Q4 and Full-Year 2022 Conference Call

Tuesday, 28th February 2023

Operator's introduction

Good day and thank you for standing by. Welcome to Bayer's investor and analyst conference call on the full year Q4 2022 results. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star one and one on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please press star one and one again. Please be advised that today's conference is being recorded. I'd now like to hand the conference over to Oliver Maier, Head of Investor Relations of Bayer AG. Please go ahead.

Introduction

Oliver Maier

Head of Investor Relations

Good afternoon and thanks for joining us today. I'd like to welcome all of you to our Q4 and full year 2022 conference call. With me on the call today are Werner Baumann, our CEO and Wolfgang Nickl, our CFO, along with our Division heads.

Werner will begin with the key achievements of 2022. As introduced last year, we will then have Rodrigo, Stefan and Heiko comment on the respective divisional performances and outlook for 2023. Wolfgang will close with an overview of the Group performance and outlook before we open the Q&A session.

Disclaimer

As always, I'd like to draw your attention to the cautionary language that is included in our safe harbour statement, as well as in all the materials that we have distributed today. With that, I'll hand it over to you, Werner.

Business Update

Werner Baumann

CEO, Bayer AG

Full-year 2022 results

Thank you, Oliver, and good afternoon, ladies and gentlemen. It's my pleasure to welcome you to today's conference call.

2022 was a year with unprecedented macro volatility and geopolitical challenges. Russia's war in Ukraine, one of the world's major exporters of key crops, caused significant harm to global food security. Russian sanctions led to energy supply risks specifically for European-based operations. At the same time the COVID 19 pandemic continued and major lockdowns, e.g. in China, stretched global supply chains even further. These macro events led to accelerating global inflation, causing central banks to increase their target interest rates in major economies worldwide.

Against this backdrop, our business model proved highly robust with solutions that address the world's most pressing challenges around nutrition and health care. Our vision 'Health for all, hunger for none' has never been more relevant than in times like these.

Outstanding Performance and Important Progress in Innovation

For Bayer, 2022 was actually an excellent year, both operationally and strategically:

We delivered on our ambitious financial targets which were revised upwards in August. Sales reached €51 billion, up 9% on a currency and portfolio adjusted basis, against an already strong prior year. Growth was led by Crop Science and a strong contribution from Consumer Health, while Pharmaceuticals topline came in slightly above the previous year.

In Crop Science, growth largely originated from pricing, both for glyphosate-based herbicides as well as the remaining portfolio. Consumer Health benefited from high demand for products against allergy & cold and growth of our launch brands. In Pharmaceuticals, Eylea continued to exceed our expectations and grew across regions. Our new Pharma products gained further encouraging momentum, with combined sales of Nubeqa and Kerendia crossing the €0.5 billion sales mark in 2022. This helped offset near-term headwinds such as volume based procurement impacts in China and loss of exclusivity for Xarelto in Brazil, which were more significant than we had anticipated at the beginning of 2022.

Our EBITDA before special items increased 21% year-on-year to €13.5 billion. With the strong pricing leverage and savings from our efficiency programs, we were able to offset around €2 billion in cost inflation and still grow earnings significantly. Therefore, core earnings per share came in at €7.94, well above our expectations for the full year.

Based on the strong operational performance we propose a 20% dividend increase to €2.40 per share to our shareholders.

We also made further substantial progress on sustainability and we are well on track to achieve our 2030 non-financial targets. Please take a look at our new Sustainability Report which is published today.

Highlights and further outlook

Moving on to innovation, let me focus on some of the highlights and further outlook.

Backed by encouraging study results in 2022, we recently raised the peak sales potential of our major short- and mid-term growth drivers in Pharmaceuticals to over €12 billion. Half of this growth potential is expected to come from our recently launched products Nubeqa and Kerendia. The other half is expected to come from our phase III assets Asundexian and Elinzanetant.

In 2023, as just seen yesterday in Japan, we look forward to further approvals for Nubeqa in metastatic hormone-sensitive prostate cancer in various geographies, and we recently presented new data confirming survival benefits and the favourable safety profile of Nubeqa across different subgroups of patients in this indication. We also submitted the Eylea 8 mg formulation for regulatory approval in two major retinal eye diseases in the EU, with a chance of first launches in 2023. Last but not least, we are expecting the read-outs on our Parkinson's phase I and Elinzanetant phase III studies for menopause management in 2023.

For Crop Science, we will initiate on-farm trials in the US this year for our short stature corn. We also expect the full commercial launch of our first-ever biotech trait for piercing-sucking insects and we will launch first digital B2B solutions as part of our collaboration with Microsoft.

For Consumer Health, we will further move ahead with our Astepro launch in the upcoming US allergy season. We also plan to launch an innovative offering in personalised health later this year.

In line with our strategic agenda, innovation is not only coming from within the company as we continue to invest externally and enhance our research collaborations. We again expanded our LEAPS portfolio with the addition of seven companies in 2022. We entered into a multi-year strategic partnership with the Boston-based biotech company Ginkgo Bioworks and took a majority stake in CoverCress, the producer of a sustainable oilseed cover crop.

At the same time, we further optimised our portfolio with the sale of the Environmental Science Professional business and some of our non-core Pharma assets.

Outlook for 2023

Now, let's look at 2023. After two years of recovery and dynamic topline development, we expect further growth for the current year, albeit at normalised rates. We see a more challenging environment with softening Glyphosate prices. We expect further price cuts on our mature Pharma portfolio which should be partially compensated by new product growth, pricing and volume contributions in other areas. Against that backdrop, we expect EBITDA before special items and core EPS not to reach the 2022 record levels but remain ahead of our mid-term planning.

My colleagues will now comment on the respective business performance and outlook. Rodrigo, over to you to make the start for Crop Science.

Crop Science 2022

Rodrigo Santos

Head of Crop Science

Thank you, Werner, and thanks to everyone joining us today.

Record Sales and Industry Leading Margin

2022 was a tremendous year for us, and I'm pleased to share that we delivered on our parallel commitments to both perform and transform in agriculture.

In terms of performance, it was another record year for Crop Science, surpassing €25 billion in sales with 15.6% CPA sales growth, ahead of our most recent guidance of 13%.

Pricing drove this sales growth, as we executed our innovation-driven, value-based pricing approach and effectively managed the market dynamics for our glyphosate-based herbicides. Roughly two-thirds of our sales growth or approximately €2 billion, came from higher glyphosate pricing due to the tight global supply. Meanwhile, fungicides and insecticides each delivered 5% sales growth and the rest of our herbicide portfolio grew by 11%. With improved supply, we could have easily seen high single-digit growth in insecticides and fungicides, given the strong demand.

