

BAYER A/S

Arne Jacobsens Allé 13
2300 København S
Denmark

CVR no. 16 08 98 18

Annual report 2021

The annual report was presented and approved at
the Company's annual general meeting on

7 July 2022

Christiane Temminghoff
Chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 January – 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Notes	14

BAYER A/S
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of BAYER A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 7 July 2022
Executive Board:

Carolin Christina Clausen

Board of Directors:

Christiane Temminghoff
Chairman

Johanna Kristiina Kouru

Anna Karolina Svahn

Susanne Ingeborg Visler
Staff Representative

Gitte Møller
Staff Representative

Independent auditor's report

To the shareholder of BAYER A/S

Opinion

We have audited the financial statements of BAYER A/S for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 7 July 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Flemming Larsen
State Authorised
Public Accountant
mne27790

BAYER A/S
Annual report 2021
CVR no. 16 08 98 18

Management's review

Company details

BAYER A/S
Arne Jacobsens Allé 13
2300 København S
Denmark

Telephone: + 45 45 23 50 00
Fax: + 45 45 23 52 55
Website: www.bayer.dk

CVR no.: 16 08 98 18
Established: 18 December 1952
Registered office: Copenhagen
Financial year: 1 January – 31 December

Board of Directors

Christiane Temminghoff, Chairman
Johanna Kristiina Kouru
Anna Karolina Svahn
Susanne Ingeborg Visler, Staff Representative
Gitte Møller, Staff Representative

Executive Board

Carolin Christina Clausen

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
Denmark
CVR no. 33 96 35 56

Management's review

Financial highlights

DKK'000	2021	2020	2019	2018*	2017*
Key figures					
Revenue	1,214,183	1,406,154	1,375,649	1,414,136	1,443,904
Gross profit	151,661	159,527	143,612	149,898	162,329
Operating profit	51,802	52,075	34,810	38,194	47,423
Net financials	581	-2,265	-669	-867	1,091
Profit for the year	41,417	53,353	29,245	28,567	37,308
Balance sheet					
Total assets	596,025	579,342	490,654	372,206	438,508
Equity	229,221	187,804	184,451	155,206	126,639
Investment in property, plant and equipment and intangible assets	6,476	7,195	25,455	2,743	3,524
Employees					
Average number of full- time employees	98	110	116	122	122
Ratios					
Gross margin	12.5%	11.3%	10.4%	10.6%	11.2%
Operating margin	4.3%	3.7%	2.5%	2.7%	3.3%
Return on assets	9.1%	8.9%	8.0%	10.3%	10.8%
Return on equity	19.9%	28.7%	17.2%	20.3%	24.0%
Solvency ratio	38.5%	32.4%	37.6%	41.7%	28.9%

*Comparative figures have not been adjusted for the effects of change in accounting policy related to IFRS 16.

The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on assets
$$\frac{\text{Operating profit/loss} \times 100}{\text{Total assets}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Principal activities

The main activity of Bayer A/S is marketing and sale of products within the divisions Pharmaceuticals (PH), Consumer Health (CH) & Crop Science (CS).

Development in activities and financial position

Revenue for the year is distributed with 47.1% to the Agricultural Sector (Crop Science), 51.1% to Pharmaceuticals and 1.5% to Consumer Health. The remaining 0.3% is allocated to IT services.

The turnover decreased with 13.6% and the result from ordinary activities (EBIT) decreased with 5.1%.

The result after taxes decreased by DKK 17.6 million (33.0%).

Crop Science shows revenue of DKK 571 million compared to MDKK 541 in the previous year (+ 5.6%). The CropScience division revenue continues to recover in 2021 after having a decrease in turnover due to the carryover stocks from the previous campaign driven by the 2018 draught season.

Pharmaceuticals shows revenue of DKK 621 million compared to DKK 840 million in the previous year (-26.1%).

The Management considers the 2021 revenue satisfactory and in line with the estimation at the end of the previous year. The decrease of the Pharmaceutical division comes as an effect of increased parallel import on the Danish market.

