



Q1 2024 Investor Call

Tuesday, 14th May 2024

Introduction

Jost Reinhard

Head of Investor Relations, Bayer

Introduction

Good afternoon, good morning to everybody. Thank you very much for joining our earnings call for the first quarter of 2024. Bill will start the presentations today with his perspective on our business development and the progress made towards our strategic objectives. Wolfgang will then speak in more detail to the group and divisional performances and comment on the full-year outlook. We will then have our Q&A session together with the presidents of our three divisions.

Disclaimer

Before starting, I would like to briefly draw your attention to the cautionary language included in our safe harbour statement.

And with that, over to you, Bill.

Business Update

Bill Anderson

Chief Executive Officer, Bayer

Business Update

On track to deliver the year

Thanks, Jost, and thanks to all of you for joining us today as we share our 2024 first quarter results. This call comes about 70 days after our comprehensive strategic update in March, so today I will be focusing my remarks on our performance, on the progress that we have made in each of the focus areas that we shared at Capital Markets Day, and on our priorities going forward, and I think that should leave us plenty of time to take questions.

So let me start with our Q1 financial performance. Our sales came in at €13.8 billion and in currency and portfolio-adjusted terms, which I will be using throughout my remarks, that puts us slightly below Q1 of last year. We posted core earnings per share of €2.82, also slightly below prior year. Finally, our free cash flow came in at -€2.6 billion. This is an improvement over Q1 of last year and is largely driven by lower litigation payouts.

Overall, this result is in line with our expectations, and we are reaffirming our 2024 outlook at constant currencies. Wolfgang is going to go through the financial performance in more detail in a few minutes, but I would like to share a few highlights and some headwinds that we saw in Q1.

Highlights

First on the highlights, in Crop Science, we outperformed all our peers in terms of sales trajectory in a very challenging market environment. Our global corn platform grew 2% despite declining acreage in North America and Latin America. This growth was bolstered by global

price increases, driven by the performance of the 240 new corn hybrids that we deployed last year.

In Pharmaceuticals, our launch medicines, Nubeqa and Kerendia, fuelled our top-line growth. Eylea also posted gains in all regions, and we registered the first sales of Eylea 8 mgs, following the initial approvals.

In Consumer Health, our dermatology category continued its impressive growth trajectory. A lot of that growth can be traced to innovation and geo-expansion. We are now taking that approach to our digestive health business as well.

I am encouraged by the great work that I see behind these efforts.

Headwinds

As you know, we also have some headwinds to manage. In Crop Science, we saw strong volumes in glyphosate, but lower prices hurt our profitability. In the division's core business, we saw lower crop protection volumes, particularly in Europe, Middle East, and Africa. In Pharmaceuticals, our team was actually able to manage a slight Xarelto sales increase in Q1, but we are seeing additional pressure from generics in some markets, like Canada. Finally, currency effects weighed on our profitability across all three divisions, particularly Consumer Health.

So, while we are certainly never satisfied with declines, given market dynamics, particularly in agriculture, I think we can say that our teams kept their eyes on the ball in Q1. I am proud of that, and I am confident in our ability to deliver this year.

Strategic Update

Progress on our top priorities

Beyond those results, a lot happened that did not immediately show up in our numbers. In March, I highlighted four areas that we are focused on to get Bayer back on track. Two months later, we have made progress in each area.

Growth and innovation

On growth and innovation, in Pharma, Elinzanetant has consistently delivered positive top-line results across all three late-stage trials. The first data from the OASIS programme will be presented at the annual ACOG meeting this Friday, and our preparations to obtain first market authorisations are running at full steam. Another highlight in the first quarter was the in-licencing of acoramidis from BridgeBio. This is an exciting opportunity for us, and we have started preparing ourselves to launch this very important medicine in 2025. Count on more updates from us as we approach the next milestones.

In Crop Science, we are building on our leading position. With all of the new innovation we bring to the market, including hundreds of new hybrids and seed varieties, as well as several new crop protection formulations, we were able to outperform our peers in the first quarter. Just recently, we signed an agreement with AlphaBio Control. This deal gives us exclusive rights to market the first-ever biological insecticide for arable crops.

And in Consumer Health, we introduced Iberogast to the United States last month. We acquired this trusted product in 2013 and have since scaled it to many countries in Europe and beyond.

I have even been a customer in the past. Now the tens of millions of Americans who experience occasional issues with their digestive health have the chance to benefit from Iberogast as well.

Litigation

Regarding litigation, about two weeks ago, a Washington State court decided in our favour by completely overturning a \$185 million verdict. That is an important win because of its potential implications, as the errors that the court identified are relevant for all of the Sky Valley Education Centre trials and verdicts. So, what happened in this case? First, the court threw out a substantial portion of the key plaintiffs' expert's testimony on exposure. That decision impacts both prior and future trials. The court's decision found that that testimony, I quote, 'Was unreliable, untested or junk science.' Second, the court found that the company was improperly prevented from making an important legal defence argument, a critical error that was repeated in many of the subsequent trials. Plaintiffs will probably appeal the decision. However, we feel strongly that the appellate court's decision on these two points is very much in line with the applicable law.