Moving to seeds and traits, our global corn business grew its number one share position in the market, delivering nearly 9% CPA sales growth. In the US, stronger pricing offset the lower planted corn acres and a decline in royalties from some older licences. In all other regions, we achieved growth rates in corn of 20% or more based on our strong combination of volume gains and price increases. In soybean, we held our leading position, despite flat global sales, reaching more than 80% of the acres in Brazil and close to 50% of the acres in the US with our trait technologies. Finally, our cotton business grew by nearly €100 million, or more than 15%, in 2022 from price, as well as higher volumes from higher planted acres in the US and Australia.

This strong pipeline growth, coupled with approximately €200 million of cost savings from our ongoing transformation programs, resulted in an industry-leading 27% EBITDA margin before special items, in line with our guidance, and more than covering the approximate €1 billion of incremental cost inflation and 110 basis points of FX related margin headwind.

In addition, through disciplined management, particularly of our receivables, our 12 months average working capital to sales ratio declined from roughly 49% to 42% by the end of 2022, an improvement of 640 basis points.

Advancing Sustainable Competitive Advantage with 100’s of Seed Deployments and CP Registrations

Our continued efforts to transform the industry have been no less impressive. Year in and year out, our R&D team consistently delivers more innovation to our customers than anyone in the space. Our R&D investment of €2.6 billion in 2022 continues to advance a pipeline with a long-term peak sales potential of more than €30 billion, half of which are incremental to our existing base. Most importantly, we replenished more than we launched through our relentless pursuit of new, more sustainable solutions.

In 2022, as you can see on this slide, we advanced numerous projects, deployed more than 500 new hybrids and varieties of our seeds businesses, and generated hundreds of new crop protection product registrations and several new formulations. This refresh of higher performing seeds and formulations is foundational to the pricing gains we intend to capture in our 2023 plans. In addition, our digital tools now reach more than 220 million acres and we successfully launched ForGround by Bayer, our digital platform that goes beyond carbon offsets to help farmers transition to sustainable practices and connect with businesses looking to advance their sustainability goals. This was a natural outgrowth from our Bayer Carbon program that now reaches 1.5 million acres. Finally, we are expanding our current leading portfolio of biological solutions, which deliver approximately €200 million in annual sales, with our open innovation platform. This includes the three-year collaboration we struck with Gingko Bioworks on nitrogen optimisation, carbon sequestration and next-generation crop protection, our recently announced M2i distribution agreement for pheromone-based biologicals as well as the strategic partnership with Kimitec on crop protection and bio stimulant products.

As we move into 2023, there are numerous milestones we are eagerly anticipating on our transformation journey to empower farmers everywhere to produce more with less. We are initiating our US Ground Breaker trials for the Smart Corn System, bringing our breeding approach to short stature corn. Our ThryvOn Cotton, the first-ever biotech trait that protects plants from piercing-sucking insects, is expected to move to a full commercial launch. We look also forward to our first business-to-business digital solution for use in agriculture and adjacent industries, via our Microsoft collaboration. To learn more about these advancements and the technology engines that power them, see our investment case on Bayer.com and watch for an invitation to our inaugural Crop Science Innovation Summit, in June in New York.

Crop Science 2023: Accelerating Growth Excluding Glyphosate

With this innovation in our portfolio and continued strong farm incomes, we see the opportunity for accelerating growth in several of our business segments, despite the expected glyphosate headwinds. Overall, we are expecting to grow Crop Science sales by around 3%, with glyphosate-based herbicide sales declining by roughly 15-20%, or approximately €900 million at the mid-point, while the rest of the division sales grow by approximately 8%, mostly from pricing.

For glyphosate specifically, we are anticipating that prices will continue to normalise, though not fully back to the levels seen in 2021, given the higher cost position our generic competitors are facing. We expect to offset a portion of these pricing headwinds with stronger glyphosate volumes, as our supply returns closer to our full capacity.

This outlook also assumes double-digit percentage sales growth in corn seeds and traits, fungicides and insecticides, supported by the new innovation and we are moving into the market as well as strong commodity prices. In addition to higher pricing we expect volume and share gains in corn globally, and higher volumes from improving supply in our insecticide and fungicide portfolios.

From a calendarization perspective, the outlook is heavily influenced by glyphosate-based herbicide sales trends, considering the tough comp in the first half of the year. As a result, total Crop Science sales are expected to be relatively flat in the first half, and then accelerate in the second part of the year, to average 3% for the full year.

Moving to the outlook for EBITDA before special items, we still expect to lead the industry in margin, despite some modest dilution versus 2022, with an expected margin in the range of 25% to 26% of sales at constant currencies. For the first quarter specifically, the margin is estimated to be in the range of 36% to 38%. Incrementally, inflation is expected to persist at roughly 4% of sales, largely from higher cost of goods sitting in our existing inventories. To counter some of this, we are expecting approximately €300 million in cost savings. The good news is we are seeing raw material contract prices and transportation costs starting to ease, so we expect this cost inflation in our cost of goods to begin to abate by the end of 2023, setting us up for a return to margin expansion in 2024.

With that, let me pass it to Stefan to discuss Pharma.

Pharmaceuticals 2022

Stefan Oelrich

Head of Pharmaceuticals

New Products Gain Momentum

Thank you, Rodrigo and good afternoon, everyone.

Starting with last year's financials, sales of Bayer Pharma were up 1% year-on-year as a result of higher volumes. While we were facing significant headwinds in mature parts of the portfolio, I'm happy to report that our launch assets Nubeqa and Kerendia continued to perform very well.

Like in the previous year, Nubeqa doubled sales again in 2022, reaching €466 million, that were driven by ongoing market expansion in non-metastatic prostate cancer. In addition, we saw a rapid adoption of Nubeqa in the metastatic setting. According to our data, Nubeqa has already established itself as the number two product in the US in new patient share in both indications.

Kerendia, on the other hand, generated sales of €107 million in 2022, crossing the €100 million mark only five quarters into the market. In fact, we are seeing one of the strongest launch dynamics in the cardiovascular space despite the initial COVID restrictions we had to face in 2021, with a continued US market uptake that is driven by reimbursed access for the majority of commercially insured and Medicare Part D patients as well as inclusions into treatment guidelines and recommendations. We have compiled the new prescriptions data for Nubeqa and Kerendia in the appendix of today's slide deck for your reference.

