



Bayer Q3 2024 Results

Tuesday, 12th November 2024

Introduction

Jost Reinhard

Head of Investor Relations, Bayer AG

Welcome

Good afternoon, and good morning, everybody. And welcome to our conference call for the third quarter of 2024.

Agenda

Bill will kick off our presentation today by sharing his perspective on business development year-to-date and the progress we've made towards our strategic objectives. Following this, Wolfgang will provide a summary of our financial performance in the third quarter, discuss the full year outlook for this year and outline key trends for 2025.

Today, we have also invited our divisional heads to present detailed insights into the growth dynamics and future outlook of their respective businesses. And as usual, the presentations will then be followed by a Q&A session.

Disclaimer

Before we begin, I'd like to highlight the cautionary language in our safe harbour statement.

And with that, over to you, Bill.

Business Overview

Bill Anderson

CEO, Bayer AG

Introduction

Thanks, Jost. Thanks, everyone, for joining us today. As Jost said, the three divisional presidents are joining Wolfgang and me. And we're – yeah, we'll be sharing to what the latest goings on in their businesses are, both today and in 2025. And what you're going to hear from us, I think, is excitement about the opportunities ahead of us, coupled with clarity about some headwinds and crosswinds that we need to navigate. That's the tone we aim to establish with you in March, and it reflects the way we're steering our businesses.

We see great progress in some areas. We've had a good run of positive readouts in pharma. We've got great momentum on our launch assets, and we see outstanding first results of the new model. Even as we see this great progress in some areas, others do require more attention. So regulatory challenges and generic pricing pressures in our Crop Protection business are two examples.

Regardless of whether these things are entirely in our control, we need to manage them with resources and decisions that are in our control. That's part of doing business, something you have to navigate, twists and turns that come in the road and you have to adjust, and it's okay to do that as long as you're on the right path. And we're confident that the course we've laid out for the company is the right one, and we intend to stay on it.

Delivering sales growth, earnings and cash flow guidance

So let me start by covering our year-to-date performance in 2024 and our full *[year]* Group outlook. As a Group, we're going to deliver on nearly every parameter that we committed for 2024. We expect the agriculture market to decline around 2% this year. Given that, hitting those numbers is no small feat. Year-to-date, Pharmaceuticals is up, pacing with the guidance we upgraded last quarter.

In fact, we're confident that we'll deliver at the upper end of that upgraded guidance in both sales and earnings. Consumer Health is growing, though not at the rate we expected given a slowdown in some markets, particularly the US and China. Still, our performance in Pharmaceuticals and Consumer Health is offsetting some of the declines in Crop Science.

Clean EBITDA will come in lower due to the headwinds I mentioned. But as a Group, we're fully committed to hit our full year targets on sales growth, core earnings per share and free cash flow.

Now let's look at our performance business by business.

In Crop Science, we're going to come in under our guidance for 2024. LatAm is a big business for us, and we expected big contributions from the region in the second half of the year, similar to what we saw last year.

Weather challenges and disease pressure have led to corn acreage decline in Argentina and Brazil, compounded by soft commodity prices and generic crop protection pricing pressure, this led us to lower our 2024 targets.

Now you've seen similar dynamics across the entire industry, and Rodrigo and team have shown we can compete with and withstand market pressures, thanks to our innovation edge. But ultimately, we are not immune to them.

Nonetheless, we've got to own the results for this year. There's definitely areas we can improve going forward. For 2025, we're cautious on the market environment. On top of that, we have material regulatory pressure to contend with. Rodrigo will say more about that in his part. He'll also highlight what we're doing to address market pressures and prepare for industry-leading innovation launches in 2027 and beyond.

So between now and then, it's on us to compete whatever the market or regulatory context is. And there's a lot of things we can control: optimizing our P&L, getting innovation to market, managing costs. These are muscles we've had to flex this year. They'll help us going forward, and I think we can strengthen them. We've got a great pipeline, a great portfolio and wonderful people. So it's on us to deliver.

In Pharmaceuticals, we upped our guidance last quarter. We've got two months to go, and we're confident we will come in at the upper end of that guidance. We're happy with what we see from our launch products.

Nubeqa has accelerated this year. Kerendia is showing excellent growth as well. That's important because we can expect the Xarelto loss of exclusivity impact to accelerate in the other direction. With that comes margin erosion, but we're focused on what we can control. Moving assets through the pipeline, delivering successful launches. With acoramidis and elinzanetant, we're expecting the next two to come in 2025.

And we have great momentum in renewing the pipeline – in renewing the top line, sorry, in reinvigorating the pipeline and building the base for continued profitable growth in the future. Stefan is going to tell you more about that.

In Consumer Health, you've gotten used to continued growth from us over the past five years. Julio and team have every intention of continuing that while recalibrating growth back towards volumes. With that, comes a reorientation of investments behind our brands. They're shifting resources to the right brands in the right markets while addressing the key factors weighing on our costs and cash.

Our dermatology and digestive health categories are growing consistently largely due to this approach. Now our team is translating it to the rest of the portfolio, and we expect it to fuel growth in 2025.

Advancing our top strategic priorities

On to our strategic progress, starting with **innovation**.

I've highlighted where we stand with the Preceon Smart Corn in the last few quarters. The biotech version will be launched in 2027 and the breeding version has already been launched in three countries. In September, I got to see it for myself. I walked a field with Jerry, a fourth-generation farmer in Northeast Iowa. He was able to plant Preceon at significantly higher density than his tall corn. The crop withstood heavy winds in July, up to 70 miles per hour. While his neighbours had to deal with broken crops and dramatically lower yields, his corn stood tall, or I guess, short is probably more appropriate.

Well, ultimately, the crop delivered the best performance he's ever had on that field, 258 bushels per acre. Earlier, I mentioned some of the challenges we see in agriculture. That makes innovation like this even more important for farmers who want differentiated value from us.

In Pharmaceuticals, Nubeqa crossed the blockbuster threshold in September and has achieved market-leading positions in its current indications. Our new model has helped turbocharge this growth. Decisions about how to cover sales territories, how to allocate resources are now made mainly by the people doing the work instead of being run up and down the hierarchy. This translates into more time with physicians and patients, faster and more focused work on things like filing dossiers and NDAs and accelerated growth.

In Consumer Health, teams on the ground tell me they're cutting launch times nearly in half, particularly in our nutritional supplement business. We're going to keep shrinking the time from consumer insight to hitting the market and meeting the need.

Now on to **litigation**.

We remain true to our commitment to containing this issue over the coming two years. There will be continued news flow on trials, our legislative efforts and speculation about other potential measures. As I've said previously, we're exploring every possible avenue to contain the issue, but we will only comment on those plans when it's in the interest of the company.

In the glyphosate litigation, we will now decide on which case we will request review by the US Supreme Court. If the court accepts our case, we hope to obtain a ruling in the 2025, '26 session. Outside of the court room, I see momentum among politicians, farmers, other stakeholders, demanding American farmers get the legislative certainty they deserve.

Further, companies like ours are standing up to the nebulous funding that often bankrolls the US litigation industry. We recently joined more than 100 major companies across industries to petition the courts to mandate disclosure of third-party financing and lawsuits.

