



Q1 2023 Investor Conference Call

Thursday, 11th May 2023

Introduction

Oliver Maier

Head of Investor Relations, Bayer

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Bayer's Investor and Analyst Conference Call on the First Quarter 2023 Results. Throughout today's quarter presentation, all participants will be in a listen-only mode. The presentation will be followed by a question-and-answer session. If any participant has difficulty hearing the conference, please press the star key followed by zero on your telephone for operator assistance.

I would now like to turn the conference over to Oliver Maier, Head of Investor Relations of Bayer AG. Please go ahead.

Introduction

Oliver Maier: Thank you very much, Operator.

Good afternoon, and thanks, everybody, for joining us today. I'd like to welcome all of you, to our first quarter 2023 conference call. With me on the call today is Werner Baumann, our CEO. And I have to excuse Wolfgang Nickl, our CFO as he got really sick yesterday, and he can't join us today. And so, we make Werner work really hard today because he has to read the whole part, and the businesses are represented by the responsible board members for the Q&A session.

Werner will begin today's call with framing the first quarter, and then he will comment on the drivers of our business performance as well as the outlook for 2023, before we open the Q&A session.

Disclaimer

As always, I'd like to start the call today by drawing your attention to the cautionary language that is included in our safe harbour statement, as well as in all the materials that have been distributed today.

And with that, I hand it over to you, Werner.

CEO Remarks

Werner Baumann

CEO, Bayer

Slow Start – Outlook Confirmed

All right, thank you, Oliver.

And good afternoon, ladies and gentlemen. It's my pleasure to welcome you to our quarter one conference call.

The first quarter came in soft in comparison to an outstanding prior year. Overall, this was largely anticipated due to the volatile glyphosate dynamics and a calendarization profile, with improving performance towards the second half of 2023. Setting the glyphosate dynamics aside for a moment, our remaining Crop Science portfolio performed very well. With 8%

currency and portfolio adjusted growth, we are fully on track. We achieved double-digit percent sales increases, particularly in Corn Seeds & Traits and fungicides [meant: insecticides]. For Pharmaceuticals, our launch assets continued their strong momentum. Nubeqa™ more than doubled sales again in quarter one and gained market share. Kerendia™ entered our top 15 products for the first time. We also see solid contributions from Eylea™ again. In our Consumer Health Division, we saw strong growth in the Allergy & Cold and Dermatology categories, partially offset by a consolidation in the Nutritional segment.

As shared already in our last conference call, the first quarter was impacted by foreseen transitional headwinds for our Pharma business in China. This was a) driven by the COVID-19 wave holding back sales across the portfolio; and b) the impact from volume-based procurement, particularly on Adalat™. We anticipate patient flow in China to recover throughout the year. We also continue to expect a general performance improvement in the second half of '23, as we expect to benefit from increasing contributions of our launch assets.

Now, the one key variable in our year-on-year performance relates to the expected decline in glyphosate-based herbicides. We've seen the generic reference pricing come down faster than anticipated in quarter one. We were able to almost fully compensate this by the solid performance in the remaining non-glyphosate portfolio for the quarter. We assume that the accelerated glyphosate normalisation continues for the remainder of the year. Overall, this leads to a more muted outlook on a divisional level for Crop Science. Despite the stronger decline in glyphosate-based herbicides and sustained inflationary pressure, we expect to protect our bottom line by continued active pricing management in the remaining portfolio and additional cost savings measures. At the Group level, our updated plan remains in line with the lower end of our guidance range.

Innovation Progress

Pharmaceuticals

Let's now come to our regular update on the innovation progress since our last call.

On our late-stage pipeline in Pharma, we've initiated a Phase III study, ARASTEP to investigate the efficacy of Nubeqa™ in patients with biochemical recurrence. Provided a successful study completion, this could make Nubeqa™ available also for prostate cancer patients in earlier stages of the disease. Meanwhile, we continue to broaden the use of Nubeqa™ in the metastatic hormone-sensitive prostate cancer setting throughout label expansions in various regions like Japan, the EU, and China.

Also, we are seeking approval of Eylea™ in 8 mg for the treatment of two major retinal diseases, neovascular, 'wet' age-related macular degeneration and diabetic macular edema in Japan. In order to potentially expand the use of Eylea™ 8 mg to patients with macular edema secondary to retinal vein occlusion, we've announced the initiation of the Phase III study QUASAR just yesterday. And finally, we are also very pleased to share with you that we continue to see strong patient recruitment dynamics in our asundexian Phase III OCEANIC program, beating all of our initial expectations.

Crop Science

In Crop Science, we have successfully launched the field trials for our Preceon Smart Corn System in the US on more than 30,000 acres, and with about 300 participating farmers. We

look forward to their feedback on this transformational corn production system, which brings together three components, our short stature corn hybrids, digital insights, and tailored support. Also in corn, our SmartStax PRO with RNAi technology for corn rootworm control is expected to surpass 1 million acres this season. For cotton, we have launched ThryvOn in the U.S., our first-ever trait for the control of piercing-sucking pests. All these technologies advance our parallel goals of producing more while using fewer resources, supporting sustainable food systems for growers.

Innovation events

I would like to close this part by reminding you of two of our planned innovation events, our Crop Science Innovation Summit on 20th June, and our Pharma R&D event on 28th June, that I highly recommend you to join.

Q1 2023 Business Drivers

Let me now come to quarter one and the drivers of our business, followed by the financial outlook for full year.