Looking at the remainder of our portfolio, also Eylea performed strongly again, growing 9% with contributions across regions. In contrast, Xarelto sales declined by 6% year-on-year, driven largely by headwinds in various markets which included the loss of exclusivity in Brazil and pricing pressures in several countries in Europe. Again, you can find a summary of Xarelto's upcoming patent expires in major markets in the appendix of today's slides. Most prominently, however, China's volume-based procurement regulations were heavily weighing on Xarelto's performance, lowering our sales by almost half in this region, and we have been seeing similar impacts on full-year sales of Nexavar and starting to see those for Adalat since the fourth quarter, always in China. Lastly, sales in 2021 included a milestone payment of €190 million for Adempas that did not recur in 2022.

EBITDA before special items came in at €5.9 billion, up 2% year-on-year and equivalent to a margin of 30.5%. While changes in foreign exchange rates had a positive 400 basis points stimulus on the topline, the impact on the margin was dilutive by 110 basis points, primarily reflecting our high cost position in territories where foreign currencies appreciated last year. Adjusted for that, the margin was on par with the year before and in line with our guidance, although we were facing significant inflation driven cost increases and a margin dilutive portfolio effect, which were in part compensated by proceeds from the sale of smaller non-core businesses.

Pharmaceuticals Innovation: Strong Foundation for Future Growth

Talking about last year's strategic achievements, we made excellent progress and generated outstanding results in key clinical studies in the mid- and late stage of our portfolio. With a very consistent data set from our Phase III ARASENS trial we paved Nubeqa's way for a broader label and our ambition to make this medicine a foundational therapy across all indications in prostate cancer. For Kerendia we are seeing continued positive news flow and label expansions. In addition, the Phase III results of Eylea 8 mg showed this medicine's potential to change the treatment paradigm for patients with wet AMD and DME and become the new standard of care, building on Eylea's gold standard in this category and positioning the franchise for prolonged leadership. And finally, based on the successful completion of our Phase II development program PACIFIC, we moved our Factor Eleven A inhibitor, Asundexian, into Phase III.

As a result of these strong achievements, we felt very comfortable to upgrade the combined peak sales potentials of our launch assets Nubeqa and Kerendia to more than €6 billion while at the same time, we project an equal combined peak sales potential for our Phase III assets, Asundexian and Elinzanetant combined. Putting this into a broader perspective, we expect our launch medicines and current Phase III drug candidates to more than offset sales declines triggered by upcoming losses of exclusivity in the long term, thus effectively addressing any major near- and mid-term patent cliff concerns.

Finishing up with last year's innovation progress in our Pharma division, we further expanded our development portfolio in the areas of cell and gene therapies. It currently contains six projects at different stages of clinical development, including programs that address indications where there is a high level of unmet medical need, such as Pompe disease and congestive heart failure.

In 2023, we are very much looking forward to the read-out of our cell therapy study DA-01 in Parkinson's disease by midyear. In addition, we will see headline data for Elinzanetant from our Phase III study program OASIS in this year's second half as well. In between, we are expecting a steady drumbeat of ongoing approvals for Nubeqa in the metastatic cancer setting in various regions as well as submissions and potentially first approvals of Eylea 8 mg.

New Products to Offset Declines in Mature Portfolio

Looking into 2023 from a financial perspective, we do expect topline growth of around 1%. The positive momentum from our new products Nubeqa and Kerendia, for which we foresee combined sales of more than €1 billion this year, should more than offset losses of market exclusivity in other parts of our portfolio. In particular, we anticipate a mid-single digit decline for Xarelto, also impacted by patent expires in smaller markets like Mexico, Australia and Canada. In China, the expanding COVID-19 wave at the beginning of 2023 held back hospital sales significantly across the portfolio. On top of that, Adalat is being hit by the country's volume based procurement regulations since November last year, which could lower its sales in 2023 in this territory by up to 50% as a result of lower price and volumes, just like it did for Xarelto. In contrast, we expect Eylea to compensate price pressure in our territories through growing volumes this year, effectively playing out its market leadership.

The EBITDA margin before special items should come in slightly above 29% at constant currencies in 2023. While we continue to drive investments in R&D, we are shifting marketing resources from mature franchises towards the launch medicines. At the same time, we will tightly manage operating expenses and drive efficiency measures to mitigate gross margin dilution from pricing headwinds and cost inflation. For modelling purposes, I think it is fair to assume that the first half of this year will be clearly below the second half, both in terms of top and bottom line, as we are likely to see the sales decline from mature assets and the impact of the soft trading conditions in China at the beginning of the year and then offsetting dynamics from our launch assets. So be prepared to see improving quarterly performance and profile sequentially over this year.

With that, I conclude my comments on Pharma and pass it on to Heiko for Consumer Health.

Consumer Health

Heiko Schipper

Head of Consumer Health

Substantial Sales and Earnings Growth despite Inflationary Pressure

Thank you, Stefan and hello everyone. It's my pleasure to share the performance of our Consumer Health division in 2022 and also give you an outlook for 2023.

In a volatile environment, we grew our business 8.4% to more than €6 billion last year, significantly exceeding our updated guidance of 6-7%. On the bottom line, we were able to make big investments in innovation that we expect to generate strong returns in the future, while maintaining a margin of 22.5% in a highly inflationary environment. Further, we drove significant cash productivity, improving our working capital-to-sales ratio by 220 basis points.

Here's what's behind that performance. First, our growth was once again very broad-based. All regions and all categories contributed. Over the past few years, we have seen unprecedented shifts in demand in categories like Nutritional's and more recently Cough & Cold. Even with these shifts, we were able to deliver consistent growth, drawing on our strengths of our category footprint. We focus on categories where sound science, innovation and strong brands make the difference. Our success over the past few years shows us that our focus is the right one.

Our growth in 2022 was driven by a high incidence level of cold and flu versus a soft previous year, with strong demand for our products throughout the year. We also saw significant growth in our allergy business, with the launch of Astepro. Dermatology, with the continuous roll out of our Bepanthen Derma innovation, a science-based product range for dry skin, saw equally strong growth in 2022. After two years of substantial growth in our Nutritional's category, we saw more moderate growth in 2022, yet on a significantly higher absolute level than prior to COVID 19.

This performance shows us that we can successfully steer our business through unpredictable circumstances. We have capitalised on growth opportunities, also expanding the share of sales coming from e-commerce to now roughly 11%. We have tapped into new growth markets, like India. We executed successfully on our comprehensive productivity programs and have taken pricing measures to counteract inflation and fund innovation. Despite challenges from stretched supply chains, we were able to serve our customers and meet or exceed our targets.