On PCBs, we also expect an important decision in the upcoming months, in this case by the Supreme Court in the State of Washington regarding the Erickson case. All in all, there remains a lot to do on the litigation front. This is a long road with no quick fix. We're focused on the bigger picture, and we're pursuing multiple avenues. We'll learn more about the Supreme Court in 2025, and we'll continue working to significantly contain the risks.

Now Wolfgang is going to cover **cash** in his update. But as I said upfront, we're fully on track for the year.

Now finally, on **dynamic shared ownership**. It was in our Q3 call last year that I first introduced our new operating model to you. At that time, we had just kicked off the journey. We had about 2,500 people that we had introduced to the system. Well, today, we've scaled it to the vast majority of the organisation. We're seeing big changes as a result. We have 5,500 fewer jobs in the company since the beginning of the year and a significant majority of them are managerial positions.

Most importantly, we're seeing improvements in the way we run our business. I recently visited Garbagnate, a production site for our Pharma division outside of Milan. The team there created a cross-functional team to try to cut 10% off the batch release time, which was approximately two to three weeks. They worked in three 90-day cycles. They had authority to make decisions on the spot, and then they included factory floor operators on the team.

At this point, now they've cut the release time by almost 50% with tangible benefits on inventory, reducing waste and improving cash flow. Mission impact for our people, quicker innovation for patients and better cash conversion for you. That's what we're going after.

There's no doubt we have a lot more work to do in scaling this effort. We're at a critical phase of implementation right now. So as a management team, we're keeping our eye on the ball. We're making sure this overhaul doesn't go the way of more traditional, usually ineffective restructuring.

At first, when I'd ask about some success stories, I kept hearing the same two or three examples. And then we get a new one monthly. Now I'm hearing these stories, like the ones I gave you basically on a daily basis. I'm confident that, that's going to translate into results for you and a bright future for our customers and for us.

So before handing over to Wolfgang, I would just like to say that I'm very happy he's extending his contract. He originally planned to retire after his contract expired next year, but he's going to stay on board for an additional year to see through the three-year journey. Wolfgang, you've been a great partner to me, and I'm really happy you're staying on board.

So thank you for your attention, and over to you, Wolfgang.

Financials

Wolfgang Nickl

CFO, Bayer AG

Q3 2024: Group performance

Well, thank you, Bill. I'd like to briefly talk about our Q3 results before I turn to our outlook for the full year and the vectors we see moving into the next year 2025. As always, sales growth comments are on a currency and portfolio-adjusted basis.

Now Q3 Group sales increased slightly by 1% versus the prior year with growth in Pharma and Consumer Health, offsetting a decline in Crop Science. Our EBITDA before special items came in at €1.3 billion, which is 26% or about €430 million below the prior year quarter. The delta is largely driven by lower Pharma and Recon results.

Foreign exchange remains a major drag this year with nearly €440 million headwind to our top line in Q3 and about €1.2 billion year-to-date. On the bottom line, FX leads to a 40 basis points negative impact to the Group margin in Q3 and also year-to-date.

Impacts on divisional margins differ significantly, which is largely driven by different geographic distribution of sales and the cost base.

In line with the respective business performance and outlook, we see lower expenses from short-term incentive provisions for Crop Science and Consumer Health, whereas we see the opposite [*with*] Pharmaceuticals with increased provisions versus the prior year.

Core earnings per share of €0.24 in Q3 are €0.14 below prior year. Lower contributions from EBITDA before special items were partly compensated by a better core financial result. Our core tax rate came in at 46% in Q3, driven by a revaluation of deferred tax assets in the United States that was triggered by an impairment in Crop Science this quarter.

Reported earnings per share came in at minus €4.26, as you can see in the appendix. The delta to core earnings per share is largely driven by the non-cash relevant impairment losses of approximately €3.8 billion posted in our Crop Science division. Main drivers are reduced business prospects, especially in Crop Protection, FX and the Dicamba label uncertainty, whereas weighted average cost of capital were favourable.

Our free cash flow came in at €1.1 billion compared to €1.6 billion in last year's third quarter, mainly due to quarterly timing of customer payments in Crop Science. Year-to-date, our free cash flow is at minus €200 million. This compares to minus €2.9 billion for the first nine months of the prior year. The difference is mainly driven by lower incentive payouts and lower settlements.

We anticipate strong cash contributions in Q4 to deliver on our full year commitments. Net financial debt was reduced to €35 billion by the end of Q3 due to the positive cash contribution in the quarter and an FX tailwind of about €600 million.

Let's now move on to the performance of each one of the divisions.

Q3 2024: Headwinds in LATAM Offset Core Crop Protection Volume Gains; Glyphosate Volumes Normalized

For Crop Science, the third quarter is seasonally our smallest quarter in terms of sales and earnings. Latin America, the strongest contributor in Q3, has experienced significant weather challenges and stunned disease pressure.

As mentioned by Bill, this materially reduced corn acreage in both Argentina and Brazil, compounded by prolonged commodity price softness and generic pressure on crop protection pricing. Glyphosate-based herbicides were down 19% as shipping patterns normalised as expected. This drives an overall sales decline of 4%, with sales coming in at about €4 billion.

Our core business came in flat in Q3. LatAm weakness was offset slightly by strong volume in our crop – core Crop Protection products despite ongoing pricing pressure in the industry.

On the profitability side, EBITDA before special items came in at €35 million, being in absolute terms, roughly €60 million above prior year's quarter. Main drivers were the already mentioned adjustment to the short-term incentive provision, lower COGS, accelerated DSO efficiencies and a favourable FX effect on the margin.

Q3 2024: Strong Growth of Launch Assets Offsetting Rising Xarelto Headwinds

Let's now move on to Pharma.

Sales grew 2% year-on-year to €4.5 billion in Q3, mainly driven by the strong performance of our launch assets and Eylea. With a growth of 83%, Nubeqa has now reached blockbuster status with almost €1.1 billion of sales in the first nine months of this year. For Kerendia, we were able to nearly double sales compared to last year's Q3.

Eylea registered a 9% sales increase versus prior year with growth in the majority of our marketed territories. In contrast and in line with what we have guided, Xarelto saw accelerating generic headwinds in the third quarter. Quarterly sales declined by 23% year-on-year, resulting in an 11% decline year-to-date, and that's in line with our guidance of double-digit sales decline.

Sales in the third quarter were impacted by a nearly complete genericization in Canada as well as rising generic pressure in the UK. With the recent ruling of the highest patent court declaring the once daily patent invalid, we expect UK sales to irreversibly degrade until year-end. In addition, we are seeing increasing at-risk launch dynamics of generics across many European countries, led by France. As you would expect, we are taking vigorous action in court to defend our IP rights.

In terms of profitability, EBITDA before special items came in at €1.1 billion and a margin of 24.4%. The significant decline versus the prior year is driven by the already mentioned short-term incentive provisions and a negative currency effect of about €134 million.

In addition, we saw ongoing growth investments into our launch products, while we were able to balance the described shifts in our product mix driven by the Xarelto sales decline through stringent OPEX management and pricing tailwinds.