Group sales

Group sales came in at €14.4 billion, almost in line with a higher prior year. We saw faster normalisation in glyphosate market conditions as well as expected headwinds for our pharmaceutical products in China, which were almost compensated by a very solid performance in the remaining businesses. Our EBITDA before special items declined by 15% to €4.5 billion, largely because of the lower contributions from glyphosate-based herbicides compared to quarter one 2022, continued high levels of cost inflation, and ongoing investments in pharma innovation. Subsequently, the EBITDA margin before special items came in at 31.1%. Core earnings to share of €2.95 were slightly above market expectations for the quarter, but as expected below an exceptional prior year comparable of €3.53, mainly driven by the outlined business effects.

Core financial results

Our core financial results improved year-on-year due to higher interest income on money market funds, as well as positive fair value changes in plan asset and debt investments due to better performance of the capital markets. Core tax rate came in at 23.6%, in line with our full-year guidance.

Free cash flow

Our free cash flow amounted to €-4.1 billion in quarter one 2023 compared to minus 1.2 billion euros last year. The decline is driven by our litigation payouts for the previously announced PCB settlements, as well as lower division contributions. As you know, our quarterly cash profile, in particular in Crop Science, is very seasonal with the main inflows expected in the second half of the year.

Net debt

Our net financial debt increased to €36.1 billion by the end of the first quarter. This is also driven by the settlement payouts and the seasonality of our cash flow profile, which I just mentioned.

Crop Science

Our Crop Science division sales declined by 1% on a currency and portfolio adjusted basis compared to an outstanding prior year quarter. As you can see in the bridge, sales for glyphosate-based herbicides dropped by 50% or approximately €700 million in the first quarter. However, we were able to almost offset this decline, thanks to more than 8% sales growth in the remaining business. Here, we saw a more than 11% benefit from pricing offsetting a 3% decline from volume.

Corn Seeds & Traits had a very good start into the year, with sales growing by 16% on a currency and portfolio-adjusted basis. Growth came mainly from price increases in North America and EMEA. Higher volumes in the US from anticipated higher planted acres and share gains were offset by lower volumes in EMEA due to lower expected acreage in Ukraine, due to the ongoing war.

Our insecticide portfolio also grew with double digits, mainly driven by significant price and volume increases, due to the performance of our Movento™ product against sucking pests in EMEA.

Soybean Seeds & Traits posted a slight increase in sales, predominantly due to higher volumes in Brazil. In North America, however, lower volumes that were partly related to phasing to the prior quarter could not be entirely offset by higher pricing.

Looking at the bottom line, EBITDA before special items declined by 11% to €3.3 billion, mainly impacted by the decline in glyphosate-based herbicides. Furthermore, inflationary pressure on cost remains high, summing up to about €300 million in the first quarter. We were able to partially compensate these negative impacts by strong pricing in our remaining portfolio, contributions from our existing efficiency programmes, and a positive currency effect. As a result, EBITDA margin before special items came in at an industry-leading 39.1%, slightly ahead of our projected range of 36-38% for the quarter.

Pharmaceutical

For our Pharmaceutical business, net sales came in at €4.4 billion, representing a 3% currency and portfolio-adjusted decline over the prior year quarter. Quarterly performance was significantly impacted by a temporary weakness in China. For example, and similar to what other companies in pharma with a strong position in China were experiencing, January sales in this region nearly halved.

In particular, the COVID-19 outbreak at the beginning of the year led to a mid-double-digit sales decline in this region, affecting almost all parts of the portfolio, and Xarelto™ in particular. On top of that, we saw the expected pressure from volume-based procurement on Adalat™.

Our launch assets – on our launch assets, we benefited from strong growth in new prescriptions for Nubeqa™ and Kerendia™ in the United States. Nubeqa™ more than doubled sales again, compared to quarter one 2022 and continued to gain market share. In the U.S., Nubeqa™ is now the number two in second-generation ARIs for non-metastatic patients and about to become number two in metastatic patients as well.

Kerendia™ sales more than tripled in the first quarter, with continued U.S. market uptake and growing contributions also from markets outside of the US.

Regarding our strategic focus countries, we continue to build our U.S. presence. With divisional sales in the United States being up 6%, we clearly outperformed other geographies.

Moving on to market-leading Eylea™, we have seen continued volume growth across all regions that more than offset price declines in Europe. In addition, our market-leading Radiology business continued to contribute with higher volumes and price increases.

EBITDA before special items came in at €1.1 billion with a corresponding margin of 25.1%. This was driven by the lower top line product mix effect, and inflation headwinds. Furthermore, we accelerated our R&D investments into platform companies and our late-stage pipeline, which also is a consequence of the positive and strong patient recruitment dynamics for the Asundexian trial.

Consumer Health

Moving on to Consumer Health, we once again delivered solid growth. Net sales increased by 4% on a currency and portfolio-adjusted basis to €1.6 billion, on top of a high prior year comparable. In an environment of increasing price elasticity, temporary supply constraints, and sticky inflationary pressures, our active and targeted pricing management compensated for volume declines that we saw in the first quarter.

Innovation drove significant growth in our Allergy category of 16% with strong contributions from Astepro™. We also saw strong growth from our remaining Allergy portfolio.

We continued to successfully market our Bepanthen Derma product range, which supported our growth in dermatology.

Based on continued elevated incidence levels of cold and flu, cough and cold sales increased strongly by 16% on top of an extraordinary strong prior year. After three years of significant growth, our Nutritionals category declined by 10%. We are confident that the category will return to healthy growth for the full year.