Now on glyphosate. Both inside and outside of the courtroom, this issue remains at the top of our agenda because it is bigger than just us. Threats to a sustainable supply of glyphosate have huge consequences for our operations, but also for US agriculture, for food prices and for our planet. Farmers across the United States realise this, and they are concerned. That is why more than 80 groups have joined the Modern Ag Alliance, a coalition who wants to see US agriculture regulated by science-based law, not the litigation industry. Simply put, we want lawmakers to hear the voice of the American farmer. Beyond that, we are looking at new ways to address this threat to our operations, carefully and urgently weighing the best way forward for US farmers, for US consumers, our employees and you.

Cash and deleveraging

Next, cash. Less than three weeks ago, at Bayer's Annual Stockholders Meeting, 99% of voters approved our dividend proposal. We appreciate your overwhelming endorsement of this tough measure. It will help us deleverage and address the financial health of the company. Beyond this decision, Wolfgang will highlight our improved focus on cash conversion in just a few minutes.

Dynamic shared ownership

Finally, let us talk about dynamic shared ownership. I will say more on the holistic impact on our businesses in the next slide. However, for now, I want to focus on the organisational changes we have made. Both our Crop Science and Pharmaceuticals teams have already announced the architecture of their new organisations. Julio just took over Consumer Health two weeks ago, and they are shaping their organisation with speed and focus. We are consolidating roles, we are designing teams for more impact, and we are taking out layers, many layers. Our senior leadership circle is already noticeably smaller than it was a year ago. In the first quarter alone, we have reduced 1500 roles. Approximately two thirds of these were management jobs. We have a target of €500 million of sustainable cost savings in 2024 and €2 billion in 2026. And we are focused on delivering. We will continue to report on this on a quarterly basis so that you are clear on how our organisation is progressing.

Our Transformation

Scaling at high speed

However, the most important measure of our impact will be much greater than an FTE number or a cost-saving target. Teams in every corner of Bayer are working in the new model. In both North America and Latin America, our two largest regions in Crop Science, all of our customer teams are now working in dynamic shared ownership. A significant portion of our manufacturing footprint is already fully operational in DSO, and they are moving at full speed to scale it across the whole network. All in all, this already sums up to more than 250 customer and product teams, just in Crop Science. These teams are taking ownership of their work in a completely new way, making faster and better decisions with the grower at the centre of their decision-making to advance our business and to innovate.

Our Pharmaceuticals division has more than 180 teams up and running, including the teams that are driving growth and market access behind launches like Nubeqa, Kerendia and Eylea 8 mgs.

And in Consumer Health, we have more than 90 teams activated all around the world. They are seeing improvements in decision-making, supply capacity and innovation delivery. We are moving at full speed. We have ten x-ed the number of customer and product teams in just five months, and by the end of the year we will have rolled out DSO to every part of Team Bayer.

Well, it has been an eventful start to the year at Bayer. There is a lot of change underway and that can be distracting for a large organisation, but I am daily inspired by our people's mission, commitment, and their drive to always deliver a better result. That is why I am convinced that there are plenty of wins in store for Bayer, both this year and in years to come. Those of you who follow the European soccer progress will know that the company is home to some pretty good role models when it comes to winning right now. Bayer Leverkusen has set the all-time record in any top European league for the most consecutive games without a loss and won the Bundesliga along the way. We are very proud of our colleagues at Bayer '04. Their success shows it: the right team, the right system and a lot of focus and hard work pays off with time, and we are happy to lean on their example as we focus on steering Bayer to a consistent winning performance one quarter at a time.

Going Forward

What we are focused on

In that spirit, before handing over to Wolfgang, let me leave you with some priorities that will shape the next months at Bayer.

On the innovation front, you can expect some progress out of our pipelines and our products in launch phase. Our Pharmaceuticals team expects to have readouts of Kerendia's first Phase III study in heart failure and Nubeqa's ARANOTE trial very soon.

Our Crop Science team is partnering with US Farmers on the commercial introduction of our Preceon Smart Corn System, featuring short stature corn, a true game changer with the opportunity to reach more than 220 million acres globally. By the way, 220 million acres is like France plus Germany combined. It is going to be a tremendous impact. The experience that we gain here is very relevant for the broad scale launch of the biotech version of this technology we anticipate that in 2027. And our Consumer Health team has a focus on increasing launch

effectiveness, to get the most out of the science like Iberogast we're bringing to the consumer market.

Beyond what you see on the slide, we continue to execute on our priorities.

A small group of people and myself continue to evaluate our options on the litigation front. We maintain a strong focus on cash generation, hitting our targets, and realizing our longer-term ambitions. Finally, we have all hands on deck in implementing Dynamic Shared Ownership across all of Team Bayer.

Thank you very much. I look forward to your questions later. Now, over to Wolfgang for more on our performance.

Financial Results

Wolfgang Nickl

Chief Financial Officer, Bayer

Thank you, Bill, and hello also from my side. I'd like to provide a bit more color on the drivers of our first quarter results.

Q1 2024

In line with expectations

Our financial results came in largely as expected.

On a currency and portfolio adjusted basis, Q1 sales were slightly below the prior year, down 1%. As reported, however, we saw a 4% decline, driven by about €500 million in foreign exchange headwinds.