Q3 2024: Growth Across All Categories, While Market Slows Down

Our Consumer Health division achieved a 6% year-over-year sales growth in the third quarter, reaching €1.4 billion in revenues. This growth was broad-based across all the categories, albeit with different regional dynamics.

In the EMEA region, we recorded significantly higher sales of cough and cold products at the start of the cold season, largely driven by increased volumes, especially for the Aspirin product family. Sales in Latin America also rose, primarily fueled by strong performance in both Nutritionals and Pain & Cardio.

However, we faced some challenges as well. A slow start to the cold season in the United States led to lower-than-expected retailer orders. In China, notably weaker household consumption impacted our prevention focused categories such as Nutritionals and Digestive Health.

Furthermore, we felt the effects of discontinuing our direct-to-consumer nutritional supplements business Care/of in the United States.

Despite these challenges, our Q3 clean EBITDA margin improved to 25.5%, a 330 basis point increase year-over-year. This improvement was primarily driven by our sales growth, lower incentive provisions and favourable foreign exchange effects on the margin. We remain committed to effectively manage cost while ensuring that we invest sufficiently in our innovative brands and product launches.

Outlook 2024: Updated Divisional Guidance

Let's now move on to the divisional guidance for 2024.

For Crop Science, we now expect sales to decline from minus 3% to minus 1% in currency and portfolio adjusted terms. This is driven by a revised outlook for our core business impacted by the challenges in LatAm as well as intensified generic pricing pressure on Crop Protection. This also affects our margin outlook. The EBITDA margin before special items is now expected to come in between 18% and 20% at constant currencies.

For Pharmaceuticals, we confirm the full year guidance at constant currencies, which we raised after the second quarter. However, we now anticipate coming in towards the higher end of the sales and margin guidance ranges.

For Consumer Health, we anticipate moderately lower market growth for the rest of 2024. This is largely due to softening economic conditions in selected markets. US consumers are becoming more cost conscious, and there are early signs of a weaker-than-expected cough and cold season.

In China, we see a deceleration of market growth. For Q4, we anticipate that our retailers will continue to optimize their working capital due to improved supply chains and product availability. From a full year perspective, this affects our ex-factory net sales, while our sell-out performance remains consistent with market trends.

Considering all these factors, we now estimate full year sales growth for 2024 between 1% and 3% on a currency and portfolio adjusted basis. With a clear focus on our operational efficiency programs and targeted price management, we expect our EBITDA margin still within the previously guided corridor.

Outlook 2024: Updated Group Guidance

On Group level, we are fully committed to achieving our sales growth, core EPS, free cash flow and net financial debt targets for the year, and this is all at constant currencies. Based on the updated divisional outlook, we lowered the clean EBITDA outlook to minus 11% to minus 8% compared to previous year. We now expect a better core financial result of approximately minus €2 billion versus approximately minus €2.3 billion previously. This is in line with the actual year-to-date performance as well.

Furthermore, we had to adjust our core tax rate for the full year to a range of 24-25% versus approximately 23% previously. The adjustment is driven by a revaluation of deferred tax assets in the US that were triggered by the previously mentioned impairment in Crop Science during Q3.

We've also updated our FX estimates based on September end spot rates. We now expect a stronger FX headwind on our sales of minus 3 to minus 4 percentage points. On net debt, we see the opposite effect, now assuming no material FX impact versus a €500 million increasing effect previously.

Anticipated Key Vectors for 2025

Let me finally also use the opportunity here to summarize key business vectors for next year. My divisional colleagues will then add more colour to this in their parts.

For Pharmaceuticals, we expect continued strong growth dynamics of our launch brands. At the same time, we anticipate rising generic headwinds for Xarelto, which adds margin pressure compared to 2024.

For Crop Science, we are cautious on the Ag market outlook and anticipate muted growth. In addition, we foresee regulatory challenges in our Crop Protection business leading to increased pressure on profitability.

For Consumer Health, we expect market growth at a similar level with this year. With[in] that market, we expect to deliver robust growth with a focus on volumes.

Based on current assumptions, FX is likely to remain a material headwind.

Overall, we expect a muted outlook on top and bottom line next year with likely declining earnings. We plan to accelerate our cost and efficiency measures to partly compensate and remain laser-focused on cash conversion.

While we intend to provide some level of transparencies on the main drivers for next year, our planning discussions are currently ongoing. We will provide specific 2025 guidance with our full year results.

And with that, I'd like to hand over to my colleague, Stefan, for Pharma.

Pharmaceuticals Overview

Stefan Oelrich

President, Pharmaceuticals, Bayer AG

Recent Data Solidify Foundation for Next Wave of Differentiated Pharma Blockbusters

Thank you, Wolfgang.

In our Pharma division, we continue to show solid progress on our strategic agenda. While we're on track to deliver on the upper end of our full year top and bottom line targets, we have also further increased the value of our mid and late-stage pipeline.

With the additional phase III data announced in the third quarter, we have further enriched the strong clinical profiles of our late-stage assets, Nubeqa, Kerendia and Elinzanetant adding to the best-in-class or first-in-class ambition of all these three medicines.

The ARANOTE results that reported at ESMO in September demonstrated significantly increased radiological progression-free survival in patients with metastatic hormone-sensitive prostate cancer and reconfirm Nubeqa's established tolerability profile. These data further support the positioning of Nubeqa and submissions for the third indication in both the United States as well as Europe and have already been filed.

Turning to Kerendia, the FINEARTS heart-failure, and FINE-HEART studies presented at ESC in August showed significant and consistent improvements in CV outcomes for patients with heart failure and left ventricular ejection fraction equal or above 40%, regardless of baseline therapy. No other mineralocorticoid receptor has shown this before in this area of high unmet medical need.

The OASIS-3 trial provides us with additional consistent efficacy and sustained safety data for Elinzanetant over 52 weeks. These data further substantiate our best-in-class potential in the non-hormonal treatment for moderate-to-severe vasomotor symptoms.

We've recently submitted for marketing authorization in the EU following submissions to the US FDA in August. We're currently ramping up our prelaunch efforts, leveraging our number one position in Women's Health globally and our strong footprint in key countries such as the US, where we expect to launch by mid-2025.

Looking at our mid and late-stage pipeline, replenishment is underway as well. Confirming our commitment to developing precise and personalized healthcare solutions in disease areas with highest unmet needs, we recruited the first patient into our phase III SOHO study with our HER2-TKI in HER2-mutant non-small cell lung cancer in the third quarter.

With the PHOTON data, we have further strengthened the profile of Eylea 8 mg and the ATTRIBUTE-CM data have demonstrated a potential best-in-class profile of Acoramidis in ATTR cardiomyopathies, which we are looking forward to launching in Europe next year.

We've also advanced our first gene therapy, AB-1005, to treat Parkinson's as well as our cardiovascular drug candidates anti-alpha2antiplasmin and the oral SGC activator into phase II.

Continued Topline Renewal; Margin Profile Impacted by Product Mix Changes and Growth Investments

For 2025, we are expecting to see continued growth momentum from Nubeqa and Kerendia. With the 8 mg formulation of Eylea for which a prefilled syringe recently became available in first markets as well, we're well placed to defend our market-leading position and our base business should remain robust. Also, we're looking forward to the upcoming launches of Acoramidis and Elinzanetant, which we're expecting for the first and second half of the year, respectively.