EBITDA before special items came in as expected at €379 million and a margin of 24.1%. Contributions from our operational efficiency programmes and active pricing management compensated for margin pressure from high-cost inflation and supply constraints. At the same time, we maintained our substantial investments in innovation.

FY23 Guidance

Let's now look at our guidance for the full year.

The main change on a divisional level is in Crop Science, due to faster than expected decline in glyphosate market prices. We now expect glyphosate-based herbicide sales to decline by roughly €1.7 billion at the midpoint, compared to the previously indicated €900 million. However, we expect to accelerate the currency and portfolio adjusted growth in the remaining Crop Science business to approximately 10%, up from the previously mentioned 8%. Our outlook still assumes double-digit percentage sales growth in Corn, fungicides and insecticides, supported by the innovation we are moving into the market and strong pricing.

The quarterly development of the outlook is also significantly influenced by glyphosate-based herbicide sales strengths, with most of the expected downturn occurring in the first half of the year. As a result, we now anticipate divisional sales to decline in the second quarter, followed by a slight recovery in quarter three and a strong finish of the year, mostly in Latin America.

Overall, we now expect about 1.5% currency and portfolio-adjusted growth for the division in 2023. To counter incremental inflation and the glyphosate downside, we put additional cost savings measures in place. We now expect to see a total contribution of more than €500 million in savings and efficiency measures for Crop Science.

The EBITDA margin before special items is expected to come in at the lower end of our previous range, and that is approximately 25% now.

Our Pharmaceuticals and Consumer Health outlook remain unchanged. We reiterate our phasing assumptions that we shared previously. For pharmaceuticals, this translates into a first half of the year clearly below the second half of the year, both in terms of top and bottom line, as we are going to see the offsetting dynamics from our launch assets later in the year.

For the Group, we confirm our full-year guidance, albeit towards the lower end of the ranges provided for net sales, EBITDA before specialist items, and core earnings per share. Our net financial debt guidance is anticipated to come in at the higher end of the range we gave to you.

On FX, we updated our estimate for March closing rates. We would now expect a stronger headwind on top line of about €1.7 billion. Just to be very clear, for all other KPIs, we do not project a material impact from FX based on the rates we have currently for the remainder of '23 and beyond.

Before I close, please also note that we recently entered into a renewable energy certificate agreement, which secures long-term access to sustainable energy for Crop Science Soda Springs site in the U.S. This contract includes an embedded derivative, which we will start measuring at fair value from quarter two onwards.

And with that, let me hand it back to Oliver to start our Q&A.

Oliver Maier: Great. Thank you very much, Werner, for your overview. Before we begin, I would like to remind you to keep your questions to about two per person so that we are able to take as many questions from as many participants in the allotted time. In order to ensure good audio quality, as always, we kindly ask you to use a speaker or a landline instead of a headset or a cell phone. And with that, Operator, I think we can open up the line for questions.

Q&A

Operator: Thank you. Ladies and gentlemen, at this time, we will begin the question-and-answer session. If you have a question, please press star followed by one on your telephone. If you wish to cancel your question, please press star for by two. If you're using speaker equipment today, please lift the handset before making your selections. One moment for the first question, please.

And our first question is the line of Michael Leuchten from UBS. Please go ahead.

Michael Leuchten (UBS): Thank you. Two questions, please. One, on pharma. You made it very clear that January in particular was very weak, but I presume you knew that, when you set the guidance, back in February. Now the margin of 25% in the first quarter is quite a steep curve to get to your target for the full year, especially with the phasing that you reiterated with

H1 being significantly below H2. So, I was wondering if you could give us some colour on what the dynamics are that allow you to get to above 29% from the 25% margin in Q1.

And then a question for Rodrigo. Volume in Q1 was down quite meaningfully, yet you're making it very clear that the underlying performance is good, and that you're very confident in an even better performance of 10% underlying for the full year from 8% previously. Can you talk to phasing? Can you talk to sort of buying behaviour? What have you seen in March relative to February, maybe in buying behaviour, particularly on the crop protection side, that gives us a bit of colour on why you think we're going to see that improved momentum also on the volume side coming out of that soft spot in Q1? Thank you.

Werner Baumann: Thank you, Michael. Stefan, first. There you go.

Stefan Oelrich: Hi Michael, Stefan here. So, thanks for the question. Obviously, what we expect is a gradual improvement, sequential improvement over the quarter on the top line, that obviously then also improves margins. Please note that if – because we talked so much about China, that the first quarter was a little bit of a perfect storm there, with basically, January we were not having any significant business at all, plus VBP Adalat kicking in. So, some of these effects improve over the year. Actually, we should be back into growing territory in China in the fourth quarter. And when we look at the remainder of the business, we've been facing some, yeah, and continue to face some headwinds on Xarelto across the board. I guess that's the new normal for us. But we're compensating very nicely with our launches, and so we see gradual improvement across the quarters, but we also need to do continued tight cost management because this is obviously not an easy one to climb.

Werner Baumann: Rodrigo?

Rodrigo Santos: Yeah. So, that – thank you for your question. So, as you reinforce, right, we are guiding for 10% growth in our core business, and we saw 8% growth in our first quarter, mainly driven by price. And your question on volume, there are three or four elements that I want to highlight on the volume and why we're confident that we are going to see that.

Let me start with the important one, our fungicide business. When you think about the last quarter of last year, and the beginning of this year, we had some supply constraints. The good news is that we are going to be back on track with supply for the remaining of the year. And this is good because the main market for us, is in LATAM, where we have strong Q3 and Q4 that we're expecting to supply a good volume of fungicide into a growing market. So, that's our first element.