On earnings, our EBITDA before special items came in at €4.4 billion which is 1% or about 60 million euros below the prior year quarter. We saw two major effects that largely compensated each other. A decline in Crop Science profitability, which is largely a function of lower glyphosate pricing, and a positive reconciliation result driven by lower long-term incentive provisions. We also saw about €200 million of FX headwinds in our EBITDA before special items.

Core earnings per share of €2.82 cents were 13 cents or 4% below the prior year period, mainly impacted by higher interest payments and FX effects in the core financial result. The core financial result is in line with our modelling assumptions of around -€2.3 billion for the full year.

Our free cash flow came in at -€2.6 billion. In line with the crop business cycle, we saw a negative cash flow in the first quarter; however, it improved €1.5 billion compared to last year. This was mainly driven by lower litigation-related payouts for PCB and additionally, the organisation is laser-focused on improving earnings conversion into cash and actively managing the working capital of the company. Our Q1 free cash flow includes positive results from our inventory initiatives already.

Net financial debt increased to €37.5 billion by the end of Q1, in line with the seasonality of our cash flow profile. The debt level was also impacted by the appreciation of the US dollar.

As introduced at the Capital Markets Day, you will find additional information on reported earnings on cash flow and divisional cost lines in the appendix to this presentation.

Crop Science

Expected decline in EMEA crop protection partially compensated by strong pricing in Corn.

Let us now pivot and look at the divisional performance. When I talk about sales growth, I refer to currency and portfolio adjusted figures.

Crop Science sales came in at €7.9 billion in the first quarter, down 3% versus the prior year. Our core business declined by 3%, which includes different effects. Adverse weather condition delayed crop protection purchases, and competitive pricing pressures weighed on our fungicides and other herbicide sales volumes in EMEA. However, we were able to mitigate some of this by the growth in our corn business, which saw 6% average global price increases despite headwinds from declining acres in both Latin and North America.

Our glyphosate business recorded a 6% sales decline on the back of lower year-over-year prices, as anticipated. This was nearly offset by a strong volume recovery compared to the prior year quarter.

In terms of profitability, EBITDA before special items came in at €2.8 billion and a margin of 36%. The decline versus the prior year was primarily driven by lower prices for our glyphosate-based herbicides. In addition, negative currency effects of approximately €90 million and continued inflationary pressures were recorded.

Pharmaceuticals

Growth led by launch assets, Eylea and Radiology

Let us now move on to our Pharmaceuticals business.

The division generated sales growth of 4%, with volumes up 3% and prices up 1%. Once again, our launch assets performed particularly strongly. Additionally, the continued robust development of Eylea and the radiology business helped to more than offset headwinds in parts of our mature portfolio.

Nubeqa maintained its growth momentum with gains in all regions, and we are on a good path to treat 70,000 patients and exceed €1 billion in total sales this year. We also recorded significant gains with Kerendia, mainly driven by substantially higher volumes in the United States and in China.

Our Eylea franchise continued to grow solidly, thanks to higher volumes and prices. As Bill said earlier, Eylea 8 mg generated first sales in Q1 following first approvals in Europe and other countries earlier this year.

Xarelto patent rulings

Turning to Xarelto, we registered a slight sales increase following a weak prior-year quarter. As expected, the expiration of the compound patent in additional markets such as Canada, end of last year, triggered generic launches. In Europe, we saw a mixed bag of patent dispute outcomes. Xarelto's once-daily patent was confirmed in countries like the Netherlands. In Germany and other European countries, we have seen preliminary injunctions against generic manufacturers. However, we also experienced some setbacks in first instance rulings in the UK and also in France, and we will appeal those. We will continue to take vigorous action against

any infringement of the European once-daily intake patent until its expiry. Our full-year guidance on Xarelto remains intact, as we have taken a risk-adjusted approach.

Moving to the bottom line, EBITDA before special items increased by 8% to €1.2 billion in Q1. While R&D investments in early-stage clinical development increased, cost for projects in advanced clinical development, such as asundexian's Phase III OCEANIC programme, came down. In addition, we shifted funding from our mature portfolio to growth investments into our launch products. For the Pharma margin, foreign exchange currencies had a negative impact of about 140 basis points.

Consumer Health

Expected slow start into the year following strong Q4 and a mild winter season

Moving on to Consumer Health, here, sales declined by 2% compared to prior year levels. The main reason for that was a 17% decline in our allergy and cold business, which could only be partially compensated by the performance of the other categories.

The strength of our brands and innovation enabled us to actively manage prices and balance impacts from price elasticity. However, retailers in the United States continued to optimise their inventory across the industry, leading to declines in volumes. On top of this, we have also been experiencing a very mild cold and flu season. On the positive side, as we further improve supply and availability of key products and start rolling out consumer-benefiting innovations such as Iberogast in the United States, we will compensate trends seen last quarter.

EBITDA before special items came in as expected at €331 million and a margin of 23.1%. Currency effects of €46 million had a negative impact. Thanks to continuous focus on cost and price management, we were largely able to offset the decline in sales and inflation-driven rising costs and higher investments in marketing our innovative products.

FY 2024 Outlook

Now, let me now look at the outlook. Based on our latest forecasts, we reaffirm our full-year outlook at constant currencies.