Next year, we'll also show further R&D progress with Bemdaneprocel in Parkinson's moving into the next development stage based on the recently announced positive 24-month data, and we're expecting additional data readouts on which we will update you separately as the data comes in.

On the other hand, we also have to acknowledge that an expected further decline in Xarelto and ongoing growth investments into R&D and launches are likely to be margin dilutive.

Overall, the division sales trajectory over the next two years will significantly be impacted by the genericization dynamics of Xarelto. While we believe that we will be able to largely compensate expected declines with our continued growth momentum from our key launch products, the key question will be when exactly we will see genericization peaking.

As such, we may either see 2025 or 2026 to be a transition year for Bayer Pharmaceuticals, but we are set to immediately return to growth again thereafter.

With our DSO transformation running at full steam, we're already seeing some very good results in leveraging our new operating model, Bill just mentioned it in his speech. We have become a much leaner organization with increased focus on our patients through the magnificent work of our approximately 300 product and customer teams.

In R&D, we have laid the foundation for a more robust innovation model with an increased focus, improved quality and higher productivity throughout our research and development activities. With this reallocation of resources and increased focus, we're in good shape to further build bottom line resilience and are prepared to address the challenges and maximize, of course, the opportunities ahead of us.

With that, over to you, Rodrigo in St. Louis.

Crop Science Overview

Rodrigo Santos

President, Crop Science, Bayer AG

Resilient Performance Despite Challenging Market Dynamics

Thank you, Stefan. Great to hear from you.

At our Capitals Market Day, we emphasized how our innovation and farmer focus will continue to shape agriculture over the next ten years, performing above market. And that is the expectation for this year adjusted to the current pressures and volatility.

The factors are well known across the industry. There are weather challenges, reduced commodity price levels and generic pressure in Crop Protection. That started in Europe and North America in the first half of the year and has continued into Latin America now in Q3, where it has been compounded by a material acreage reduction in corn in Argentina and in Brazil, as you heard from Bill and Wolfgang.

Soybean pressure in Brazil has also accelerated with the lower commodity prices. These are profitable businesses where we have a very strong position and planned to deliver much of our growth for the second half of the year. As a result, we've now adjusted our Crop Science 2024 guidance, which we did not take lightly, and we acted quickly to accelerate DSO savings and execute operational efficiency in COGS, OPEX and to help compensate margin impact from sales effects.

While we see challenges in the Ag market, our global leadership in corn and soy has allowed us to deliver resilient performance, as year-to-date, our core business has again outpaced the industry weighted average even coming of a strong prior year performance, as you saw on the slide.

Accelerating our Strategic Agenda to Prepare for Launches and Address Market Pressures

For 2025, we see prolonged soft commodity prices that will continue to challenge on farm profitability and generic pricing pressures in Crop Protection will remain.

With a recovering LatAm market and Crop Protection volume, we would expect muted Ag market growth next year. In 2025, our business will most likely be impacted by extraordinary regulatory developments with loss of registration on Movento in Europe and challenges across our Dicamba label in the US that is still under review by the EPA.

It would not only be disappointing for us, but more so for the farmers as a vital crop protection tool like Dicamba will not be available for their weed management. We continue our efforts to engage with EPA, industry partners and grower groups for support on the label approval. However, based on the current status of the EPA, there is a risk to an approved label for 2025 season with potential implications also in our soy and cotton seed traits and license business.

Farmers choose to purchase our products for superior yield, agronomics and the service behind our offerings and should feel confident there are strong soybean and cotton crop protection combinations in the market to control weeds. We are taking various steps to ensure an integrated weed management program available for farmers so they will have confidence in their purchase decisions for a successful 2025 season.

These two regulatory challenges could have a material effect on our top and bottom line. Given the influence on global license business and mix effect of sales in high margin regions, impact on EBITDA margin could be in the range of 200 to 300 basis points.

Considering these dynamics, we are accelerating our strategic agenda to address the market pressure and to prepare for our upcoming blockbusters launches. These actions will be enabled by our cross-functional DSO teams. With about 80% of our organization activated, these teams are on the ground and empowered to drive five critical initiatives.

First, we feel very strong about our corn franchise and will drive continued growth and industry leadership as we have seen leading growth CAGR of more than 7% over the last four years. Overall, corn market dynamics are intact, and we are on the front side of game-changing launches with our Preceon Smart Corn system in multiple regions, as you heard from Bill.

Second, we are facing headwinds in soy as we work to regain a label for Dicamba. Alongside our efforts to engage with the EPA, we will continue to defend our global position by delivering elite germplasm in North America, while we maintain our trait leadership position in Latin America. With the next-generation of soybean trait launches to begin in 2027, we have the potential to reset the standards in the industry for weed and insect control, providing a springboard for our seed and crop protection portfolios.

Third, Crop Protection markets have been impacted by channel fill, generic pricing pressure and regulatory challenges. In order to stay competitive with our leading position in the industry, we are reviewing our crop protection strategy to optimize our franchise value.

Fourth, our global platforms are delivered through our industry-leading innovation pipeline. We are progressing well in launching our ten blockbusters over the next ten years, including both Preceon and HT4 soybean platforms. We've launched more than 20 biotech traits in ten years, and we are now literally launching fourth and fifth generation traits. And that innovation isn't just in seeds and traits. Next year, we will launch our new insecticide Plenexos, and we are advancing to Stage IV of our new herbicide. This innovation engine is poised to deliver the next round of competitive differentiation as we start to see those waves of launches.

Fifth, we intensify our focus on secure cash conversion and P&L optimization to ensure that we are getting the most out of our resources. This includes evaluating our cost to serve as well as our product portfolio to ensure that we are prioritizing high margin and farmer relevant products, those that deliver a step change benefit for our customers while leveraging our tools and capabilities to do so as timely and effectively as possible.

As we outlined in March, we are absolutely focused on creating value for our farmer customers and our owners. We have the portfolio, we have the pipeline and the people to support it. Where outside pressures get in the way, we are committed and confident to adjust accordingly, and we'll provide more details with the full year results.

With that, let me pass back to you, Julio.

Consumer Health Overview

Julio Triana

President, Consumer Health, Bayer AG

Robust Organic Sales Growth by Building Trusted Brands

Thank you. Thank you, Rodrigo, and hi to everyone.

This is my first opportunity to address you about our Consumer Health business, and I am happy to have the chance to do so. It's been six months since I joined Consumer Health, and at that time, I have reacquainted myself with this great business made up of great people, trusted brands and solid fundamentals.

Consumer Health is an attractive market. It's delivered consistent growth over decades with growth prospects over – around the world. Our business has the benefit of a balanced portfolio, well-proportionated across categories and regions. This broad portfolio has served us well in the past because we have been able to capitalize on shifting demand patterns.

But over the past two years, our growth has been mostly driven by price. In a highly inflationary environment, that can happen, but long term, it's not healthy. So looking ahead, we're adjusting that by striking a healthier balance of price and volume mix growth. That ambition is at the heart of our vision, which is to reach billions of people with the most trusted self-care solutions.