Capital resources

Bayer A/S is well consolidated. The equity ratio (solvency) amounts to 37.4% (2020: 32.4%), corresponding to equity at 31 December 2021 of DKK 224 million (2020: DKK 188 million).

Foreign exchange risks

It is the Company's policy to hedge against commercial foreign exchange exposure. Hedging mainly takes place by means of balancing in- and outgoing cash flows. All Hedging is covered by Bayer AG Group and monitored on a daily basis.

In the Crop Science business line, the Company has a currency risk exposure as more than half of the purchase of goods and sales take place in various foreign currencies (SEK, NOK and EUR). To reduce this risk, the Company uses currency hedging of accounts receivable and accounts payable above a certain level.

In the case of major special transactions in foreign currency, such as acquisitions or divestments of line of business or company, hedge accounting is used to reduce currency risks.

Interest rate risks

As the net interest-bearing debt does not constitute a significant amount, moderate changes in the level of interest will not have any material, direct effect on earnings. Therefore, the Company does not enter interest rate agreements to hedge against interest rate exposure.

Management's review

Operating review

Targets and expectations for the year ahead

Bayer A/S expects the main financial indicators to increase slightly in turnover for 2022 compared to 2021.

The Crop Science and Consumer Health division is expected a turnover for 2022 as the same level as of 2021 and the Pharmaceutical division is expected an increase of 4% in 2022.

The present Covid-19 situation is not expected to have material influence on the coming year.

Research and development

As a sales unit, the Company has no R&D costs.

External environment

The Company is a sales unit in Denmark with no significant impact on external environment. We refer to the Bayer Group's annual report for further information of the external environment.

Intellectual capital resources

The Company is a sales unit in Denmark with no significant intellectual capital resources. We refer to the Bayer Group's annual report for further information about Bayer.

Statutory report on Corporate Social Responsibility, CF section 99 a of the Danish Financial Statements Act

The Company is covered by Bayer Group's policy for social responsibility. Reference is made to the Group Annual Report: <https://www.bayer.com/en/media/sustainability-reports>

Bayer AG is a member of the UN Global Compact and the Participants & Stakeholders Report is available at: <http://www.unglobalcompact.org/participant/1212BayerAG>.

Statutory report on Underrepresented Gender, CF section 99 b of the Danish Statement Act

Pursuant to section 99b of the Danish Financial Statements Act, Bayer A/S generally wants to ensure that it always is the most qualified person who possesses a given position at a given time. All employees and managers' efforts are measured based on individual goals.

We want to foster diversity and create opportunities for all persons, regardless of gender, age and ethnicity, religious or political conviction.

The Company's group of leaders, defined as the Danish Country Leadership Team, consists presently of three women and four men.

Besides Bayer A/S' two female employee representatives, the Board of Directors consists of three women.

Bayer A/S's Board of Directors consist of the Senior Bayer representative for the country group Nordics (Finland, Norway, Sweden, Denmark, Iceland, Estonia, Latvia & Lithuania) and the managers of the two Nordic functions Human Resources and Law, Patents and Compliance.

Management's review

Operating review

For the time being these three positions are filled by women, but it is the goal that before year 2030 the underrepresented gender, presently being the male, should have at least one seat in the Board.

This will, however, only be possible whenever a replacement in any of the three mentioned positions becomes relevant, and the goal is therefore presently not fulfilled.

In this connection it should be mentioned that it is Bayer A/S' policy to assure that both male and female candidates are considered and identified in connection with in- and external recruitment of employees and managers, and that both women and men are part of the Company's talent program.

Statutory report on Data Ethic, CF section 99 d of the Danish Statement Act

We use our data assets, infrastructure, and platforms to perform research regarding existing products and to create a range of new products, while incorporating our data principles in how we design, implement, and secure this data.

Data has the potential to fuel the next century of innovation, but only if our data practices are held to the high standards, we all deserve. We're committed to managing personal data safely and securely and in ways that are ethical, compliant and of benefit to individuals.

Our Privacy by Design and Data by Design processes have been developed to ensure we embed privacy, security, and data controls in all our products and services, keeping a clear focus on protecting customers' and individuals' data.