Crop Science

In Crop Science, we are still well-positioned to deliver a fourth consecutive year of growth in our core business and remain within the range as we guided. The key vectors we anticipate for our core business are higher crop protection volumes and pricing in corn, the latter despite lower planted acres, as I mentioned before. For glyphosate, we expect lower pricing partially mitigated by volume recovery.

Pharmaceuticals

In Pharmaceuticals, we are still expecting headwinds on Xarelto to increase throughout the year, likely resulting in year-on-year sales declines of the division for the next three quarters to come. With the first quarter result, we feel comfortable to deliver on the division's full-year guidance for 2024.

Consumer Health

For Consumer Health, we continue to further improve the supply situation and also focus on driving consumption. In addition, we are launching new innovation to the market. With that, we plan to return to growth again in Q2 and to accelerate growth in the second half of the year.

Updated FX estimates

As you can see on the right-hand side of this slide, we have updated our FX estimates based on March-end spot rates. Compared to December-end spot rates, we have seen an appreciation in the US dollar. While this positively impacts our topline, it has a proportionately higher negative effect on our cost positions. Furthermore, and as discussed on many occasions, the portion of our debt denominated in US dollars will see a negative translation impact. At the same time, we have seen depreciation in other currencies like the Argentinian Peso, the Turkish Lira and also the Japanese Yen, for instance. The current FX estimates consider these latest developments.

Sales growth as reported remains in the range provided due to offsetting dynamics in the currency basket. At the same time, we now see an increased headwind on EBITDA before special items of minus four percentage points compared to about minus three percentage points previously. This then also translates down to approximately minus 30 cents FX effect in core earnings per share. We also updated our FX estimates on free cash flow to approximately minus €300 million and net financial debt to about €500 million. Other modelling considerations remain as previously guided, as you can see in the appendix to this presentation.

And with that, I would like to close our prepared remarks, and Jost, I hand it back over to you to guide us through the Q&A, please.

Q&A

Jost Reinhard: Thank you very much, Bill and Wolfgang for the presentations. We will now start the Q&A session to which I also invite Rodrigo, Stefan and Julio, who join us via video today.

Before we begin just a few housekeeping comments: [...]

Emily Field (Barclays): Hi, thanks for taking my questions. I will just ask two. A first one just on Xarelto. I was wondering if you could maybe just provide a little bit more colour on the regional performance. Was some of the growth here volume gains in China following the weaker quarter in the prior year period? And I believe you referenced some setbacks in France and the US. If you could clarify what that was and if that would have impacted the guidance negatively relative to what was issued at full year?

And then secondly, I know you mentioned that free cash flow in the quarter benefited from the timing of litigation payments. Was this the primary driver in terms of not raising that guidance for the full year? Because it did come in quite strong relative to our expectations. So perhaps just some thoughts on free cash flow phasing for the year. Thank you.

Stefan Oelrich: Thanks, Emily. Yes, we have quite a mixed bag on Xarelto overall. Let me first start by saying that we are actually quite pleased that Xarelto still overall showed some growth in the first quarter. And what we had anticipated that we would see at-risk launches in some parts of the world and that is partially materialising. We are, of course, defending vigorously our intellectual property around the world, and we think that we will ultimately prevail. However, we have seen some adverse court decisions in our disfavour, namely in France, where generics have now entered the market at risk. We are appealing the situation, and we will have a verdict on this somewhere in the second half of the year. And then we have also some adversity on

maintaining validity of our patent in first instance potentially in some Eastern European countries.

But all in all, Xarelto is actually quite solid over the first quarter. And that includes, by the way, France, where the hit is starting, as one would expect, post LoE of the NC patent. So, stay tuned. Giving you much more colour is really hard at this point because we will have to basically wait until the dust settles a little bit at the end of Q2, and I think then we can give a better outlook on what the year is going to look like for Xarelto. However, I think it is all well covered within our overall guidance for Pharma.

Wolfgang Nickl: Hey Emily, this is Wolfgang. Let me cover your free cash flow question. You are right, last year in Q1, the free cash flow was significantly negative, -€4.1 billion. This year it was less negative at €2.6 billion. So, it is a significant difference. Mind you, the majority of this comes from fewer settlement payouts. Last year we had big PCB payouts, which we did not have this year, so we obviously knew that before we went in the quarter, so that was included in our assumptions.

Operationally, we did probably a bit better. I mentioned that some of the working capital initiatives are already paying off, in particular on inventory. That is what we saw in Q1. It is too early, though, to make any adjustments on free cash flow. You see, we have given ourselves a pretty wide range for the year. We have also some adverse effects on FX, but we are certainly happy with how we started into the year, and it remains a major focus item to help with the net financial debt position.

Vincent Andrews (Morgan Stanley): Thank you and good morning, everyone. Rodrigo, wondering if you could talk to us a little bit about how the spring season is playing out in the United States. It looks like you did get positive pricing in corn. Maybe you could talk a little bit about that. However, then also in soybeans it looks like sales are flat, but in the slides, it seems like the US is down a bit. Is that a function of lower volume? And do you think your volume is going to be down in soy for the full season, despite potentially higher soybean acres?