So how do we do that? We're leaning on three priorities. The first has to do with investment focus, especially at the core of our business. Brands like Bepanthen, Claritin and Elevit claim great equity with consumers and strong scientific backing, which make them great platforms for investment. We have found that we can get more choiceful with our funding, shifting the right resources to the right brand in the right market. That's going to translate to better growth in the future.

Second, we remain open to selective expansions in the right segments or markets. Here, I would like to call out our team in India, a market we re-entered just recently, continue to invest in, and we're seeing great results there.

Finally, our new operating model of dynamic shared ownership presents so many opportunities in the Consumer Health space. It enables us to be faster, more efficient and more creative. I've had the chance to experiment with similar ways of working at my last station in Japan, which gives me a bit of experience in implementing this model.

In Consumer Health, we're already seeing benefits in terms of speed to market and consumer centricity in many of our operations around the world. That's only going to accelerate going forward.

So what does this mean for 2025? Next year, we expect the market to grow at a similar level than in 2024. In that context, we aim to deliver robust growth with a focus on volumes. Our new operating model will drive speed, growth and efficiency, compensating for the lingering inflation effects.

To wrap it up, we're confident in the fundamentals of the business. We have a vision to reach billions of people with self-care at a time when that is extremely important. We see great opportunities with our portfolio, with our new operating model, and we're going to lead by driving preference for our brands, one consumer at a time.

Back to you, Bill.

Conclusion

Bill Anderson

CEO, Bayer AG

Our Clear Path Forward

Well, thanks, everyone, and thanks to all of you for your attention.

All in all, I hope this presents a helpful snapshot of each of our businesses today and what we see when we look at 2025. So let me summarize before getting to your questions.

On our 2024 guidance, we'll hit the numbers on sales growth, core EPS, cash flow and net debt. Strategically, we've made progress. We've rapidly scaled the new model. We've leveled up the pharma pipeline with great speed, but we also have more to do. We've got the litigation uncertainty to contain, and we have a team working on it 24/7. We've got our operational performance where we always strive to be more competitive.

Rodrigo and team are on the case in Crop Science. In Pharma, we're prepping two more important launches next year. Consumer Health is unleashing more focused resources behind our brands. And all three of our businesses are becoming leaner, more entrepreneurial and more dynamic. We're confident in the strategy and the plans we laid out in March. We have the right focus for our customers, for our company and for you.

So thanks for your attention, and over to Jost now for the Q&A.

Q&A

Jost Reinhard: Thank you very much for the presentations.

And we will now begin the Q&A session. Before we start, just a few housekeeping comments. If you have questions, please raise your hand and follow the instructions provided in the chat. And to allow as many participants as possible, please limit yourselves to two questions.

And the first question today comes from Vincent Andrews from Morgan Stanley. Vincent, can you hear us?

Vincent Andrews (Morgan Stanley): I can hear you. Can you hear me, hopefully. Thank you. Good morning, everyone. Rodrigo, I wanted to follow up on your comments on Dicamba. And a few parts of the question would be, one, when do you – when is the go/no-go date do you think where you have to have EPA registration or farmers will not be able to spray Dicamba over the top next year?

And two, assuming that you don't have the product reregistered in time for over-the-top application, can you clarify what the offering is that you're going to provide to farmers to compel them to stay with the Bayer seed product next year? Are you going to be providing bundles of alternative chemistries? Do you think there'll have to be some discounting?

I'm just trying to bridge that financial comments you made about the 200 to 300 basis points of sales and margin impact. I want to make sure I understand if that's just on the chemistry, how much of that you're already including in terms of potential risk to seed sales? Thank you.

Rodrigo Santos: Great, Vincent. Thank you very much because that helps me to clarify that one. So let me start talking about the next season. We have different scenarios, of course. And at the beginning of next year, if we don't have the commentary, it will be hard for the farmers to access for the – to the season. And that's why we are considering on the scenario that we shared here today.

But we have exactly what you said. We already launched it in the market, the plans to offer farmers different chemistry to control weeds on the problems that we have. And that's why we have a very well order book for our escrow and our channel brands, our seed. The impact that you see that we mentioned here today, we are considering mainly coming out of our licensing. And that's why we said top bottom line similar because this is coming from our license.

You have in the market, this 2024 season, we confirm that more than 40% of the market was using the Xtend platform. And there is a high-single-digit there that is coming from multinationals using our platform. The impact here is mainly coming from there. It's also on the chemistry side, but mainly coming from the licensing business.

We're still very confident on the herb side, right? So we're going to have the – we are confident that we're going to get the approval. We are considering that for '26 season we'll be back to full normality as we plan today. But we have this scenario so far. It's very early. We just have a new administration in US coming to place right now. We are in this transition right now in US. And that's why we put this scenario as a vector for next year because of the licensing.

But it's mainly licensing, Vincent, because of our order books in channel and escrow with the marketing actions that you mentioned, the offers that we put to the farmers, we have a very strong order book for escrow and channel as we have. So that's the scenario that we plan today. And that's why we are considering this one-time event for '25. This one-year impact that we are considering for our licensing business in Xtend. Thank you.

Jost Reinhard: Great. Thank you, Vincent. Thank you, Rodrigo. And our next question comes from Sachin Jain from Bank of America. Sachin, can you hear us?

Sachin Jain (Bank of America): Hi there. Sorry, just on mute. I hope you can hear me now. It's Sachin Jain from Bank of America. Thanks for taking my questions. I just had a couple of financial ones, Wolfgang and Bill to just try and clarify the commentary on '25. I know we're waiting formal guide, but just directionally, I wonder if you could quantify high level, the level of decline for '25. The divisional comments suggest Group EBITDA could be declining mid to high single digits. So I just wanted to check whether that was in the right ballpark.

And then question two, and you sort of alluded to this, if point one is correct, could you just give us a bit of colour on what OPEX or DSO savings you can accelerate to offset that underlying pressure? That's sort of question one.

And then just a quick question for Stefan. You mentioned you expect the Xarelto impact to peak in '26. I was a little bit confused by that comment given the US LOE is beyond that point. So I wonder if you could just clarify that. Thank you.

Wolfgang Nickl: Thanks, Sachin. It's Wolfgang. Let me start you off. Like I said on the call, today was more meant to give you some vectors and beyond what Rodrigo said on the registration. We're not really prepared to quantify the EBITDA. So you'll have to give us time to go through our planning and we'll communicate our guidance and our exact guidance with the annual results.

We're quite happy with where we are on DSO. Also from a financial perspective, we are executing. You heard Bill talking about 5,500 positions that are not there anymore compared to the start of the year. That comes associated with €500 million in savings that contribute this

year. And you better believe that we do whatever is in our control to accelerate our path towards the €2 billion that we mentioned at our Capital Markets Day.

And I want to also reemphasize what I said in my script. On top of that, we are laser-focused on everything cash, not only profitability increasement, but also working capital, CAPEX and so forth. So that is our fourth priority to get the net financial debt down. We're good this year, good free cash flow, good reduction, but you should expect us to lean in on that as well.

