufficient appropriate audit evidence regarding the financial information of the Company or its business activities to express audit opinions on the annual financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinions.
- // evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- // perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

## **OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on the Audit of the Electronic Reproductions of the Annual Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB**

#### **Audit Opinion**

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the annual financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value ACBF88058A1212BDDF9B2D757FD6D3BBED09FA060E03A511995A1746364853FA, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the annual financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the Audit of the Annual Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

#### **Basis for the Audit Opinion**

We conducted our audit of the electronic reproductions of the annual financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities in this context are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

#### **Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents**

The executive directors of the Company are responsible for the preparation of the ESEF documents based on the electronic files of the annual financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

### **Auditor's Responsibilities for the Audit of the ESEF Documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- // identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- // obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- // evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the reporting date, on the technical specification for this electronic file.
- // evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited combined management report.

### **Report on the Audit of Compliance with the Accounting Obligations under Sec. 6b (3) Energy Industry Act (EnWG)**

We audited whether the Company complied with its obligations under Section 6b (3) sentences 1 to 5 EnWG to maintain separate accounts for the financial year from January 1 to December 31, 2022.

In our opinion, the Company complied, in all material respects, with the obligations under Section 6b (3) sentences 1 to 5 EnWG to maintain separate accounts.

We conducted our audit of compliance with the obligations to maintain separate accounts in accordance with the Auditing Standard: Audit pursuant to Section 6b (5) EnWG (IDW AuS 610 Rev. (07.2021)) promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described below. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Our audit firm applies the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance with the accounting obligations pursuant to Section 6b (3) EnWG.

The executive directors are responsible for the compliance with the obligations under Section 6b (3) sentences 1 to 5 EnWG to maintain separate accounts.

In addition, the executive directors are responsible for such internal control as they have determined necessary to comply with the obligations to maintain separate accounts.

The supervisory board is responsible for overseeing the Company's compliance with the accounting obligations under Section 6b (3) EnWG.

Our objective is to obtain reasonable assurance about whether the executive directors have complied, in all material respects, with their obligations under Section 6b (3) sentences 1 to 5 EnWG to maintain separate accounts, as well as to include a report in the auditor's report that includes our audit opinion on whether the accounting obligations under Section 6b (3) EnWG have been observed. The audit of compliance with the obligations under Section 6b (3) sentences 1 to 5 EnWG to maintain separate accounts includes assessing whether the classification of accounts in relation to the activities pursuant to Section 6b (3) sentences 1 to 4 EnWG was appropriate and reasonable, and whether the principle of consistency has been adhered to.

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the shareholders' meeting on April 29, 2022. We were engaged by the supervisory board on June 28, 2022. We have been the auditor of Bayer Aktiengesellschaft, Leverkusen/Germany, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited combined management report as well as with the audited ESEF documents. The annual financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited annual financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

### GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Mehren.

Munich/Germany, February 20, 2023

Deloitte GmbH  
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Andreas Wermelt	Michael Mehren
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

### Appendix to the Auditor's Report:

#### Parts of the Combined Management Report whose content is unaudited

We have not audited the content of the following parts of the combined management report:

- // Table A.1.2.1/2 "Nonfinancial Group Targets Through 2030", including the statements in the footnotes, and contained in section 1.2.1 of the combined management report, as well as the following indented explanatory passages regarding the Group's non-financial targets,
- // The statements made in the sub-sections "EU Taxonomy" and "CapEx Reporting" in section 1.2.1 of the combined management report,
- // The statements made on the subject of Scope 3 emissions, which are included in section 1.7 of the combined management report, as well as the related statements in Table A 1.7/1,
- // The statements made on the appropriateness and efficiency of the internal control system (ICS) and the risk management system (RMS) contained in section 3.2.1 under "Assessment of risk management system and internal control system in accordance with Section 91 (3) AktG" of the combined management report,
- // The corporate governance statement pursuant to Section 289f and Section 315d HGB which is included in section 4.1 of the combined management report,
- // All cross-references to the Company's websites and the information to which these cross-references refer.



# Financial Calendar

Annual Stockholders' Meeting 2023	April 28, 2023
Planned dividend payment day	May 4, 2023
Q1 2023 Quarterly Statement	May 11, 2023
2023 Half-Year Report	August 8, 2023
Q3 2023 Quarterly Statement	November 8, 2023
2023 Annual Report	March 5, 2024
Annual Stockholders' Meeting 2024	April 26, 2024
Q1 2024 Quarterly Statement	May 14, 2024

# Masthead

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## Forward-Looking Statements

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

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