The second element of the volume specifically is that this year you see a little bit of a shift from Q1 to a later stage of the year from farmers' behaviour, and we saw a little bit of that in the market. So, we're going to see more of the volume. A good example of that, glyphosate, we're going to see higher volumes in the end of the year as well because of that behaviour.

Also, finally, there is an element of volume specifically on the first quarter, that is the Ukraine situation, right? Unfortunately, because of the war, you're going to see a reduction on area in corn in Ukraine. That also had an impact. But again, when I look to the core business, we had very significant growth in Corn Seed and Traits and insecticide. The fungicide is what I said will be mainly in the Q3 and Q4 and special impact in LATAM. And also, we are going to see a little bit of higher volume glyphosate in the end of the year. But thank you for your question.

Werner Baumann: Thanks, Rodrigo.

Operator: The next question is from the line of Richard Vosser from JP Morgan. Please go ahead.

Richard Vosser (JP Morgan): Hi, thanks for taking my questions. The first question, just coming back to glyphosate pricing. How should we think about the benefits that you gained on glyphosate pricing, in '21, reversing, potentially over the next 12-18 months? You know, if you look at the current generic glyphosate pricing, that's a sort of first-half '21 level. So, I get that you are at €2 billion now. That's the reversing of '22. But how should we think about those benefits on '21 over the next 12-18 months?

And then second question, just, I wondered if you could help us a little bit more on the dynamics of FX, and why there's an increasing headwind on the top line, but no appreciable headwind on EBITDA and core EPS? And sort of link to that if possible, just if you could give us an idea of the reported margin guidance by division, that would be really helpful. I think the margin guidance is CEL[?]. So, some idea of the reported margin guidance would be useful. Thanks very much.

Werner Baumann: All right. So, you want to start, Rodrigo?

Rodrigo Santos: Sure. Yeah, let me address the glyphosate question. So, with the adjustment that we just did right now on the guidance, we're basically recognising the price [meant: generic glyphosate reference price] as early 2021 as you refer, not as the second half of the '21 that we are starting to see a little bit of a higher price. So, we basically adjust all the positive impact of pricing that we had in 2022. Now, we have adjusted that on this guidance. So, basically, with the €1.7 million [meant: billion] adjustment that we just announced, there is a composition of pricing with a higher volume. So, just to give you a little bit of sense. So, we feel that with that adjustment that we did, we are reflecting what is the close to a historical pricing of glyphosate, and we feel that is the right place to be right now. But – thank you.

Werner Baumann: All right, Richard, then let me briefly cover FX. So, I reconfirmed what I said earlier, that in top line, you do have that €1.7 billion negative, and in bottom line, compared to what we gave you, it's neutral. That's a little bit counterintuitive. And the reason for that is that if we give you prior year FX, we also always include the prior year hedging that we experience on an as-if basis. That was €0.5 billion negative last year. So, that's being taken out and then offset by the negative FX that we really have on the bottom line this year, which means that the numbers that you have with the range, with the lower range is what you would see for 2023 and also going forward. Yeah, so there is no further erosion that would come from FX effects at current rates into the numbers, neither for '23, nor beyond, to be very clear on that.

In terms of margin guidance, you know, just let's say back of the envelope, you should assume no material change to the margin guidance for the full year. There may be, let's say a few tenths of percent margins up and down with division, but there's no material change to the margin guidance given.

Richard Vosser: Thanks very much. Super helpful.

Werner Baumann: Thank you, Richard.

Operator: The next question is from the line of James Quigley from Morgan Stanley. Please go ahead.

James Quigley: Thank you for taking my questions. I've got two please. So, the first one is on the crop science business and the incremental cost savings. Can you give us an idea of where these are going to come from, ideally per line item, and to what extent there could be some more cost savings in the tank? So, how lean is the organisation now, and where could it be, given that these things seem to come out of nowhere almost to rescue the margin?

And the second question is on – a product question on Pharma. So, this is the second quarter in a row we've seen Kogenate/Kovaltry haemophilia portfolio decline, Altuviiiio from Sanofi is launching. So, what are your views on the potential risks to the haemophilia franchise? Have you seen any impact against very early days, but have you seen any impact so far in the launch to that portfolio? Thank you.

Rodrigo Santos: So let me start with the savings in Crop Science that you mentioned. We continue to implement what we call our 'transform to win', right? So, one of the things that we did last year, and we announced some savings last year, and we are having more savings this year, is how we drive efficiency in the entire organisation, how we trade off some of the resources that we had, and this continues very much into this year. Plus, we add contingent savings to make sure that we compensate some of the downsides that we saw on the glyphosate. So, in terms of travel expenses, flexible expenses, how we optimise some of the work that we are doing using a lot of the tools that we are using today on virtual meetings and so on. So, the total savings that we were projecting is €500 million and is a composition of all of that – 'transform to win' initiatives, gaining efficiency on the organisation, some really OPEX savings with travel reductions that we have, some other tools that we have on the on the plan. But all in all, it's all actions that we are putting in place to help us with the year as we guide for the year as well.

Werner Baumann: Stefan?

Stefan Oelrich: Hi James. You were really hard to hear. So, what I heard you ask was the sequential development of our haemophilia business. So, I'm going to – I hope that was the right question. Can you quickly confirm?