And with that, Stefan, over to you.

Stefan Oelrich: Thank you, Sachin. That was a good catch. You're obviously correct that when we talk about '26, that includes everything, but our contracted business in the US, which we will have throughout all of '26. So that's a good catch. So thank you.

Jost Reinhard: Okay. Apparently, there was a follow-up question from Vincent that we didn't hear here in the room. So Vincent, can I invite you back into the chat and then –

Vincent Andrews: Sure. That's very kind. Rodrigo, I was just going to ask about – I didn't hear you mention lower either crop chemical raw material costs for next year or lower seed production costs for next year. But I think there's sort of an expectation that you should see some benefit from that in '25. If you could just comment a bit on that, that would be helpful.

Rodrigo Santos: Sure, Vincent. And you are spot on. We have several measures that we are taking for '25 season, considering some of the scenarios. We are seeing raw material cost reduction. We are seeing cost reduction also on our seeds platform. We continue to advance our DSO savings mentioned just now by Wolfgang as well. And we have more than 80% in Crop Science already accelerating that one. And there is a major transformation happening in the organization with that. And you saw a lot of the examples here today.

I wish we could provide you a little bit more what we get from the visits that we do with the sites or with the organization, the customer-facing front lines. Of course, we are also addressing our cost to serve, how can we be more effective with our marketing tools, marketing programmes and many other actions.

But that's part of the plan for '25, whereas as Wolfgang said, we are already now working on the measures and the actions that we are taking. I just wanted to provide you a little bit of some of the regulatory vectors that we need to deal with for '25. Thank you, Vincent.

Jost Reinhard: Thanks a lot, Vincent. And the next question comes from Joel Jackson from BMO.

Joel Jackson (BMO Capital Markets): Hi. Do you hear me?

Jost Reinhard: Yeah, we can hear you.

Joel Jackson: I'm sorry. Perfect. Good afternoon, good morning. I want to follow up on Vincent's second question there. I'm trying to ask this question as best I can. But some of your competitors are really talking about the seed cost and the crop chemicals, cost deflation tailwinds you're going to see next year pointing to growth in earnings. You're pointing to Crop Science lower margins despite DSO. Can you help us understand why the deflation tailwinds are not leading to growth in Crop Science? Is this related to glyphosate? Is this related to seeds? Is this something different that Bayer is confronting in '25 in Crop Science than competitors? Thank you.

Rodrigo Santos: So Joe, let me address this one, and hopefully, without providing still all the full picture for '25 and a little bit of that. We continue to see our growth in our key core elements, right? So let me use an example, in our seeds and traits, we have a very strong platform. This year was another year that of strong performance. Starting with corn as an example, we are growing this year close to 1 point of market share globally in corn.

Of course, we are impacted by the fact that we had four million acres less in US. We had lower acreage in Europe because of the war in Ukraine, and we have a lower acreage in both Argentina and Brazil. This is a very unique season for corn. But our performance in corn, our new products, our new launch are driving very important market share gain versus the second company in many key markets.

Soybean, we hold our equilibrium that we mentioned before, and we had another year of growth in soybean. We see our crop protection. We are launching new formulations. We are also driving some of the cost efficiency, and we see that for '25. Again, we are going to continue that on our core business, our core platforms.

I just highlight a little bit of the vectors today of some of the key elements. I knew the question about Dicamba would come because of the season. And of course, we also have the Movento that I mentioned. We're still working in '25. Yes, '25 is a specific issue because of the impact on the regulatory. But again, we remain very confident on our growth platform.

And if you ask me, allow me to use this question just to mention on the mid-term, what we guide on the mid-term on the Capital Market Day, we are confident on that one. We're going to grow above market. We're going to see the – what we call low to mid-20s margin – EBITDA margin that we have for the mid-term, and that's what we are planning.

What we are working towards the mid-term is exactly the same. We are just looking at this one-time event regulatory impact for '25. But the global platform and the key platforms, we continue to drive the growth that we are planning. Joe, thank you.

Joel Jackson: Okay. And my second question is a tough one, but I'm going to ask you – I'll try to ask it as best as I can. Hopefully, you can answer as best as you can. With the new administration in the US and a lot of views that he might put people in charge or have policy decisions on Ag, where that person may want to push a less GMO environment, a lower crop protection chemical environment, maybe putting something more similar to what we have regulations in different countries in Europe. If that was to be the case, it's a very general question, how would Bayer adapt its portfolio, its plans, its products, if you had to push a bit of a different portfolio in the US to maybe be a bit of more of a European Ag environment? If that makes any sense. Thank you.

Bill Anderson: Yeah. So thanks, Joel. I'll take that. First off, I think it's really too early to speculate on who's going to be in which positions in Washington. But I think one thing that's very clear is that people spoke, the voters spoke very clearly about the economy and in particular about inflation and food inflation is probably the number one cited area. And just as a background, in 1970, American households spent 11% of their total income on food.

And by the late teens, a few years ago, that number had gone from 11% down to 7%. Well, in the last five years, the number went from 7% right back to 11%. And that's one of the reasons

the American consumers have been very unhappy, and, frankly, distraught about inflation. And products like glyphosate are one of the main things we have to help keep food prices affordable.

So for example, 95% of row crops in the US are now growing with no-till farming with the use of products like glyphosate, that has a tremendous impact not only on soil quality and on the amount of fuel that's required for farming, but also an enormous impact on cost. And so I don't think that it's very likely that any policymakers would try to convert US farming to sort of European approach, because, in fact, Europe, with their current regulations is not capable of growing sufficient crops to feed the livestock that is required to feed the people.

And that's why Europe to this day is importing crops from Brazil, from the US, from Argentina. So yeah, I don't think it's a particularly hard question to answer. I think we've done very well in working with policymakers from both the Republicans and the Democrats historically because everyone has a common interest in making sure food is affordable for Americans and making sure that America remains a strong food exporting nation.

So I think that's probably the – yeah, the smart way to look at it.

Jost Reinhard: Thank you, Bill. And coming up is James Quigley from Goldman Sachs. James, please go ahead.

James Quigley (Goldman Sachs): Hello. Hopefully you can hear me. Thank you for taking my questions. One on Crop and then one on Pharma. On the Crop side, Rodrigo, you mentioned getting back to the mid-20s EBITDA margin. So what needs to happen to get back to this level? And you mentioned that this is a sort of one-time effect for 2025. But should we expect more of a snapback in margin in '26 or more of a gradual return here?

One of the concerns, I suppose, here from an investor perspective is trying to reconcile your optimism for the business with another significant impairment in the business reflecting the outlook. So how do you reconcile those two impacts?

And then in pharma, Stefan picking up on Sachin's question. What are you expecting now in terms of the sort of the shape of the Xarelto patent expiry? You mentioned the increasing pressure in the UK. We've also got more at launch risk – more at-risk launches and then also the US impact. So is there any sort of update on what you think the shape of that is going to look like referencing what you showed at the Capital Markets Day a few years back? Thank you.