This is also true for our EBITDA before special items target. Although we saw continuous constraints in global supply chains and high inflation effects across markets, we increased our EBITDA level before special items by 15% to €1.4 billion and delivered an EBITDA margin before special items on previous year level at 22.5%, in line with our guidance. We compensated for significant inflationary cost pressures by leveraging our operational productivity programs and actively managing pricing. At the same time, we also continued to make substantial investments in innovation, particularly for the launch of Astepro in Q3 2022.

Consumer Health Innovation: Industry-Leading Science, Trusted by Consumers

As our colleagues in Crop Science and Pharma know, innovation *[audio failure; original sound in the speakers room: "[…] is key to unlocking profitable growth that lasts. As mentioned before, in 2022, we launched Astepro in the U.S., the newest addition to our strong portfolio of prescription to over-the-counter switches. As the first OTC steroid-free antihistamine spray for allergy symptoms, Astepro starts working much faster than […]"]* competitor products. This truly differentiated solution will drive significant incremental growth for our leading allergy business.

In the digital space, we partnered with Huma Therapeutics, a leading digital health company, to launch a cutting-edge personal health tool that evaluates an individual's risk of developing cardiovascular disease over the next decade. Through user-friendly questions, an advanced algorithm and scientifically backed research, 'The Bayer Aspirin Heart Risk Assessment' gives individuals actionable insights they can share in conversations about heart health with their doctor.

The tool will first be rolled out in the US, a country with more than 100 million people who may be at risk of cardiovascular disease. In our view, bringing digital technology to health care can transform the way people take care of themselves in the coming years by giving them insights to make smarter decisions about their health.

Finally, we also advanced innovation in Nutritional's, a category that remained in the black even after remarkable 12% growth in 2021 and 23% growth in 2020. We launched a new immunity formulation behind our Supradyn, Redoxon, and Berocca brands. The formulation we launched is backed by seven clinical trials, supporting each layer of the immune system to help people get and stay healthy.

Consumer Health 2023: Above Market Growth and Margin Expansion in a Challenging Environment

Looking ahead now to 2023, innovation will once again be a key growth driver. We are totally focused on making sure that Astepro is the nasal spray of choice in the upcoming US allergy season. We also plan to launch an innovative offering in personalised health later in the year.

Further, we will maintain our laser focus on disciplined business steering. Before normalising in the second half of the year, we expect to see continued inflation in the first half of the year. Even in this environment, we are prepared to further drive our margin progression while continuing to invest in innovation and brand-building that fuels future growth.

These priorities translate to another competitive business outlook in 2023. While we expect continued growth across our industry, we plan to grow at the top of our industry with sales growth of around 5%. In line with our mid-term ambition, we target an increase of our EBITDA margin before special items to around 23% at constant currencies.

With that, I'm happy to hand it over to you, Wolfgang.

Financial Results 2022

Wolfgang Nickl

CFO, Bayer AG

FY 2022 Results – Group Performance and Outlook

Thanks, Heiko. Let's now look at the Group financials for 2022 and a combined outlook for fiscal year 2023 based on what my colleagues just shared.

Group 2022: Fully Achieved Upgraded Guidance

We achieved or even exceeded all relevant Group guidance parameters last year. Currency and portfolio adjusted Group net sales increased by 9% to €50.7 billion, in line with our upgraded guidance range. This CPA growth was largely pricing driven.

In 2022, the topline also benefited from currency tailwinds of approximately €3 billion. This was mainly driven by the strength of the US dollar, Brazilian real and Chinese renminbi against the euro.

Our topline growth translated into a 21% increase in EBITDA before special items to €13.5 billion. This represents a margin before special items of 26.6%, exceeding the upper end of our guidance range.

As expected, foreign currency effects of around €430 million were less pronounced in EBITDA compared to sales, thus leading to a margin dilution of approximately 80 basis points.

Core earnings per share of €7.94 exceeded our upgraded guidance and came in 22% higher than the prior year.

Divisional contributions were led by Crop Science and more than offset a negative year-over-year impact in the core financial result, which was driven by higher interest expenses and non-cash relevant fair value changes in line with our full year guidance. Core tax expenses of €2.1 billion were comparable to last year in absolute terms, however, reflect a lower core tax rate of 21.7% on higher earnings.

Our free cash flow more than doubled to €3.1 billion mainly driven by lower settlement payments compared to the prior year. Settlement payments came in at €1.2 billion, which did not include the approximately €700 million pay-out for the Oregon settlement. Both the Oregon settlement and the municipal water class settlement were paid at the beginning of this year and are included in our financial guidance for 2023.

Net financial debt decreased to €31.8 billion at the end of 2022. The higher free cash flow contribution and €3.4 billion in divestment proceeds, from the sale of the Environmental

Science Professional business and other non-core assets in Pharma, were partially offset by approximately €2 billion in dividends paid and around €2 billion negative impact from foreign exchange effects.

Group Guidance 2023

Let me now move to our guidance for 2023 at the Group level. We expect Group net sales of €51 to €52 billion at constant currencies, representing 2-3% currency and portfolio adjusted growth.

As currency impact, we estimate around €1 billion headwinds in 2023, based on the month-end December spot rates compared to average actual prior year rates. The effect is mainly driven by the US dollar. For all other KPIs we do not project a material impact from foreign exchange rates at this point.

For modelling purposes, please note that the Group net sales guidance includes a negative portfolio effect of approximately €500 million from the businesses we divested in 2022.

In terms of phasing, we expect business performance to be skewed towards the second half of this year when compared to 2022.

On our bottom line we project EBITDA before special items of €12.5 to €13 billion. We expect the price declines in glyphosate and Pharma, cost inflation and growth investments to be partially offset by active pricing management in the non-glyphosate Crop Science business and Consumer Health as well as about €500 to €600 million in cost savings across the company.

For core EPS, we expect between €7.20 and €7.40 for 2023. I will come back to the core EPS bridge after I finish the guidance.

We remain focused on effective cash management. We plan on around €3 billion in free cash flow for the full year despite higher net settlement pay-outs of around €2 to €3 billion. This represents an underlying free cash flow before settlements of approximately €5 to €6 billion in 2023.

Net financial debt is expected to be slightly higher than last year at €32 to €33 billion including higher dividend payments in 2023.

Finally, for the other guidance parameters, please note that our reconciliation result is expected to come in at minus €700 to minus €800 million. This includes the catch-up effect for our long-term incentive provision based on a share price assumption of €60. We have included an overview of all the other elements of our guidance in the back up to this presentation.