James Quigley: So, it's the sequential development of your haemophilia business and a potential competition impact from BIVV001, Altuviiiio from Sanofi?

Stefan Oelrich: Yeah. So, what we do anticipate, first of all, when you look at our first quarter, we're comparing against the really good quarter last year. So, last year we had about 8% growth in the first quarter for haemophilia. And since, you know, we've had our Kogenate / Kovaltry switch in the US happening, that's obviously, there is some loss, as we switch patients over, but more or less in line with what we had expected. But you can expect a similar continuation of this business over the remainder of the year, quarter by quarter. So, it is an expression of the increased competition, yes. It's not just Sanofi, it's also other products, like from Roche, for example, that continue to have a strong impact on our business here. And, so nothing really surprising for us.

James Quigley (Morgan Stanley): Great, thank you.

Operator: The next question is from line of question five from the line of Christian Faitz from Kepler Cheuvreux. Please go ahead.

Christian Faitz (Kepler Cheuvreux): Yes, thank you. Good afternoon, everybody, two question please. First of all, I want to come back to Michael's question to the crop science volumes and in particular chemicals. Can you give us an assessment how much of the volume decline was weather related, any delay into Q2 as we had in both key regions of the Northern Hemisphere a significant delay of application?

And then second question for Werner with his CFO hat on, your interest expense was considerably lower both year on year, but also sequentially? How did you manage that in a rising interest rate environment and also with your debt position, particularly on the shorter term side having gone up at least per quarter and that's it from my side? All the best for Wolfgang by the way and obviously, Werner all the best for you and your post Bayer time.

Rodrigo Santos: So, Christian, so let me go here back on the volume and to provide a little bit of a more color to the volume that we discussed a little bit earlier. So, you have a good comment here about the weather, especially if you think about Argentina as an example, a very drought season that we have. And that has a little bit of an impact in terms of the usage of crop protection there. So, this is probably, Argentina is that the drought that we didn't see that in the last 60 years. So, you also had some weather elements here in US that delay a little bit of the part of the US in terms of the region of planting. So, that has an impact on the volume specifically of the flow of the first quarter.

I mentioned also a little bit about the fungicide; fungicides, is a specific one for us because of the supply constraints. And we see that recover in the end of the year as well. And also, if you think a little bit about our supply, also in glyphosate, we're going to see some recovery as well when you compare Q4 versus last year as well. So, that's the little bit of the flow that you have. But again, I just use your questions to reinforce that element. So we saw this growth of the core business by 8% in the first quarter. And that's why we are confident of delivering the 10% for the full year because you have elements of pricing that will help. I'll just give another example of pricing which we launched the campaigns in Brazil right now. Last time I was with you was about North America and Europe. We launched the prices in Brazil, soybean as an example, with our Intacta 2 Xtend expansion. We are at the mid-teens pricing increase, on the summer corn, pricing Brazil right now as well, we have a low double digit price increase, summing up with the volumes that I just mentioned, gives us the confidence for the full year of our 10% or double digit growth on the core business. That's a little bit of a very important element that we discussed a lot with you on the last earnings as well. So, thank you, Werner.

Christian Faitz (Kepler Cheuvreux): Thanks.

Werner Baumann: All right. Yeah. Thanks Rodrigo. Well, thanks Christian also for the good wishes. So, let me touch on the current financial result and I'll also give you a little bit of a glimpse of what's coming. I think that's also helpful in that context. So, first of all, we actually took on additional liquidity last year at very, very low interest rates in order to provide for some liquidity cushion with the Ukraine conflict starting. That is actually yielding a net positive interest rates result for us with low cost on one side and higher yields that you get out of that liquidity right now that is invested. Secondly, we also had support from some positive fair value

changes in our financial assets. Yeah, so that explains the positive financial results for the quarter.

Secondly, going forward, what should you expect from rising interest rates? Net of the debt reduction we expect through the end of 2024, there's about 7 billion that they have to refinance. So, on a full year basis 200 additional basis points would be somewhere in the area of 140 million of incremental cost offset by a reduction of 100 million interest with the 3 billion that you're going to retire. Yeah. So, that's by and large, neutral and since we're only refinancing some of the maturities that are going to come in later in 2023, and 2024, the first full year impact [audio breaks] 'or anything would not be seen prior to 2025. The remainder of our existing financial debt is at fixed rates. Okay. So, no –

Christian Faltz (Kepler Cheuvreux): Thank you very much Werner, very helpful.

Rodrigo Santos: Thank you Christian.

Operator: The next question is from the line of Kirsty Ross-Stewart from Citi. Please go ahead.

Kirsty Ross-Stewart: Hi there, Kirsty Ross-Stewart on for Pete Verdult from Citi. Just two questions, please. First, could you just provide a bit of a preview ahead of the pharma R&D Day in June? And in particular, if you're going to be in a position to share any new clinical data from the cell and gene therapy programmes you've got underway. And secondly, I know you mentioned strong patient recruitment in your prepared remarks regarding the OCEANIC program, but wondering if you can just provide a little bit more detail here. How quickly the trials are enrolling versus your expectations? And so far, what level of enrollment have you achieved? Thanks very much.

Stefan Oelrich: So, hi Pete. So thanks for the question. So, I hope you'll still come despite these questions, and you all come to our R&D Day. So, I shouldn't be telling you too much here. On our cell therapy trial in Parkinson's, we're planning to do the readout, unfortunately, in the second half of the year, so we're putting together the data right now. And then we need to present it and the right place to present it is not at an R&D Day, but in the right context. So, unfortunately, I will not be able to give you, but you should not interpret anything bad coming from that.