Our Data management and governance policy provides all employees with information to ensure that Bayer's data is protected; its viability and availability is maintained for long-term business development and innovation; it is of good quality; and that it is used in an ethical, safe, and responsible manner. Bayer regards data as an enterprise asset and therefore protects it from reputational and disintermediation risks. This policy is supported by guiding principles and binding Data Standards that, when applicable, provide additional requirements and controls.

Uncertainty regarding recognition and measurement

Recognition and measurement in the annual report have not been subject to any significant uncertainty.

Unusual events

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	2	1,214,183	1,406,154
Cost of sales		-950,626	-1,170,277
Other operating income	3	0	14,011
Other external costs		-111,896	-90,361
Gross profit		151,661	159,527
Staff costs	4	-91,436	-96,720
Depreciation, amortisation and impairment losses	5	-8,423	-10,732
Profit before financial income and expenses		51,802	52,075
Other financial income	6	6,507	17,746
Other financial expenses	7	-5,926	-20,011
Profit before tax		52,383	49,810
Tax on profit for the year	8	-10,966	-11,129
Profit from continuing operations		41,417	38,681
Discontinued operations	9	0	14,672
Profit for the year	10	41,417	53,353

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets	11		
Acquired rights		<u>5,371</u>	<u>5,424</u>
Property, plant and equipment	12		
Fixtures and fittings, tools and equipment		<u>6,359</u>	<u>9,469</u>
Investments	13		
Deposits		<u>81</u>	<u>81</u>
Total fixed assets		<u>11,811</u>	<u>14,974</u>
Current assets			
Inventories	14		
Goods for resale		<u>382,160</u>	<u>367,769</u>
Receivables			
Trade receivables		73,929	83,823
Receivables from group entities		116,908	101,639
Other receivables		9,308	8,558
Deferred tax asset	15	587	2,435
Prepayments	16	<u>1,322</u>	<u>144</u>
		<u>202,054</u>	<u>196,599</u>
Total current assets		<u>584,214</u>	<u>564,368</u>
TOTAL ASSETS		<u><u>596,025</u></u>	<u><u>579,342</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	17	78,000	78,000
Retained earnings		151,221	109,804
Total equity		<u>229,221</u>	<u>187,804</u>
Liabilities			
Non-current liabilities			
Lease obligations	18	3,451	3,705
Other payables		661	8,486
		<u>4,112</u>	<u>12,191</u>
Current liabilities			
Lease obligations	18	2,584	4,981
Trade payables		17,925	15,312
Payables to group entities		244,128	270,568
Corporation tax		3,013	7,402
Other payables		95,042	81,084
		<u>362,692</u>	<u>379,347</u>
Total liabilities		<u>366,804</u>	<u>391,538</u>
TOTAL EQUITY AND LIABILITIES		<u>596,025</u>	<u>579,342</u>
Contractual obligations, contingencies, etc.	19		
Mortgages and collateral	20		
Related party disclosures	21		
Fee to auditors appointed at the general meeting	22		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	78,000	109,804	187,804
Transferred over the profit appropriation	0	41,417	41,417
Equity at 31 December 2021	78,000	151,221	229,221

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of BAYER A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The financial statement for 2021 are presented in DKK'000.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Bayer AG.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Foreign currency translation

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when control of the goods has transferred to the buyer, normally at delivery.

Revenue is measured at the fair value of the expected consideration and is recognised excluding VAT and net of discounts relating to sales.

Information on business segments and geographical segments are based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Costs of sales

Costs of sales comprise the materials and consumables consumed to achieve revenue for the year.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise expenses for sales and distribution as well as office expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment from current replacement of fixed assets.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on profit for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Bayer A/S is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Bayer A/S is the administrative Company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Balance sheet

Intangible assets

Acquired rights

Acquired rights are measured at cost less accumulated amortisation and impairment losses. Patents are amortised over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 3-15 years. In both cases the residual value is set to zero.