Rodrigo Santos: So, thank you very much for the question and good morning from the US here. I appreciate the opportunity to share a little bit more about Crop Science. Let me just say, before I specifically address your question, I think that we are very confident that we are going to have the fourth consecutive year of growth of the core businesses, as Wolfgang said. And that is very important for us. And as we said on the Capital Market Day, 70 days ago, also, when we already planned this year to have a more moderate year than versus last year, we came from 10% growth, 6%, 7%, and we guide from 1% to 4% on the core, driven by the corn price gain that we had, but also our crop protection volume.

Specifically, to your question, what we are seeing in the US, we are seeing lower corn planted acres as we planned and higher soybean. A very important element of Q1. We are in the middle of the season in US. We did not anticipate any sales from Q2 to Q1. I saw some of our competitors reporting that. We do not have an anticipation. Just to give you a concrete example, our soybean sales in US in April right now is very high. And so, we are confident on the plans that we have for the year when we have the corn growth that we are planning, but also the soybean. Soybean, we came from last year with a 6% growth, we have the leading position with €2.6 billion. Our second company in the market is €1.8 billion, came with 3%. We talk

about equilibrium in the market in the US specifically, and that is what we are seeing also on the order book.

In the middle of the season in the US, we are confident that we are going to have our plans executed, as you heard from Bill and Wolfgang as well. However, early start of the year, still a lot of work to do this year, not only for North America, as you asked, but also EMEA, and especially on the second part of the year for Latin American and Asia. However, the plans are in place, and we are confident of what we have for the year. Thank you.

Pete Verdult (Citigroup): Yes, thank you. Pete Verdult, Citi. Two questions. Stefan, for you, just on the key growth drivers, Nubeqa, Kerendia and acoramidis. FINEARTS and ARANOTE coming in the second half, acoramidis deal signed just around your CMD, could I push you to remind us of the ballpark contribution to Bayer's €3 billion-plus peak sales guidance for Kerendia and Nubeqa that FINEARTS and ARANOTE might be giving you? I know you cannot give an exact number, but ballpark will be helpful. And then also what you think you can do with acoramidis in Europe?

And then just very quickly, for Rodrigo, just building on from the previous question, apart from weather, what are the key swing factors for Crop for the remainder of the year? And you spent the last few quarters being very clear that unlike your peers, you were not suffering from destocking in the channels, and that has now been called out. So, what has changed to make Bayer now call that out as a dynamic to consider for the business? Thank you.

Stefan Oelrich: Hi, Pete. Thanks for the question. As you already anticipated, this is going to be hard to give you more than a ballpark here on this one. Nubeqa, obviously, we are super pleased. When you take the first quarter, we broke, on a 12-month basis, €1 billion. So, this is now a true blockbuster in its own right. So that is going along as good or better than expected. We are seeing with ARANOTE more completion on our data set. We are missing in the middle for the metastatic setting in Nubeqa only, so without chemotherapy, and we think that really fills an important gap. I know that there are some people out there that are assuming that this will work, but we will have to confirm it. So, it is all in the data and that will be a key piece on our road to peak sales for Nubeqa.

On Kerendia, I have said it in previous quarters, I think we have all been a little underwhelmed with the development of the renal market in itself, and we have been disproportionately benefiting when the market was going up, and we have seen this come to a more stabilising marketplace. So, this is definitely not progressing at the speed that we had wished for. However, we see that with a heart failure opportunity, which plays right down to the mode of action of an MRA, that we think that we really have a crucial benefit to offer, always provided that the data plays out, and that will ultimately also allow us to get to peak sales.

For acoramidis, we have not guided yet. So, give me a little bit of time on this. However, I am looking at data which looks super promising if I compare it to competition, and competition is now in Europe alone north of €1 billion in sales, growing fast. So, I think we are really coming into this race just at the right time with a very competitive asset and a very competitive commercial footprint. So, this is something that I am really looking forward to, to give you more detail as we go along.

Rodrigo Santos: And let me address the question on Crop Science. And when we plan for the year, of course there is the impact of the weather that you very well lay out, like what we saw

in EMEA, especially at the beginning of the year, that is delaying a little bit of the season, and what we are seeing now in the south of Brazil, of course, that is a significant impact also for the farmers there. However, also when we thought about this year, and USDA just reported last week, so we are going to see this year farmers getting a lower promoted price payout versus previous year. So that is why we saw a moderation for the year. Again, still the prices are higher than the ten-year average, but it is a moderation versus the last two years that we saw in the market. So that is what we planned for, for the full year. And that is why, again, the operational excellence that you mentioned on how we manage our inventory in the channel is helping us to deliver another growth at the core.

We are going to see already in Q2, we are planning for low-single-digit growth in Q2, and we have the growth also planned for the south hemisphere on the second half of the year, driven by the crop protection volumes. Again, we did not have any major impact of what you heard from the market. And you mentioned also the destocking from our competitors and also our core business in corn and soy comes in Latin America in the second half of the year as well. That will help on the plan for the year.

So, it is a more moderate year. We are watching close. That requires a lot of diligent execution this year. We are watching of course the weather events that is happening right now. A very dynamic market is typical of Crop Science. We are still watching very closely, what is happening in the south of Brazil and again in EMEA on the April-May sales will be an important execution as well. However, I just want to reinforce what you said. I am proud about the execution of our organisation on the operational excellence, on how we are managing our business, our core business with the sales in the market. Thank you for the question.