As to the OCEANIC trial in atrial fibrillation, we're recruiting ahead of schedule. I'm actually very, very pleased at how fast we're recruiting this trial. We had anticipated that we would have primary completion of the trial in the second half of '25. So, we're now running against the clock to beat that. That obviously would be great news. So, it's really progressing very nicely.

Kirsty Ross-Stewart: Thank you.

Operator: The next question is from the line of Sachin Jain from Bank of America. Please go ahead.

Joe Bowden (Bank of America): Hi, it's Joe Bowden, Bank of America, just on for Sachin, it's two questions on the R&D please, if I may. One, just wondered if you could give any color on phasing of R&D spend through the year, given it was cited as weighing down 1Q earnings.

And then secondly, just building on that, wondered if you have any sense of where R&D spend under Bill might go, given the substantial growth we've seen at Roche under his tenure. Thank you.

Stefan Oelrich: So, let me get started. We have in the first quarter about 20% R&D spend, so the reason obviously for that is you can't dial up and down when your sales in China go up unforeseen in an unforeseen way in a given quarter. So, as we expect to catch up on our sales guidance, that should also normalize throughout the quarters then our R&D spend, which is in the order of magnitude of 17% for the year.

And second part of the question, so in terms of where we are to go into the future, I think it's a little early to say, but I can tell you and we've been seeing this I think sometime back at the Capital Markets Day, we obviously aim to become a much more specialty type player, which should create headroom by improving our profile on both cost of goods and on marketing and sales expenses and that could be then partially either go to margin or to more innovation investments in the R&D line. That's at least the long term outlook.

Operator: The next question is from the line of Jo Walton from Credit Suisse. Please go ahead.

Jo Walton (Credit Suisse): Thank you. If I can ask a couple on pharma and one on Ag, so, in terms of Eylea, can you give us a little bit more detail about where you're getting the growth from and the level of price decline that you've had? Presumably, the price decline is associated with things like generic Lucentis, becoming available? So, where are you getting the net new growth from, as you haven't got the new indications through yet.

And on the Ag side, I wonder if you could tell us a little bit more about if there's some sort of clearing event or what we should look out for to give us a better sense on how you're going to close out the longer term litigation on glyphosate. We understand that you're not paying out the short term money as much as you might, because you're hoping that you might be able to get that reduced, so a little bit more of when we could look for some clarity on that, please. Thank you.

Stefan Oelrich: So hi, Jo thanks for the question. So, it's a mixed picture as always. If you look at this geographically, we're getting really nice numbers from out of Asia, across the board, including China here, because we're coming from a low base with Eylea, Latin America, Canada very good and Europe mixed picture, but mostly because of price decreases in the UK linked to a VPAS. But on a broader level, we're obviously continuing to benefit from a leadership position in terms of new patients and new starts and we believe we still have the gold standard in terms of data in this class and that shows in our results, so that's for Eylea.

Werner Baumann: Okay, on Ag, innovation, glyphosate replacement, Rodrigo?

Rodrigo Santos: I can mention a little bit about that and I'll pass as well, if you want to make any comment on the litigation, Werner that you mentioned. So on the innovation we continue to develop new herbicide molecules right? So, I think that – we just advanced it and we have trials this year with the new herbicide. We still don't have a commercial name for that. It is a new mode of action that we were not able, the industry has not been able to develop in the last 30 years. So we are very excited about this new mode of action. We should be able to launch in the end of the decade and I think that will be an interesting new herbicide in the market

broad spectrum. Again, we don't foresee today that it will replace glyphosate. It will be complementing glyphosate and I think that's important.

On the litigation, let me start and then Werner, you can talk a little bit about that as well. We are fully implementing our five-point plan. A very important element of that is the phase out of glyphosate out of the lawn garden market in U.S. not for safety reasons, but just to deal with the litigation. So, that's a very important element. Of course, we are very proud about the fact that we have the six wins in court as well and we are confident in our cases on that one and Werner, do you want to do any comments on the litigation as well?

Werner Baumann: Happy to do so and add a bit. So, as Rodrigo just mentioned, out of nine cases that went to trial, we have won six to date. There's one going on, the so-called Gordon trial that started on April 26. And that is evolving in line with our expectations. There's another one that was supposed to start with jury selection in Florida, actually, this week on May 8, that has been vacated indefinitely and postponed indefinitely, which is good news. There's other activities going on in line with what we told you with our five-point plan. One of them is of course trying to get one or another case to Supreme Court ruling. And Carson is in front of the 11th circuit. An oral argument is scheduled for June and then we would expect a decision out of that towards your Q4 or Q1/24 even though these dates are let's say fairly difficult to predict because there are no hard deadlines that the court would be working against. We have a few other routes to Supreme Court beyond the Carson case.

Other than that, for the ongoing litigation and the cases that are still outstanding, we are in discussions with plaintiff's lawyers, as you would expect. We are not going to settle for crazy amounts. And on top of that, as you know, we do have a claims administration program called on ready to start whenever we think that that would be the right thing to do. Last but not least, the website that we talked about is up and running. The new formulation was already covered by Rodrigo, and other than that here just to point that out, again, on the safety assessment, there hasn't been any new development that would put the safety and non-carcinogenicity of glyphosate in question in the last years. And that is, let's say a strong base for us to continue to defend ourselves in this litigation and also make some progress here.

Jo Walton: Thank you.