Software

Software is measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-10 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Right-of-use assets

For contracts which are, or contain, a lease, Bayer A/S recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is presented in property, plant and equipment and the lease liabilities in non-current liabilities or current liabilities.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Investments

Deposits are recognised at amortised cost.

Inventories

Inventories are measured at cost in accordance with the weighted average. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Prepayments

Prepayments comprise prepayment of costs incurred concerning rent, insurance premiums, subscriptions and interest relating to subsequent financial years.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost.

Financial statements 1 January – 31 December

Notes

DKK'000	<u>2021</u>	<u>2020</u>
2 Revenue		
Geographical segments		
Revenue, Denmark	801,489	1,084,398
Revenue, Sweden	131,993	122,182
Revenue, Norway	53,291	52,964
Revenue, Finland	65,216	68,229
Other	<u>162,194</u>	<u>78,381</u>
	<u>1,214,183</u>	<u>1,406,154</u>
Business segments		
Crop Science	571,545	541,687
HealthCare	620,461	843,750
Consumer Health	18,310	18,804
Bayer Business Service	<u>3,867</u>	<u>1,913</u>
	<u>1,214,183</u>	<u>1,406,154</u>
3 Other operating income		
Other operating income consist of net income for the sale of the Animal Health Division to Elanco Animal Health during 2020.		
4 Staff costs		
Wages and salaries	82,653	85,735
Pensions	7,772	8,946
Other social security costs	769	648
Other staff costs	<u>242</u>	<u>1,391</u>
	<u>91,436</u>	<u>96,720</u>
Average number of full-time employees	<u>98</u>	<u>110</u>

The average number of full-time employees is 0 for 2021 and 21 for 2020 within Animal Health.

In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is not presented in the financial statements.

Financial statements 1 January – 31 December

Notes

DKK'000	<u>2021</u>	<u>2020</u>
5 Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	723	1,826
Depreciation of property, plant and equipment	6,922	8,906
Adjustments after YE 2021	<u>778</u>	<u>0</u>
	<u>8,423</u>	<u>10,732</u>
6 Other financial income		
Interest income from group entities	6	81
Other financial income	398	94
Exchange adjustments	<u>6,103</u>	<u>17,571</u>
	<u>6,507</u>	<u>17,746</u>
7 Other financial expenses		
Interest expense to group entities	1	245
Other financial costs	699	94
Exchange adjustments costs	<u>5,226</u>	<u>19,672</u>
	<u>5,926</u>	<u>20,011</u>
8 Tax on profit for the year		
Current tax for the year	9,118	13,567
Deferred tax for the year	<u>1,848</u>	<u>-2,438</u>
	<u>10,966</u>	<u>11,129</u>

Financial statements 1 January – 31 December

Notes

9 Discontinued operations

On 1 August 2020, the Company entered into an agreement on the sale of the business division Animal Health. Profit after tax of the business division is recognised as a separate line item in the income statement.

DKK'000	2021	2020
Revenue	0	82,275
Costs of sales	0	-36,860
Other external costs	0	-17,101
Staff costs	0	-9,386
Depreciation, amortisation and impairment	0	-117
Tax on profit for the year	0	-4,139
Profit for the year	0	14,672

10 Proposed profit appropriation

Retained earnings	41,417	53,353
	41,417	53,353

11 Intangible assets

DKK'000	Acquired rights	Software	Total
Cost at 1 January 2021	15,501	774	16,275
Additions for the year	670	0	670
Transfers for the year	0	-117	-117
Cost at 31 December 2021	16,171	657	16,828
Amortisation and impairment losses at 1 January 2021	-10,077	-774	-10,851
Amortisation for the year	-723	0	-723
Transfers for the year	0	117	117
Amortisation and impairment losses at 31 December 2021	-10,800	-657	-11,457
Carrying amount at 31 December 2021	5,371	0	5,371