Richard Vossler (JP Morgan): Thanks for taking my questions. Maybe I could just pick up on those comments, Rodrigo, on low-single-digit growth in terms of the crop business for Q2. Just thinking about herbicides outside of glyphosate, quite a weak performance in Q1, talking about delayed decision-making. Should we expect recovery in Q2? Because you have quite an easy comp last year. So just the low-single-digit seems a little bit, maybe, conservative. Then fungicides as well. A recovery in sales in Q2. Weak Q1. Should we get a catch-up in Q2 would be a question? So those two questions.

And then maybe if I can, if they count as one, maybe one on reconciliation because it is a little bit dull. Just about the guidance, you have the long-term incentive plan adjustments in Q1, but why not take the €500 million cost lower for the rest of the year? Thanks.

Rodrigo Santos: Let me go, and then I will pass to you, Wolfgang, I guess. Just to address your question, I think the key element of Q2 will depend on EMEA. So EMEA, in Europe, we saw this delay of the season because of the weather event impacting specifically what you said, the herbicides and also the fungicide market, excluding glyphosate. So, we are seeing April, and we are going to continue to watch Q2. We feel this is the right plan that we have in place right now. We do expect for the full year, not only EMEA, but the rest of the globe as well, we expect higher volumes of our crop protection business. We have been well disciplined on managing our inventory on the channel, and we have a good opportunity for the second half of the year as well. And we are going to see specifically about EMEA, how it will turn on Q2. So that is why we feel confident about our guidance of 1% to 4% growth at the core for the year, and we are going to continue to execute on that one. So that is important.

You just mentioned but allow me just to elaborate on the glyphosate that I think is important as well. We had a Q1 versus Q1 last year comparison in terms of pricing. We do not expect that for Q2, Q3 and Q4. I think we had a good guidance for glyphosate for this year. We do expect some volume growth for glyphosate on Q2, comparing to the last year as well. This will play on the dynamics that we are planning for the second quarter and the full year. Thank you.

Wolfgang?

Wolfgang Nickl: Richard, let me cover on the reconciliation, and probably it is best for everybody on the call to clarify what is all going in there. So, the reconciliation consists of cost elements that are just not reasonable to allocate to central cost, for instance, first. Secondly, it includes some of very, very small businesses that are not really material for the overall company. And certainly, it has technical effects that we record there because it would be very complicated or would blur the picture for the divisions.

The latter two are where we see the impact in Q1. We guided for all of reconciliation for minus €500 million for the year. One could assume -€125 million per quarter. And your question is perfectly fair. If we are at +€38 million in the first quarter, why does not that translate through the whole year? The impact came from the two items that I mentioned, LTI and other technical effects. The LTI is highly driven by the share price, amongst others. And when we ended the quarter last quarter, it was at €25 or so. We hope that it is not there at the end of the year. It is certainly not there today. So that is the only cost pickup that I really like if it is driven by a share price.

The second element relates to some hedging and hyperinflation accounting items that concern, for instance, Argentina, that are time-delayed and do not reflect on one or the other division. And also, there we have a very highly volatile Argentinian Peso. In short words, it is too early to call it for the year. We like the start of the year, in particular in the hyperinflation piece. And we will just go for a little bit longer and then reassess it in Q3, and we will give you an update once we feel it is solidified. I hope this helps you, despite the little bit longer answer.

Joel Jackson (BMO Capital Markets): A couple of questions I will ask one by one. Maybe first, high-level, can you give us some ideas of now that you are really moving on the DSO, the new operating model, what has been a low-hanging fruit, what has been the easiest to implement? What have you learned that may be the most challenging? Maybe give us some lessons learned so far early in the process would be helpful.

Bill Anderson: Yes, interesting question, and I will invite my colleagues to offer any insights they have. I think, you know, we saw a few things that we said, we just know that we can do better, that were sort of simple. For instance, we were doing things like operational audits, and we just said, we do not do that. A number of us have worked most of our careers in companies that have never heard of such a thing. Like having a department that is going in and checking whether other departments are doing their job right, which is different than an audit for fraud or compliance. And so, things like that. We had a large strategy group, and we said, we think in our new model, strategy is the job of everyone in the company. If you are supporting a customer, the strategy with the customer is your job. If you are developing products, that is your job. We do not need a separate department doing that. So, there were a few things like that. I think probably maybe some of the other stories I would turn to our colleagues. Anybody, I am looking at the division heads, what low-hanging fruit have you guys seen?

Rodrigo Santos: I can start here, Bill. So that is a great question because we just talked a lot about that in the Capital Market Day, 70 days. We are on the full execution, that is my key message here. So, in Crop Science, we architect the operation model that really applies for that. It is highly focused on the product teams and the customer-facing teams. You heard before, we are just now implementing all the customer teams in the Americas, and we are moving out to EMEA and Asia on Q2. By Q3, we are going to have more than 450 customer-facing squads operating with our farmers. We are going to have our product supply, R&D organisation, and a significant part of our enabling functions as well. So, we are in the full execution of that.

I think one of the key aspects that I would say, I would like to highlight as you asked about lessons learned, is how we are very focused on how we get more customer-facing time, more quality service to our customers and more innovation. If you take the R&D design, it was highly focused on freeing up resources and highly delivering more innovation to our organisation. So, execution mode right now, a lot of work, and you are going to hear much more in 90 days from now, I am sure.