Operator: Next question is from the line of Andreas Heine from Stifel, please go ahead.

Andreas Heine (Stifel): It's actually a question both in soybean and corn. In corn you have seen very strong growth of plus 16%. Soybean less, only one, in soybean it was phasing, is the 16% in corn also phasing? So, will it be much less or does it reflect your gain, you probably have because you said prices are probably 10%, so the 16 would speak for 6% volume growth? That's my question.

Rodrigo Santos: Let me go there; let me use your question because I just want to frame a little bit, this one. I think that it's a great opportunity to force a little bit of the message. During last year – I'm a little bit over one year on the position here, last year we had a lot of debate about growing the core business and because of the growth of glyphosate, one of the key questions that I got from all of you was, how can we drive the growth of the core business in this year? So I'm glad you made that question because this reinforced a little bit. So corn, corn, we have different elements here; pricing, I mentioned a little bit of the pricing that we have in North America and EMEA, I just gave another number here today about the low double

digit price increase that we're doing the summer of Brazil, plus the volume. We have a volume growth in US because of the recovery of acreage from last year. That's an important element that we need to see. But also with the launch that we have like the SmartStax PRO that was mentioned by Werner with more than a million acres with the RNAi technology. And this is helping us in terms of driving share globally of corn. So we're very confident on that. There's an element of Q4 and Q1 that you said about volume that also impacts soybean, right? We had good sales and delivery in Q4 of soybean, a little bit less in Q1 in North America. Also considering that the area, the acreage in US will be flat in soybean. We have higher volumes in Brazil, reconfirming the performance of soybean in Latin America as well, that will be very helpful. And we are seeing as I mentioned to you some price increases of mid-teens for Intacta 2 Xtend in Brazil that is expanding right now.

So, those elements that you mentioned about corn and soybean just help me to confirm that all the innovation engine that we have and the new launches that we're bringing to the market. And a little bit like even we have more to come right? I just mentioned this year as well Werner gave you the number we have like 30,000 acres of trials with farmers with a short stature corn. And we are excited to see this is the highest demand technology that we've been seeing in the last year, so more to come in the next years. But I am very glad to see the performance of our core business reconfirming our engine and our leadership on the market. Thank you very much.

Werner Baumann: Maybe expanding on this, so what you see in the 16% in corn that has nothing to do with this phasing or anything. That is real growth can expect for the northern hemisphere in the first half as well.

Rodrigo Santos: Well, a lot of that is pricing. So, as you mentioned, let me see if I got your reflection here right. A lot of that is pricing. We have a higher volume in North America because of the acreage increasing in corn US, but you have a volume declining in Ukraine because of the war. So, the war in Ukraine probably this year we're going to see a reduction on the area of corn there. So, when you wash that one, a higher volume in North America lower volume in EMEA have because of the war in Ukraine, the main impact that you saw in the Q1 specifically is mainly driven by pricing.

Andreas Heine (Stifel): Okay. Thanks a lot. Very clear.

Werner Baumann: Thanks Andreas.

Operator: The next question is from the line of Laurent Favre from BNP, please go ahead.

Laurent Favre (BNP): Yes, good afternoon. My first question is for Rodrigo and simple on glyphosate. In your updated budget, what glyphosate EBITDA margin are you baking in compared to the divisional target of 25%? Is it well below? Is it broadly in line? So, that's the first question.

And then for Stefan on margins, can you help us understand how far from the 29% you think you would be in Q2, and I don't think I've heard you talk about contingency cost cutting, is this something that you're working on, should the sales recovery disappoint? Thank you.

Rodrigo Santos: So, let me start Laurent on the glyphosate. So, basically, glyphosate since last year, and you know a little on that one, we benefit from the peak of price last year. This year with this adjustment we brought to early levels of 21 as I mentioned before. As you know, glyphosate is not a high margin product it's a more commodity market. We know how to

operate that business because we're very lean. We have very few people managing glyphosate. We don't have a lot of programs on that one. We keep like that. We always keep it like that. We don't change that because we have a high turn. So, it's a lower margin, let me reinforce a little bit of the core margin that we have.

So, when you think about the guidance that we're saying here, 25% margin is still very high, higher than any of our competitors. We are leading in the industry in terms of the margin and I think that's a very important element. We closed very much higher than the competitors last year. We see the same for this year, also, in terms of cash flow is another element that we see a great performance compared to the market. But I'd say that glyphosate normally on the normal conditions is a low margin business. And we know how to manage that, to manage, taking the opportunities that we have on the high years, like we had last year, and also to manage with a very lean organization, cost effective to deal with this year that we have right now.

Again, I just want to use your question to reinforce one point. Of course, 60% of glyphosate is supplied by China. So, we don't control prices in the market, we're just reflecting here. This is the best estimate that we have today. We're going to continue watching and reacting. We are not considering that Chinese will sell below cost. But it's important to say that we have that management of glyphosate as I mentioned to you, let me go.

Stefan Oelrich: So thanks Laurent. So, as I said, we are looking at sequential improvement quarter by quarter. So don't expect us to jump over the 30% in the second quarter. So when I say sequential, it's sequential. And it should carry improvement, especially in the second half, when we see some of the negative effects on the top line wash out. So, that's where we stand.

Laurent Favre (BNP): Well, thank you, and about the cost-cutting, the contingency planning?

Stefan Oelrich: I didn't catch that? Our cost saving. Well, the truth is anything that's not customer facing, we're managing with a tight grip anyway. So, and of course, I keep reminding my organization to do that and we keep looking for that and if you understand that by cost contingencies, then yes, but that's our typical modus operandi.