Financial statements 1 January – 31 December

Notes

12 Property, plant and equipment

DKK'000	<u>Fixtures and fittings, tools and equipment</u>
Cost at 1 January 2021	34,786
Additions for the year	3,682
Disposals for the year	<u>-3,530</u>
Cost at 31 December 2021	<u>34,938</u>
Depreciation and impairment losses at 1 January 2021	-25,317
Depreciation for the year	-6,792
Reversed depreciation and impairment losses on assets sold	<u>3,530</u>
Depreciation and impairment losses at 31 December 2021	<u>-28,579</u>
Carrying amount at 31 December 2021	<u>6,359</u>
Carrying amount of right-of-use assets at 31 December 2021	<u>5,837</u>

13 Investments

DKK'000	<u>Deposits</u>
Cost at 1 January 2021	<u>81</u>
Cost at 31 December 2021	<u>81</u>
Carrying amount at 31 December 2021	<u>81</u>

Financial statements 1 January – 31 December

Notes

DKK'000	<u>31/12 2021</u>	<u>31/12 2020</u>
14 Inventories		
Goods for resale	401,330	368,977
Goods for resale, write-down	<u>-19,170</u>	<u>-1,208</u>
	<u>382,160</u>	<u>367,769</u>
15 Deferred tax		
Intangible assets	-1,182	1,193
Property, plant and equipment	331	-3,087
Inventories	0	-266
Other payables	<u>264</u>	<u>-275</u>
	<u>-587</u>	<u>-2,435</u>
Calculated deferred tax asset	<u>587</u>	<u>2,435</u>
Carrying amount	<u>587</u>	<u>2,435</u>

Deferred tax has been provided at 22% corresponding to the current tax rate.

16 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

17 Equity

The contributed capital consists of 78,000 shares of a nominal value of DKK 1,000 thousand each.

All shares rank equally.

There have been no changes in the share capital during the last 5 years.

Financial statements 1 January – 31 December

Notes

DKK'000	<u>31/12 2021</u>	<u>31/12 2020</u>
18 Non-current liabilities		
Liabilities can be specified as follows:		
Lease obligations:		
0-1 years	2,584	4,981
1-5 years	<u>3,451</u>	<u>3,705</u>
	<u>6,035</u>	<u>8,686</u>
Trade payables:		
0-1 years	<u>17,925</u>	<u>15,312</u>
	<u>17,925</u>	<u>15,312</u>
Payables to group entities		
0-1 years	<u>244,128</u>	<u>270,568</u>
	<u>244,128</u>	<u>270,568</u>
Other payables, including taxes payable:		
0-1 years	98,055	88,486
1-5 years	<u>661</u>	<u>8,486</u>
	<u>98,716</u>	<u>96,972</u>
Total liabilities other than provisions	<u>366,804</u>	<u>391,538</u>

19 Contractual obligations, contingencies, etc.

Contingent liabilities

Bayer A/S is the administrative company for the Danish jointly taxed companies. The administrative company has unlimited, joint and several liability together with the other jointly taxed companies for all corporate income taxes arising under the joint taxation scheme. Corporate income tax payable for the Danish jointly taxed companies amounted to DKK 12.3 million at 31 December 2021 (2020: DKK 18.8 million).

20 Mortgages and collateral

A bank guarantee of DKK 3,202 thousand has been established to cover obligations in connection to leased offices.

Financial statements 1 January – 31 December

Notes

21 Related party disclosures

BAYER A/S' related parties comprise the following:

Bayer AG, Germany - Controlling shareholder, ultimate parent
Bayer Nordic SE, Finland - Controlling shareholder
Bayer Global Investments B.V, Netherlands - Controlling shareholder

Control

BAYER A/S is part of the consolidated financial statements of Bayer Nordic SE, Pansiontie 47, 201001 Turku, Finland, and the consolidated financial statements of Bayer AG, Kaiser-Wilhelm-Allee 3, 51373 Leverkusen, Germany, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of Bayer Nordic SE and the consolidated financial statements of Bayer AG can be obtained by contacting the companies at the addresses above.

Related party transactions

In accordance with section 98c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

22 Fee to auditors appointed at the general meeting

Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96(3) of the Danish Financial Statements Act. Reference is made to the consolidated Financial Statements of Bayer AG.