Core EPS Bridge 2021 to 2023

Let me now come back to core EPS for just a moment. I would like to share an illustrative bridge from 2021 to 2022 and then from 2022 to 2023.

In 2022, increased glyphosate pricing accounted for about €2.07 per share pre-tax impact versus 2021. This was offsetting material cost inflation affecting all of our divisions in about the same amount. As mentioned before, the core financial result and core taxes combined had a negative effect, while we benefited from foreign exchange tailwinds. Without these effects, the underlying business performance contributed €1.93 to core EPS year-on-year.

For 2023, our ambitious plan again includes a high contribution of the underlying business of between €2.20 and €2.40.

As outlined by my colleagues, this includes anticipated higher pricing from our Crop Science portfolio excluding glyphosate. We also expect volume gains in corn, strong contributions from our launch assets in Pharmaceuticals as well as above market growth in Consumer Health to contribute along with the before-mentioned cost savings.

Rodrigo mentioned the expected normalisation of glyphosate pricing to be partially compensated by higher glyphosate volumes. We expect this to result in an overall impact of about minus €1.40 to core EPS. Cost inflation is expected to continue to have a material effect of about €1.60 on a per share and pre-tax basis, particularly stemming from higher valued inventories that will hit our P&L this year.

As a result, and considering the continued high level of expected macro volatility, we are guiding towards a core earnings per share range of €7.20 cents to €7.40 for the fiscal year 2023 as I mentioned before.

With that, I will hand the call back to Oliver to start us on the Q&A.

Q&A

Oliver Maier: Thank you very much, Wolfgang, and thanks everybody for the insights. Before we begin, I would like to remind you to please keep your questions to about two per person, so that we can take as many questions as possible from the participants, and try to prevent using headsets. Makes it easier for us. So Heidi, I think if you don't mind opening up the line for questions, that would be perfect. Thank you.

Operator: Of course. As a reminder, to ask a question you will need to press star one and one on your telephone and wait for you name to be announced. To withdraw your question, please press star one and one again.

We will take our first question. The first question comes from the line of Michael Leuchten from UBS. Please go ahead, your line is open. Michael Leuchten, your line is open, please ask your question.

Michael Leuchten (UBS): Apologies. It's Michael Leuchten from UBS. One question for Wolfgang and one for Stefan, please. Wolfgang, just a clarification on the phasings of the P&L throughout the year. Could you just clarify in terms of hedging of energy costs in 2023, where are you hedged in terms of percentage of total, does it vary across the year, as in first half versus second half? And then your commentary around the inventory, just first in, first out, does that mean that until the third quarter, once we're through your normal turn of 50 days of inventory, the P&L will be significantly distorted and then in the fourth quarter we go back to normal?

And a question for Stefan. What happened in the fourth quarter? You were on track to make guidance from a revenue perspective and then we saw decline. Why all of a sudden did that happen in Q4? And then as we think about going into 2023, is it all about the new products gaining momentum or was there something in the mature portfolio in the fourth quarter that also could normalise in the first half? Thank you.

Wolfgang Nickl: Yeah, Michael, let me try to dissect this all for you. So, the €500 to €600 million cost savings that I mentioned were actually relating to the programs that we announced two years ago. So these are ongoing contributions from this €1.5 billion plus program, and it's really distributed mostly across Crop Science Rodrigo talked about, Pharma, and also enabling functions. And part of that is quite frankly also used to reinvest in the business.

Energy is a relatively small part of our COGS. Take it at about 3%. And obviously the hedging for 2022 in 2021 was easier than the hedging for 2023 over 2022, because the prices were elevated. But assume that there was some manageable impact year over year, and the prices are starting to come down on the energy front. But despite that, we still see about €1.6 billion in inflation in the year, including what's in the energy, and that is active ingredients, that is freight. That's coming down but still above the 2021 level. That's labour, quite frankly, as well. And a lot of this is already sitting in inventory. You will have probably seen that our inventory went up last year by about €2 billion and we were not asleep at the wheel, we did this on purpose because we were afraid at one point in time that energy availability could become an issue for us or our suppliers, and therefore we allowed to take in a bit more of inventory than usual. And obviously the inventory has also inflationary effects in there.

To the quarterly phasing, you're absolutely right. The inventory gets consumed, usually – sometimes five-fold but at least at an average cost methodology, and therefore as we go through the year, the COGS are then charged with the higher inventory. And hopefully, if we can buy cheaper, again throughout the year, that will then benefit the P&L in the second half of the year. So you read that correctly.

Over to you, Stefan.

Stefan Oelrich: So hi Michael. Yes, so the fourth quarter had some extraordinary effects that we were seeing. One, of course, is the beginning of the Adalat VBP. So, that started right at the end of – at the beginning of the fourth quarter. And then we've seen in December and quite frankly also in January, extremely soft demand in China as many people were staying at home because of their COVID infections. We've had in our own workforce an overwhelming amount of our own employees that were affected by the disease over those two months and that could be a good reflection of what happened in the country and lack of demand that we saw for especially December and January.

Add to that a continued softness in our Women's Healthcare business in the US in the fourth quarter compared to our plans, and you have the mix of the answer to your question. At least, I hope.

Michael Leuchten: Thank you.

Operator: Thank you. We will take our next question. The next question comes from the line of James Quigley from Morgan Stanley. Please go ahead, your line is open.

James Quigley (Morgan Stanley): Hi. Thanks for taking my questions. James Quigley from Morgan Stanley. I've got two, please. So one on the Pharma margins. So, in the short term, as you've mentioned, they'll be impacted by supporting the new launches, R&D and inflation. But how should we think about plotting a path back towards low 30s margins? Will this be achievable purely through mix, as in your assets start to grow and the US business becomes less of a drag on profitability, or would it require additional cost savings or restructuring to get back to those levels?

And then, secondly, on the PCB litigation could you give us an overview of the process for the indemnification claims? So what are the next steps, what's the potential timing associated with those and how difficult or easy is it to identify the third parties, given that this is back in the late '70s? Also, if you could give us an update on any potential timing of the appeals for the PCB litigation as well. Thank you.

Stefan Oelrich: So, thanks James. You largely gave the answer in your question. So, margin improvement will be very much driven by mix and mix is coming over the next years out of a much stronger US situation. So we're already seeing, now, that the US is our fastest-growing region across the globe. But, at the same time, we're also very cognisant that we need to manage our costs tightly and that's precisely what we intend to do. Also, be reminded, as we improve our mix for the US, we have a little bit more latitude on pricing compared to our over-indexed Europe business that we have today.