But, Stefan, I will pass the ball to you.

Stefan Oelrich: Yes, thanks, Rodrigo. So just to piggyback on that a little bit, I think what we have seen, Joe, and this is not exactly your question but maybe answers it to some degree, I think we have all been surprised by the speed and the enthusiasm that comes with the implementation of the system. Because going after a much more customer and product-centric organisation model is something that resonates easily with a lot of the folks inside of the company. And so, in our customer-facing units in Pharma where we have implemented, like in the US, I think we have seen that there were no big obstacles in implementation. And truth be told, in Pharma you typically do field force realignments on a periodical basis. So that is not holding us back. It is the way how we do things with faster decision-making, with delegating decision-making power more to the customer-facing unit itself. So, I think that is going well. In other countries where it is maybe going a little slower, that has to do with local regulations that require a lot of consultation before we implement. However, again, nothing out of the ordinary.

I think where the bigger change comes is in how we organise and structure our global units, where we now what we call tilt the pyramid and move from a very functionally driven hierarchy to a more product-centric organisation. For Pharma, this means we are building dozens of speedboats. And we are using a little bit our biotech acquisitions that we kept at arm's length and that we ran quite independently. We are using them as blueprints to run this into our large products and our large priorities, but also the smaller ones in development or let us say the foundational products and run them really like micro enterprises. I think that is something that I am really curious to see if it will translate into picking up speed, into creating this ownership.

And ownership comes with two sides of that coin, more freedom to act, but also more responsibility and accountability for results. So, something that I can see a lot of excitement around, but also some disruption because it brings change to our organisation.

Julio Triana: Stefan, maybe, and the guys, if I can just add one example from Consumer Health. So basically, along the lines of what my colleagues mentioned, in Consumer Health, we to date have launched about 90 teams, between customer teams and product teams across the world. Let me just highlight an example we have in ASEAN. In this region, we are very indexed in Nutritionals, so a large part of our portfolios is in Nutritionals. And the team wanted to see if

they could diversify and be able to bring some of the other brands, we have that are being successful in other parts of the world into ASEAN. So, we allowed the team to take a look at what are the options locally, and what they came up with actually was that negotiating with a local contract manufacturing operation, they were able to reduce the amount of launching cosmetic products like Bepanthen and also Claritin. They brought this down from 36 months to about nine months. Now the power of that is not only what happened in ASEAN, but the scalability that we can do with these type of approaches across the world. Just to give you another example of how we are leveraging DSO. Hope that helps.

Bill Anderson: Thanks, guys. You asked what is hardest, and I would say one of the things, well, maybe two examples of things that take a little more effort. So, with some of our enabling functions, it is very hard to redesign the enabling function until you know what the architecture is of the business that you are trying to support. So, we have people that are raring to go, and they are really excited to do it, but we need a little more information from the businesses as to what exactly is going to be the best way to support their new architecture. So that would be one example.

Another example is the setup we are going with, it requires, for example, a lot of peer feedback and peer evaluation. Because if you are moving from, say, a span of control of five, six, seven to what we call span of coaching, which can be up to one manager for 20 or even 30 people, then you cannot do things the old way. It cannot be that the manager is writing performance assessments for 30 people. I mean, that breaks down. And so, you actually need systems to collect data from peers and to provide summaries and things like that. And so, we are working towards that. However, you do not create a system like that for a company with close to 100,000 people in weeks, that takes a little longer. So those are examples of some of the things that are a little more work.

Joel Jackson: Okay, thank you. I will ask my second question. This is probably for Rodrigo. From the outside, it looks like it has been very quiet on Dicamba after what happened a few months ago. Maybe you can share what you think is happening. So, what kind of discussions are you having? What is the path forward to try to get Dicamba back to normal for next year? And then all this is going on, you have your strategy. What kind of seeds do you grow with what traits, and how do you have your contract growers? Where do they grow? And have you changed anything, looking forward into this year's growing season for next year's sales? Like, maybe tell us what is going on internally and externally, that can get this sort of back to normal, whatever that means.

Rodrigo Santos: That is an important one. Thank you very much for making that question. Quiet externally, a lot of work internally. I would say we are working a lot with the EPA. We submitted a new herbicide. It is now public that we are requesting the approval for the new herbicide that has pre-applications in soybean and has a different approach for cotton as well. So fully working with the EPA for the next season, as you said, a lot of support from the farmers' community. I do not need to emphasise the importance of that and the farmers sharing the importance of that system coming earlier for that.

Of course, we are working on that. We have also plans in place on the production, as you mentioned, some other plans that we have to tackle the next season. This will be important for Q4 of this year, but mainly for 2025. And that is exactly what you said. So, we are confident

on the plan that we have working with the EPA to get the registration of this new herbicide and to provide that to the farmers for the next season.

So, a lot of work going on right now in parallel, a lot of work in terms of other plans that we have in place for the next season. And probably Q2 or Q3, we are going to come up with much more details on that one, but a lot of work happening right now while we speak here. Thank you.

Florent Cespedes (Bernstein): Good afternoon. Florent Cespedes from Bernstein. Thank you very much for taking my questions. Two quick ones, first for Stefan. Could you give us a little bit more colour on the dynamic behind Eylea? Is it mainly the new formulation? And some colour on the dynamic in the main territories would be great.