Rodrigo Santos: Thanks. Let me start here, and then I pass to Stefan for the pharma, of course. But – so let me share, there is two elements for me when I'm – continue confident on our outlook on the mid-term. Of course, one of them is all the innovation and the launches that we have in our plan. That is continue progressing as we see today, not only the new blockbusters but also all the engine of our breeding effort and all the Ag – the work that we are doing, and we are showing this year with the market share gain that I just mentioned before.

So one side of that equation is all the innovation. The other side of that equation is what we call operational excellence, right? Under the new operating model that we have, we have a high focus of the organization on our triangle that was mentioned by Wolfgang many times here. How we generate more cash, how we expand our margin and how we grow. And there's a lot of initiatives on that one. Some of them that I was mentioning before to Vincent, like the effort that we are doing product supply to reduce our cost with the raw materials and many other efforts that we are doing under the new system.

Also our cost – internal cost, our OPEX with the new savings that we have, there's also efficiency to gain in our cost to serve, how every investment that we do in the marketing funding, we get the return of that investment on our R&D engine, looking to the trade-offs of products, which are the products that we're going to have that one.

So if I would summarize these two key elements; one, of course, we have this innovation engine, and there's a lot of launches, and we are launching in ten years, probably more products that we would launch in 20 years before. This is one element. But also the second element is what we call operational excellence, a lot of the effort that we are putting in place to do that. That's why we continue to do that.

Again, I just want to reinforce one element on that one. When I say that, I'm coming from the fact that in 2023, as you saw on this slide, and in 2024, we are outperforming the market, and we are outperforming the key competitors. They are coming from that position to drive the future, and we need to address this regulatory issue in '25.

With that, Stefan, please.

Stefan Oelrich: So yeah, thanks, James, for the question. So when we guided, we had in mind that there would be at-risk launches by generics going against what we believe is still a strong patent to this date. And we've seen an acceleration of that in the third quarter.

Third quarter was 23% minus for Xarelto over year-to-date of 11%. And so you can expect that trend to continue. So take the third quarter as an indicator of what is to be expected for next year. But again, you know, this can change and is subject to generic manufacturers taking decisions to launch at risk against us. So it's partly outside of our control. But I think that would give you some guidance.

Jost Reinhard: Excellent. Thank you very much. And coming up next is Christian Faitz from Kepler Cheuvreux. Christian?

Christian Faitz (Kepler Cheuvreux): Yes. Thanks. Hope you can hear me. Good afternoon, everyone. Good morning, everyone. Enough questions on '25 from my side and for the rest in Crop in '25, let's just hope and pray and rain dance and stuff. But on the FX side, can I ask what were the main – negative weighing elements on FX in crop in Q3? Was it Argentina? And if so, how does Q4 look from an FX point of view for Crop and maybe also give us a glimpse into '25 just in terms of FX? Thanks.

Wolfgang Nickl: Yeah. Hello, Christian. Thanks for your question on FX. I do think that the predominant effect this year comes indeed out of Brazil, Argentina and other hyperinflation countries such as Turkey and Russia and other places. You have seen us updating the guidance somewhat on the revenue side. And we kept it on the EPS side at about 30 cents impact there versus last year's currencies. As of the month end of September, the dollar was relatively weak at 1.12. So you saw the offsetting positive effect on our net financial debt.

We don't have a crystal ball. What we usually do is we look at the eight months forwards or nine months forwards to anticipate what's going on. That's what we did for Q4, hence, our guidance, and for '25, we are also orienting ourselves at the forward rates. That's the best we can do.

Needless to say that you should assume that every hedging technique that's out there we use, and do that relatively effectively. So more to come as we enter the new year.

Christian Faitz: Okay. Thanks very much, Wolfgang.

Wolfgang Nickl: You're welcome, Christian.

Jost Reinhard: Thank you. And coming up next is Richard Vosser from JP Morgan. Richard?

Richard Vosser (JP Morgan): Thanks, Jost. Thanks for taking my questions. Maybe a question on corn. I think the early indications from the US are another decline in acreage. So I was just wondering when should we think about some relief here? And what are the real underlying drivers that could actually improve that area?

And then maybe a second question also on the crop business. Just on the Crop Protection business overall, just thoughts on volume and price from the impact of generic pressure. Just any more colour you can give us there that would be helpful. Thank you very much.

Rodrigo Santos: Thank you, Richard. And Europe – it's interesting that we saw this year the impact in North America, the four million acres that we have and then the combined impact of Europe, Latin America, both in Argentina and Brazil, right? The indication that you just provided about next season, it's coming out of the fact that you have a very high yielding season in US, right?

Some of you – Joe, I think you wrote about that one about the high season of yields in US impacting the market. It's hard to say when you could see a shift on that one. I'm very – I'm following very close the market because I believe with the impact that we are seeing in Argentina. In Argentina, we are talking about a 15-20% area reduction in corn. We are seeing 5% to 10% reduction in the summer Brazil, and we're going to see the impact in the Safrina as well. So we're going to watch very close right now in the next months, the balance between the supply and demand for corn. But this impact of corn, probably we're going to see a little bit of a shift coming because of the supply and global – the corn demand, right?

I believe that we could see recovery of that in the second half of next year. On CP, CP, you have – you lay out a little bit of that, right? So you have the generic pressure in the market that is not new, but it's continued to have an impact, as you heard from all the companies, we mentioned that a little bit on that one.

We remain – when you look to our numbers, we continue to have our volume as we planned. There is an impact on pricing. I would say the main impact of the generics is the pricing element of that one, and that's what we are addressing. And it's connected to the question that Vincent did at the beginning for me as well is like our action is that how we reduce cost, how we really aggressive go to raw material negotiations, how we turn our efficiency in our sites to reduce cost, of course, to maximize that, at the same time bringing the new formulations to the market, to bring innovation that allow us to have a price advantage here.

So that's the engine that we're putting in place. And of course, accessing the CP business every time. This is something that we do every year. We are accessing our products, looking to the margin of each of the active ingredients that we have and making changes as we need. So that's basically the impact that we see on the CP globally, but it's mainly on pricing, as you said. Thank you, Richard.

Jost Reinhard: Excellent. And coming up next is Laurent Favre from BNP. Laurent?

Laurent Favre (BNP Paribas Exane): Yes. Good afternoon, all. First question for Rodrigo, just to push you a little bit more, sorry, on the deflation into next year for both seeds COGS and CP. I mean, based on what your peers have been saying, I think it would be logical to assume you can get about €0.5 billion of lower cost into next year between seeds and CPC. Is there a reason why those numbers don't apply to Bayer, for instance, hedging policy? That's the first question.

And the second question for Wolfgang on the free cash flow side, it seems that this year, most of the improvement in free cash flow is really litigation and incentives payouts. I'm wondering what you can say about working capital and whether the controllable sort of working capital improvement is more of a 2025 story? Or should we be assuming that, that's helpful for Q4 to get to your free cash flow target? Thank you.

Rodrigo Santos: So let me start, Wolfgang, and then I pass back on that one. So again, as Wolfgang said, we are – today, we – I know – I understand that I'm going to get a little bit more about '25. We are not providing the guidance at Bayer for '25. But we do – we are working a lot on the cost reduction, and we see a significant cost reduction for next year in our CP raw material impact and some other actions that we are putting in place.