Werner Baumann: Yeah Laurent, maybe I can complement it also with the perspective on the entire company. We are planning for roughly 700 to 800 million in cost savings and efficiency programs this year. That's up by about 200 million compared to the 500 to 600 that we gave as part of full year guidance in February. Okay?

Laurent Favre (BNP): Okay, thank you.

Werner Baumann: Thank you. I think Natalie we have time for two more.

Operator: Thank you. And the next question is from the line of Sebastian Bray from Berenberg, please go ahead.

Sebastian Bray (Berenberg): Hello, good afternoon. And thank you for taking my questions. I have two please both on agriculture. The first is just an update on number of cases. So, Werner I believe you've mentioned the last time a number was given, that roughly 150,000 glyphosate cases had been filed. Are we still at the stage where if that's the right number and of that, roughly 110,000 have been settled. That's my first question.

And the second one is just a question on soybean. I noticed that the statements around Bayer defending a leading market position in North American soybean haven't been reproduced as they were in 2022. Does Bayer still expect to be the number one in this market by the end of '23? Thank you.

Werner Baumann: Let me start with the first question before Rodrigo then addresses your second one. So, we have about 109,000 of a novo, 154,000 settled. In terms of speed of settlement, that's a function of plaintiff lawyers being reasonable with their request. So we are not in a hurry here to pay premium dollars to let's say, mediocre inventories of cases. And that's where we are. Yeah, so this will only make progress to the extent that we find reasonable and economically sensible and meaningful, otherwise, we are not going to settle cases. Rodrigo?

Rodrigo Santos: Yes. Soybean, Sebastian thank you on that one, so if you look to the closing of last year, as you mentioned, we were with a €2.5 billion, soybean business, the largest business in soybean, our second competitor is below to 2 billion. So, we are still leading soybean globally, for sure with a clear advantage in LatAm, the important market for us, well, with the launch of Intacta 2 Xtend, expanding for the penetration that we have with Intacta, and we are just preparing the launch of Intact 3 and Intacta 4 for the third and the fourth generation to come. In US we have a more equilibrium market with Xtend and the competitor platform. We are still the number one platform for the farmers. We see a lot of the germplasm [audio breaks]. Clearly what happened in the last years, Corteva was using Xtend, now they are using Enlist. So, they're shifting their own portfolio from one platform to another one. But we see more on the equilibrium market in U.S. and we are still leading that market and we continue to see that in the next few years as well with the new launches.

I mentioned the launches in Latin America, let me reinforce that in the coming years, we are going to launch HT4 in US, that is a really, really compelling platform for the farmers with five mode of actions in terms of weed control, that we believe that will be a very interesting technology for the farmers with a lot of flexibility. So, that thank you for your question as well Sebastian.

Sebastian Bray (Berenberg): That's helpful. Thank you and all the best Werner.

Operator: Our last question is from a line of Vincent Andrews from Morgan Stanley. Please go ahead.

Vincent Andrews (Morgan Stanley): Thank you for taking my question. Rodrigo, just wondering if you can put into context the current generic glyphosate price out there that you're pricing above, how much margin do you think that's still providing for the Chinese, for the generic producer and I'm just trying to get at your confidence that the pricing assumptions that you have baked into the back half of the year, don't have any negative wiggle room on them, if competition heats up or if volume is weak for weather reasons or whatever else.

Rodrigo Santos: Well, Vincent that's a hard question. We do some assessment of cost for China. We monitor a little bit of that, this is public information about pricing, exports and so on. It's hard; we consider that commodity prices today gives a very low margin for generics. And that's why I mentioned we are not foreseeing that they will go below. Well, this is again, we don't control, but we don't foresee that they will go below cost in the coming months or so. Again, very hard question to answer to you, what I feel is that we [meant: generic glyphosate reference price] are at the levels as you know, at the earliest 2021. I think that considering

the current inflation and cost, this is what we consider a low margin for the generics in China. And that's why we adjust what we did on the guidance here. We're going to continue watching that Vincent. It's very hard to predict what China will do. We are watching very close. We are adjusting our premium prices to the generics as you know. We are competing in the right market. We remain with the same strategy on lean, fast, agile and glyphosate reacting where we need. And hopefully, this will help us to secure the year for end of the year and a little bit of the volume plans that we have also for LatAm. Very hard to answer to your questions, but we believe that is a little bit of what I can share with you today.

Vincent Andrews (Morgan Stanley): Okay, thanks very much. I appreciate the answer and look forward to seeing everybody next month.

Rodrigo Santos: Thank you very much. I hope that all of you can make for the June 20 in New York. It will be really nice to give you a little bit of our view of the 10 year plans that we have for our innovation, our pipeline, and we are excited to share some more information with you on that event.

Operator: So, in the interest of time, we have to stop the Q&A session and I hand back to Oliver Maier for closing comments.

Oliver Maier: Great, thank you Natalie and thank you all for your time and attention today, greatly appreciate it. Nevertheless, I have a very special closing remark today because obviously you might all know, Werner, this is your last quarterly conference call today and I would like to thank you also on behalf of all the Bayer colleagues here for your experience, for your support and for your leadership and the years that we've worked together. So thank you very much and we wish you all the very best for any future endeavor, thank you so much.

Werner Baumann: Thank you, all the best to all on the call.

Operator: Ladies and gentlemen, this concludes the Q1 2023 Investor and Analysts Call of Bayer Ag. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]