My second question on Consumer for Julio. Could we have more colour on the dynamic for the rest of the year? In terms of inventories, you said there will be new products, so if you could give more colour by the main businesses, that would be great. Thank you.

Stefan Oelrich: Thanks, Florent. Yes, we are very happy with what we are seeing with Eylea and across most of our territories, and the 8 mg does not even really play a major role yet in any of our territories. We have introduced this in Germany and so this is going to be a gradual launch as we clear market access hurdles around the world. So far, so good, by the way, on that front.

What we are seeing is that we have been not so much hit by competitor entry in the space. So, we have been continuing to increase especially volumes and also maintain price across our Eylea franchise pretty much around the world, with some negatives, but overall, very positive. And what we are seeing is that competition mostly takes away share from Lucentis and much less so from Eylea. Again, there are very few exceptions that confirm that rule, but overall, a positive picture. And we think that with the 8 mgs, we are going to have an even more favourable dynamic. So, stay tuned how this works out pricing-wise. You know that we have assumed parity pricing to the low-dose or to the 2 mg of Eylea. Hopefully, we can even surprise a little positively on that side. So, all in all, it looks rather encouraging, at least for what we see from the first quarter. Thank you, Florent.

Julio Triana: Yes, thank you so much for the question. And I will just keep it short because we are coming to the end of the call. So, we remain confident on our outlook for the rest of the year. As you know, we guided that we will be between 3% and 6% cpa growth for the entire year, and our EBITDA margin will continue to be at around 23% to 24%. So, we keep our guidance intact. The supply situation is improving as we progress into the year. The innovation launches are going well. For example, our launch of Iberogast in the US. With this, we have been able to almost double the size of the product between Q1 of last year in this quarter.

The other topic that you mentioned about the inventories, you probably saw it from our competitors. Pretty much everyone is normalising the levels of inventory after the COVID pandemic. We expect that the same impact that we saw in Q1 will remain for Q2, but in the second half of the year this will normalise and that is included in our confirming the guidance. And overall, we believe that we are in good shape. We should be able to do that. We are focusing on driving consumption across the world, but especially in North America, and we will continue to gain market share in the key products that we have across the world. I hope that helps, Florent.

Sachin Jain (Bank of America): Hi there. Sachin Jain from Bank of America. Thanks for taking my questions. It is a big-picture question on litigation. Bill, thanks for your introductory comments on the progress. I was just trying to get a sense of the high-level expected next news flow in both PCB and glyphosate.

Specific questions on PCB, do you have any timelines, the applicability of that Erickson appeal victory to the broader litigation? And are there any further appeal decisions in Sky Valley that will influence either positively or negatively?

And then on glyphosate, I wonder if you could just touch on the Missouri State decisions on labelling, and whether you still believe separately there is a path to a split circuit? Thank you.

Bill Anderson: Great. So maybe I will take the second one first, and then I will let Wolfgang comment on PCBs.

Let us see, the impact? So, we are pursuing a number of approaches simultaneously, Sachin. And we are not sure which of these is going to be most impactful. We suspect it will probably be a combination of them. And so, this includes continuing, very forcefully, with the litigation, defending the actions that we have taken and the safety of our product. We have the makings of a circuit split in the Carson case that played out at the appeals, but we have another case that is working it through another circuit. And so, if those come out in different places, then we have a circuit split, and that offers an opportunity for further escalation. That could be very important.

At the same time, we are very active in the communications realm. This is talking to farming groups and other concerned groups and individuals in the US. And that has resulted in a lot more attention in the last 90 days than we have had at any point in the last few years, including movement in state houses in three states. And in fact, we passed at least one house of the legislature in both Iowa and Missouri. It is still ongoing in Missouri, but this is for legislation that would clarify that the EPA label is the label for the land and to reaffirm the place of a single label and label clarity, which we think is very important for farmers.

It is important for Bayer on glyphosate, but it is also important for the future of innovation in agriculture. And we know that legislative solutions are not usually quick in coming, but we feel like it is the right thing to pursue, and we will see how and how long it takes and when we could get such progress. However, there is also a farm bill at the US level that would cover all of the US. And that is another approach. Whether that will happen this year or not, that is a little harder to call. So that is some of the things that are going on, on the glyphosate side.

And maybe Wolfgang if you want to comment about PCBs?

Wolfgang Nickl: I will keep it short because we had it already in the prepared remark, Sachin. First of all, let me reiterate we always talked about Erickson in the last three, four, five calls. Now we have it, and it is very favourable. You may recall that in that school district we had nine cases tried and with eight with adverse verdicts against us, and there is a very solid cross-read of the findings of the appeals court into the other cases. So, I think that is a positive.

Schedules, timelines are difficult because courts schedule cases, and then they reschedule them. For now, we only see two cases on the roster for this year. One is in Sky Valley. We will see how that goes. And then there is another one with one of the dropout cities in the class that we

settled, and that is also in the summer. However, we will have to see how that goes. For now, we are happy with the outcome in the Erickson case. Thanks for your question.

Jost Reinhard: Great. And with that, we conclude our Q&A session and the call for today. Thank you for your time and interest and have a great day.

[END OF TRANSCRIPT]