Werner Baumann: All right, James. So let me take your question on PCB. First of all, we have had two settlements that have already by now, in early 2023, paid out. One is the Oregon state settlement that you're aware of. The other one is the roughly 2,500 municipalities we settled. We continue to work on a number of state claims, such as Maryland, Pennsylvania, New Jersey and Illinois, and those plus a few others will probably see the light of day going forward.

Secondly, we have the Sky Valley buildings complex, where we've lost a number of cases which we are appealing, and we have had one mistrial. And in terms of the so-called undertakers, which is our customers in the '70s, '60s and '70s, actually virtually all of our major customers are well-identified and they are still – their successor companies are still around. We do have very, very comprehensive indemnity claims against them – we filed in the court last year in order to activate these claims – and, in parallel, we are discussing and negotiating with them. When it comes to timelines on these particular ones, if you look at the indemnity lawsuits, the first trial date set is not before quarter four 2024.

James Quigley: Okay, thank you.

Operator: Thank you. We will take our next question, please stand by. The next question comes from the line of Richard Vosser from JP Morgan. Please go ahead, your line is open.

Richard Vosser (J.P. Morgan): Hi. Thanks for taking my question. A question on the glyphosate pricing assumptions. We can see, sort of, the Chinese glyphosate pricing falling to, sort of, average 2024 levels currently in February – sorry, average 2021 levels in February 2023. So, how should we think about that €2 billion pricing benefit? Obviously, some of it is retained, as you said. Could you give us more detail on what benefit you think is retained in 2023 and how you see that developing in 2024? Would you see more price reductions there? And maybe some idea of the revenue impact of volumes. I think, back in the day, when Luling was out of commission, it was something in the region of €200-300 million of revenue loss. So is that the sort of volume loss as well? Some help there would be great.

And then second question just on Pharma, just on the haemophilia franchise. We have seen a new factor VIII from Sanofi getting approved, and, of course, there's continued competition from Roche, its product as well. So just how do you see that impacting the Kogenate franchise going forward? Thanks very much.

Rodrigo Santos: Thank you, Richard. Let me go first here, then I pass to Stefan here. So on the glyphosate, as we're guiding, so we're guiding for €900 million lower in glyphosate, and this is a combination of price and volume. So we said that we're going to be on the range of 15-20% less than last year, and this is a downside on price and an upside on volume. As we mentioned, the volume for the first time in the last two years, we were still impacted in the end of 2021 by the hurricane. That also impacted the beginning of 2022, so this year is the first year that we're going to have the full volume for glyphosate, so that will help a little bit. But the average is the €900 million downside versus last year that we guide for this year.

Stefan Oelrich: So, hi Richard. First of all, it's always good to see when there's innovation in the category, even though its competitors, because that's good for patients. But on our haemophilia business, I must say I'm really happy how resilient it has proven to be, especially over last year. When I look at the total year, we've been pretty much flattish over the year, given all of these new entrants. Our bigger challenge right now in our haemophilia business is that we're moving patients from Kogenate into the Kovaltry product and into Jivi, the longer-acting factor VIII, but we're seeing very strong loyalty to our brand. And, yes, this is getting more difficult and I would anticipate that we're going to be not growing this business, but I'm quite positive about the resilience. But there is a negative trend here.

Richard Vosser: Thank you very much.

Oliver Maier: Thank you, Richard.

Operator: Thank you. We will take our next question. The next question comes from the line of Keyur Parekh from Goldman Sachs. Please go ahead, your line is open.

Keyur Parekh (Goldman Sachs): Hi, good afternoon. Thank you for taking my questions. Two if I may, please. The first one is on crop. As we look at 2023, you're pointing to €900 million in headwinds on glyphosate and on the rest of your crop portfolio you're expecting to grow 8%. I'm wondering if you're going to be able to give us a sense for the overall business; what do you expect the pricing and the volume dynamics to be? So, in 2022 you had 16% price, 0% volume. So, in the light – on that basis, what do you expect price versus volume to be, kind of, for your crop business in 2023?

And then, separately, how should we think about your outlook for the soybeans, kind of, seeds and traits business, given the continued penetration from Enlist and, kind of, the situation around dicamba registrations? Thank you.

Rodrigo Santos: So, thank you. So, let me use your question just to make a reflection here. Just one year in the position here and I really feel that we came on a very strong year in 2022 and I feel that what we planned for 2023 is working as we designed. So, let me share a little bit of what we plan for 2023, right? So, we're planning on our corn seeds and traits, our fungicides and our insecticides double-digit growth, and this will be a combination of pricing and volume, and also, we're gaining some volume, some market share as well. That's one of the elements that we have in our plan.

So, as we knew – because we're managing this glyphosate business for 25 years now, we knew this would be coming for us. I think we're planning, in the core business, to really drive the growth that we're planning for next year, and that's why that business is – we're projecting an 8% average growth for 2023. So that's what we're driving here.

When you think about pricing of those elements, we launched pricing in the Northern hemisphere, and that was very successful so far. We are in the middle of that campaign. We launched in US and in Europe, what we call low-double-digit price increases. And we still need to launch in the Southern hemisphere in the end of the year – or in the middle of this year, sorry. And we're going to see that coming, that one.

But we feel good about our innovation here. What I want to emphasise here, when you think about 2023, the launches that we're having in corn, soybean, cotton, our CP, our biologics, the new technologies that we're bringing, like the smart corn system with short stature corn, this will fuel a little bit of the growth in 2023; and even more important, the coming year ahead of us.

Soybeans. But to answer your, your question is on soybeans, right? We were flat last year, and that was a combination of higher growth in Latin America, and with lower sales in North America, mainly because of excess seed and also because of the trait share.

And your question, when you think about the trait share, we have Enlist gaining trait share over the last years, because basically, Corteva was migrating their germplasm with their trait platform out of Xtend. So, what we see today, and what we see for 2023 and for 2024, prior to the launch of HT4, what we see now, is that we're seeing more of a delivery market. They ship their portfolio. But now it's a more market-to-market competition, there will be a combination of germplasm plus the technology trait, and we feel very good.

We still hold the number one position in US, and by far, in South America as well. Total sales of soybean €2.5 million ahead of the second company in the market. So, we're still leading that market. And from now on, we see more a delivery in a competitive market that we're going to be competing on every acre in the US, or in South America as well. But we feel good about this year. But even more, we are planning, and we are working on the launch of the new technology to come as well.

Thank you for your questions.