I will not be able to precise you what is the size of that saving that we are putting in plan. Also, you heard a little bit from Wolfgang also the savings that we are delivering with a new operating model, and that will continue next year and some other actions that we are putting in place. I will need some time to finalize that work and to provide you a more precise number.

But yes, we do see the same savings that you heard from other companies. We are also seeing that reduction in cost in our plants, a reduction in terms of also our efficiency in our operating model, and we're going to precise that number in the next quarter earnings call. Wolfgang?

Wolfgang Nickl: Yeah. Laurent, thanks for the question on free cash flow, obviously, top of mind. You're right. Two of the major impacts year-over-year are lower settlements and lower incentive payouts. You see that in particular in the first nine months. I mentioned on the call, we're at minus €200 million this year. We were at minus €2.9 billion the year before.

We do see already some impact on inventory. If you look at that throughout the year, that's down. We always depend on Q4 to see how the receivables are going. As always, a payment pattern, in particular in crop that depend – that will dictate how we're coming in and what sort of use we make of programmes like factoring. I think we're on the right track there.

Our VAT, our weighted average terms with suppliers are improving. So it depends a little bit on what we order when, but the VATs are improving. And then we have laser focus on CAPEX as well. So we're addressing all of them. Most impact right now on inventory, stay tuned on all of the rest.

The other thing that obviously is a bit of a burden this year is the lower profitability actually makes a starting point for the free cash flow calculation also a little bit tougher. But we're committed on it. We're driving it. Expect laser focus on it.

Jost Reinhard: Great. Thank you. So we have just very limited time left, but we have five people still waiting in line, and I would like to give them the courtesy to still ask their questions. Maybe can the five waiting please just ask one question? And we would start with Harry Sephton from UBS.

Harry Sephton (UBS): Brilliant. Thank you, Jost. So my only question is an update on the uptake of high-dose Eylea. So are you seeing predominantly patient switches from existing Eylea patients? Or are they predominantly new patient starts that you're seeing on high-dose Eylea? And then maybe just to wrap into that, with biosimilars due to launch in the second half of 2025, how defensible do you see the Eylea market? Thank you.

Stefan Oelrich: Thank you, Harry. So two quick answers. One, yes, we're seeing predominantly new starts rather than switches. This is no surprise. And then you should look at analogues in this segment in terms of penetration of biosimilars has been very modest. So we expect that there will be more pressure on switches once biosimilars get introduced. But until then, I think the focus is going to be on new starts.

Remember also when we think about Eylea in Europe, a very favourable label that we have for Europe and the prefilled syringe that is becoming available now. So that's certainly going to give us an additional thrust. Thank you.

Harry Sephton: Great. Thank you.

Jost Reinhard: Excellent. Coming up next is Sebastian Bray from Berenberg. Sebastian?

Sebastian Bray (Berenberg): Hello. Good afternoon and thank you for taking my question. It's on the nature of the impairment in the Ag business. The last time there was an impairment, from memory, this referred specifically to the cotton component of Ag demand. Can you talk a bit about what exactly was impaired within the Ag segment and the assumptions in quantitative terms would have changed? And if I can squeeze a second one in, how many glyphosate cases do we have outstanding in the US? Thank you.

Wolfgang Nickl: Yeah, I can take both. Hello, Sebastian. So the first one is the impairment of 3.8 was on the goodwill level 3.3 and then a cash generating unit 0.5. I think I mentioned the reasons. It was generic pricing on Crop Protection. It was registrations. It was FX. The CGU, cash generating units was cotton, and that is also dependent on the Dicamba registration.

The number of cases that's open is, I believe, 63,000, but there's no surprise. The usual suspects are handing us more cases every month basically to increase the pressure. We're quite confident we have won 14 out of the last 21 cases, and we have the circuit split that Bill mentioned. So we're charging on. Thanks, Sebastian.

Sebastian Bray: Thank you.

Wolfgang Nickl: You're welcome.

Jost Reinhard: And the next one on the line is Thibault Bouterin from Morgan Stanley.

Thibault Bouterin (Morgan Stanley): Thank you very much. Just a question on the Federal Supreme Court review in the context of the circuit split. Just if you could clarify. Your slide seems to imply that you have an initiative on which case you want to bring to the Supreme Court. So just to confirm that, that's the case and the initiative is in your hand and it's that a situation where you need to lose another case in the appeal court in order to be able to go to Supreme Court.

Bill Anderson: Yes. So it's slightly complex because there are several possibilities. There are several cases that we could choose to appeal and some of those have already exhausted appeals

and others are still in appeal. And then in addition, it's also possible that the plaintiffs could appeal on the third circuit court ruling.

So there are a number of different possibilities. And yeah, we would be reasonably happy with any of those possibilities, and we're sort of working to optimize on that right now.

Jost Reinhard: Excellent. We have two more questions waiting in line. Thanks for your patience a lot. The first one here is Stephen Byrne from Bank of America. Steve?

Steve Byrne (Bank of America): Yes, thank you. Just wanted to ask a little bit about the short stature corn and maybe other than the less risk of lodging that Bill mentioned. But Rodrigo, can you comment on a couple of things, average planting density increased, average yield, and those would just be compared to similar genetics in the same area? And any estimate of drought tolerance, given the structural change in the plant? Is there a drought tolerance component of this which is what caused food inflation?

Rodrigo Santos: Hi Steve. And thanks for the question. So January – second week of January, we're going to be meeting the ground breakers here in US again close to our site. We're going to go to another season of working with them. And we are seeing with them exactly what you said.

A key element of driving yield by now is a higher density of plants, right? When you have all the precision breeding work that we are doing, we're breeding to have a higher density of plants. And, of course, the short stature corn allow us to bring that element, not only higher density but variable seed rating in the acre as well.

And I think that is the key driver for the higher yield that we are aiming here. And that's exactly what we saw with the ground breakers last season, and this is exactly what we are driving also for the next round that we are doing with the breeding version that was mentioned by Bill, that Bill was harvesting here in Iowa recently.

But the second element that you said, we are doing the analysis right now, right? We saw clearly a higher volume of routes coming out of the short stature corn, right? Because we have a better route development, and we're understanding the impact of that in terms of drought tolerance, in terms of stability and even side effect in terms of carbon sequestration.

So we are working on that one on the next round of ground breakers. We're going to be meeting the farmers now in January, but we are as much as they are excited about the development. But you nailed, Steve, a key element of that is how we drive higher density for farmers to have higher yields, and that's a very important element of the plan here.

Bill, do you want to comment anything you – from your experience?

Bill Anderson: I think you covered most of it. The only one to add is really what we're learning in Italy is that the – at least the breeding version has – seems to have superior properties as silage based on the plant composition, lower lignin composition.

So yeah, more nutritious for the dairy herds and less methane production. So yeah, we're very excited about Preceon and the future.

Jost Reinhard: And last one for today is Tony Jones from Redburn Atlantic. Tony? Tony, are you still there?

If not, then I guess we will conclude our Q&A session for today. We will conclude our conference call. I thank you very much for your attention and patience, for your interest, and I wish you all a great day ahead. Thank you.

[END OF TRANSCRIPT]