Operator: Thank you. We will take our next question. The next question comes from the line of Peter Verdult from Citi. Please go ahead, your line is open.

Peter Verdult (Citi): Thank you. Peter Verdult, Citi. Rodrigo, could you provide a ballpark update on current digital ag revenues as well as licensing revenues across your Seed business? And the reason for the question, I'm trying to get a ballpark sense to assess the relative materiality to the current business. Because we can all understand the additional ag piece of the business will be increasing and growing nicely. But similarly, there will be downside pressures from licensing revenue erosion and from your partners. So, just wanted to explore that topic in a little bit more detail.

And then, Stefan, just back to Eylea. You made some remarks around 2023. Is that net-net a flat year or slight growth? But more importantly, how are you thinking about Eylea 8 mg long term? I think you've been cautious ever since we've seen the data, arguing it will be difficult to see patent extensions in Europe and major international markets. Has – as the dust has settled and you start to file the 8 mg formulation, how has your view, how has your view on the long-term outlook for Eylea changed if at all? I mean, we, in the market, have got it eroding. I wanted to understand the very latest view on the long-term outlook for Eylea. Thank you.

Rodrigo Santos: Well, thank you for that question, it's a very important one, and allow me to clarify that one. So, our licensing business today, is a €2.6 billion business. And out of that, only less than 10% is going to big multinationals like Corteva and Syngenta. And so, 90% of the licensing business is regional or small seed companies that we have globally. So, that's why we see a continued growth of our licensing business. And even more, when I think about the midterm, with the opportunities of the launch that I just mentioned before, when you think about corn, and soybean, and ThryvOn Cotton, we even see more opportunities that are coming. But today, 90% is regional and small companies.

Stefan?

Stefan Oelrich: Hello, Pete. Great question. So, what we're seeing with Eylea, we're seeing continued good growth on volumes, but we're getting some pricing challenges, especially in Europe and potentially also in other geographies. So, overall, this is not going to be the same type of success that we've seen in prior years. Still a little bit positive, but not as good as in prior years for 2023.

In – and again, still good volume growth but tough on the prices. For 8 mg, I think this – and I said this before – I project that this will give us a renewed additional life for Eylea beyond loss of exclusivity for the 2 mg in the coming years. So, we should have compared to a – probably what many people did foresee a declining Eylea in the coming years, we now should see a much more stable, and maybe even growing outlook for the next 2-3 years in Eylea. So, I think that is really a positive compared to what I've seen from some of the forecasts that came from outside.

Werner Baumann: Yeah. Peter, just to make sure, I think we were debating whether there was a piece of your question relating to digital here today –

Peter Verdult: Yes.

Werner Baumann: – and how that –

Peter Verdult: Yes. Yes.

Werner Baumann: So –

Peter Verdult: Yes, that was true. Thank you.

Werner Baumann: – Rodrigo is going to touch on that.

Rodrigo Santos: That's great, Peter, and that's also a very important element. So, let me talk a little bit about digital here.

So, this year, we reached 220 million acres with FieldView, now 23 countries, the first country in Asia, in Australia right now, where we have a very successful business there as well. But also, there are two other elements that I want to share, that I think is very important.

The other one, is that we launched a digital platform in US, that's ForGround. We are connecting companies that are working to reduce their sustainability or their carbon emissions with farmers, right. The Perdue business is a good example of that. We are connecting – and I think Bayer has a very good position connecting those companies with farmers because of our footprint, our presence in the field.

So, ForGround is the digital platform that I feel very excited about next year. Another two examples on digital that we're going to see in the midterm a lot of new things coming, one is our collaboration with Microsoft. And 2023, probably will be the first year that we're going to see some business coming out of that. And finally, if you go to South America, we had a very successful launch with a bank there, on Orbia, our platform expanding also credit firms on the digital platform.

So, Peter, I would say that we are full speed on the developing of those digital platforms. You heard also that from Heiko, on Consumer Health, reaching 11% of sales. We're expanding that platform globally. And I'm sure that when we're going to see the next year, the midterm, we're going to see a lot coming from that side as well.

Thank you for your question on that.

Peter Verdult: Thank you. Thank you.

Rodrigo Santos: Thank you.

Operator: Thank you. We will take our next question. The next question comes from the line of Laurent Favre from Exane BNP Paribas. Please go ahead, your line is open.

Laurent Favre (Exane BNP Paribas): Hi, good afternoon. It's two questions for Stefan, actually. The first one is regarding R&D spending, which I think reached an all-time high last year, as a percent of sales. Can you give us a sense of where you think that's going for 2023?

And then the second question, I just want to clarify whether you think that 2024 margins will be up on 2023 for the division? Thank you.

Stefan Oelrich: So, thank you, Laurent. And I would love to hand over that question to my Head of R&D.

So, I can tell you the – for this year, we anticipate that we're going to slightly increase our R&D spend. That's the only line item where we really allow for more spend. Because we've said directionally in the – let's say, in the next decade or so, we're going to rather move towards more to 20%, but always keeping our overall profile in good shape. And that for 2024, in terms of where the margin is going, 2024 is going to be, obviously, a continuation of the Xarelto erosion. So, our margin is under a lot of stress in the – as long as Xarelto continues to erode – when you lose such a major product. That being said, we're offsetting very nicely with our launches which require significant investment.

Laurent Favre: And so, back at the Capital Market Day 2021, you had talked about roughly 200 basis points of margin pressure in 2024. This is 2023. Is it the same type of pressure that we should be expecting then?

Stefan Oelrich: Can you repeat that because I couldn't hear you?

Laurent Favre: At the Capital Market Day in 2021, you had guided from a margin down about 200 basis points between 2023 and 2024. I'm just wondering whether it's that type of decline that we should have in mind for 2024?

Stefan Oelrich: I would say it's really difficult at this point to reconcile to the 2021 guidance that we gave you. Because we had VBP in the middle to a much larger degree than it was anticipated way back then. At the same time, we have extended patent for Xarelto in Europe until 2026. So, it's hard to reconcile those numbers at this point.

Laurent Favre: Okay. Thank you.

Stefan Oelrich: Thank you, Laurent.

Operator: Thank you. We will take our next question. The next question comes from the line of Sachin Jain from Bank of America. Please go ahead, your line is open.

Sachin Jain (Bank of America): Hi there, Sachin Jain, Bank of America, just a couple of clarifications, please. On the glyphosate €900 million decline you're commenting to, would you view that as a stretch or conservative target, and any colour on whether you're receiving price stabilisation within that assumption given pricing still in decline?

Stefan, on Eylea, I wonder if you could just quantify the price pressure you're seeing and the source of that. Just trying to get a sense of whether you can accelerate into 2024-25. And on the volume growth you're expecting what is the Vabysmo impact do you assume within that?

And my last question is on Kerendia. Accepting the positive commentary you're making in sort of strong CV launch given COVID, €200 million of sales for 2023 is still small relative to your absolute peak sales of €3 billion. So, will you just walk us through what you think the next steps are that get us there, in terms of what are the main hurdles? Is it payers? Is it physician feedback? Is it position relative to SGLT2s? Thank you.

Rodrigo Santos: On the glyphosate, briefly, we shared a little bit about that in the press. We supply around 40% of the market. There is still 60% of the market that comes from China. It's very hard for me to give an assessment of that piece of the market. We monitor that very close. One thing that we learn over the last 25 years managing glyphosate, that we have a very lean business, very tight, very low rebate system in place, working on a way that we are able to be very agile here.

We feel that what we guide for the year, considering also the cost that is impacting not only us, but the generic companies as well, is the right guidance. But we're going to continue monitoring that and reacting to the market. But I feel that, what we plan is, as you said, a combination of pricing decline and an upside on volume is the right guidance for the year. And we're going to continue monitoring that market.

Stefan Oelrich: So, thank you for your question, Sachin.

On Eylea, so pricing is something that I would expect in 2023 to be more pronounced than in the following years. Because in the following years, we will have the 8 mg, to stand against that. So, where we're seeing pricing pressure is in multiple markets in Europe and in Canada, especially for this year. And it's sometimes a little bit hard to predict in which month that's going to hit you, but we foresee that is happening this year.

And on Kerendia, thank you for acknowledging the good launch. So, what we're seeing is ultimately, other than that we didn't have it easy to educate physicians in the launch year, quite frankly, because our region frequency was very much impaired. So, we're catching up there.

In parallel, you have seen that we're doing very well on guidelines. And what is most notably I think on guidelines, is that the guidelines are starting to recognise that SGLT2s and mineralocorticoid receptor (MR) antagonists, and actually, they're now naming it only Kerendia because it’s the only one that works, because it has a clean side effect profile, that being really differentiated strongly in the guidelines. And I think we're going to see this in clinical practice materialise. Because Kerendia has the ideal solution to add to an ACEi or ARB, given its mechanism of action, which is the baseline therapy for all renal patients.

And we hope that will also give us a significant thrust when we come to our cardiovascular indications. You know that we have a trial underway in heart failure, and we're exploring to expand our data generation on the heart failure side. Because we see that the mechanism of action of a mineralocorticoid receptor antagonist is now more and more coming into focus, and that gives us great expectations about the drug. Don't forget we have a second large indication that's coming up.

Sachin Jain: Thank you.

Rodrigo Santos: Thank you, Sachin.

Operator: Thank you. We will take our next question. And the next question comes from the line of Christian Faitz from Kepler Cheuvreux. Please go ahead, your line is open.

Christian Faitz (Kepler Cheuvreux): Yes. Thank you. Two questions, please. One for Rodrigo, one for Wolfgang.

Rodrigo, in Crop Science, how do we see seed production cost evolving this year, both in the Northern as well as in the Southern hemisphere?

And then for Wolfgang, you have roughly €12 billion of bonds and notes that have to be refinanced or ideally even retired over the next three years. Can you give us an assessment of incremental interest rates from today's perspective? Thank you. Hello?

Rodrigo Santos: Sorry. So, just starting with the seed production here, let me share a little bit of that. It's a lot, as you know. A very local production that we do have. And with that, we face some of the challenges, like the drought in Argentina, or some parts of the globe that we face that. But, overall, when I compile the average of the market, and that's a little bit of a risk dilution when you do this local production, I think we are in a good shape for offering the farmers for next year the campaign that we planned.

So, the planned growth that we have for the corn business, an example, we have a double-digit growth combined price and volume is supported by the seed production that we have today.

Christian Faitz: Thank you.

Wolfgang Nickl: Thanks for your question on debt and refinancing as well. I think you are ballpark correct, in the next two or three years, we have significant bonds coming due, and hybrids coming due, and therefore also some refinancing to do, which, obviously, will depend on the free cash flows and so forth.

Don't nail me down on this, but if you assume, like, €7 billion refinancing between now and 2025, you can do the math very easily. Every 1% is €70 million, if we would have to refinance today, then taking the same tenures and the same mix, you would probably be talking 3% or something like that. But interest rates are easing a bit, and that would be then offset by the net financial debt that would be lower. So, net net it would be less than that. But that's probably a good orientation for you to work with.

Christian Faitz: Great. That's very helpful, Wolfgang and Rodrigo.

Wolfgang Nickl: Of course.

Werner Baumann: Thank you, Christian.

Heidi, I think we are back-to-back. We have another meeting coming up. So, we have time for one more question there, Heidi.

Operator: Of course. Thank you. Please stand by. The last question comes from the line of Vincent Andrews from Morgan Stanley. Please go ahead, your line is open.

Vincent Andrews (Morgan Stanley): Thank you for squeezing me in, I appreciate it. Rodrigo, just wondering if you could talk a little bit about the seed order book for the North American season, as we look into March here, where are you? Is it coming earlier than expected, on time, or so forth, and are you seeing any benefit from the fact that farmers have much lower fertiliser cost year-over-year and therefore still have actually even better farm economics this year versus last year in terms of what they can put towards the seed portfolio?

Rodrigo Santos: Well, Vincent, that's a great question. I was taking a look on that material last week from the USDA. So, basically, the farm economics for US this year is lower than last year, but is still above the 20-year average, right. So, that's a little bit like the farm economics of the farmer is still positive, so that's why we are considering a recovery on the corn acres. Last year, we had a -5 million. I'm sure you remember that one. So, there will be a recovery of corn area that we assume. How much will be that one, this is a little bit to be defined. But we are considering that one.

But also, when we look to our orders book, we see all the adoption of the high technology. That's a good indication as well that we are having a good season, Vincent.

But, again, should be another good year for the Northern hemisphere, as we see.

Vincent Andrews: Okay. Thanks very much.

Werner Baumann: Thank you, Vincent.

Okay. I think that was the last question. Thank you, everybody for participating today. Very much appreciate it. Talking soon. Thank you so much. Take care, everybody.

Operator: That concludes today's conference call. Thank you for participating. You may now disconnect. Speakers, please stand by.

[END OF TRANSCRIPT]

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