Capital Markets Day 2024

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Introduction

Jost Reinhard

Head, Investor Relations, Bayer

Introduction

A warm welcome to everybody to our Capital Market Day 2024 here in London. It is fantastic that so many were able to join us on-site. Thanks a lot for making the way and for being with us. And thanks also to everybody who dialled in online and joins the webcast. Great having you as well.

Agenda

The session today will be divided into three parts. We will have our CEO, Bill Anderson, starting with the strategic update, followed by Wolfgang Nickl, our CFO, diving into the financials. And then we will have the first round of Q&A. Following a short break, our divisional heads will present their businesses. We will have Rodrigo Santos starting on Crop Science, followed by Stefan Oelrich on Pharmaceuticals, and then Heiko Schipper on Consumer Health. And then we will have all the Board up on stage for a second round of Q&A.

For those of you that are in the room with us, we will invite you for continued discussions and to meet management at our reception.

Cautionary Statements

And before we start, I just briefly like to draw your attention to the cautionary language included in our safe harbour statement here on the slide.

And with that, Bill, the floor is yours.

CEO Remarks

Bill Anderson

Chief Executive Officer, Bayer

Julio Triana

Designated President, Consumer Health, Bayer

Introduction

And great to see all of you in person. And hello to everybody joining us on the webcast. Yes, we are excited to be here with our whole management team. And we have got some new members. Heike joined in September, so some of you may have had a chance to get to meet her. And of course, Julio, he is so new that he is not even official yet. His first day on the management board is 1 April. And I am sure he will not have anything you have to deal with before that. And then Heiko Schipper will leave us at the end of April, so they have a month of handover, which is really great. But I thought I would just take the opportunity, since Julio is with us and he is going to be part of the management board going forward, at least that he could introduce himself. So why do not you take a minute, Julio?

Julio Triana: Thank you, thank you. So thanks, Bill. And hello to everyone. I see some familiar faces from my past. I am looking forward to joining the Board of Management, also the Consumer Health team.

The Consumer Health is a very attractive business for us. Our business is home to great brands and very exciting science. Heiko and the team have done a really good job in the last years to turn the business around, and I intend to continue to keep that sustainably and just looking forward to getting started. So I cannot wait. Thank you so much.

Bill Anderson: Great. Thanks, Julio. Yes, I think my wife and I thought we had done a lot because we have lived and worked in six countries, but Julio has got us beat. He has actually managed eight countries. Yes, a lot of respect. He knows the Consumer Health business well and the Pharma business well. And we are really pleased that we had an outstanding leader like Julio ready to take this role.

Again, we really appreciate you being here. We appreciate the folks joining on the webcast. We appreciate your interest in Bayer, and we are happy to share more about our vision and plans for the future.

Bayer: A Global Leader in Health & Nutrition

Bayer is a €48 billion company with three really important businesses. And we have about 100,000 dedicated employees and one really powerful mission: Health for All, Hunger for None. I thought it might be useful, before we lay out our plans, to take a minute to reflect on how we got here today and where we are. These businesses in Crop Science, Consumer Health and Pharma, they were built over many decades. There was a lot of organic growth, a lot of in-house innovation, but there was also a lot of M&A. In fact, in just the last 20 years, Bayer has had 12 major M&A transactions. And that is not counting things like Vividion or BlueRock. We are talking big division size, or at least massive chunks of divisions. Seven acquisitions and five divestitures.

If you think about it, 20 years ago, Bayer was one of the world's largest chemical companies, and now we have essentially totally exited that business. We had ten business lines. We are down to three. And that is a remarkable feat. And I have to say that my predecessors possessed a lot of foresight and a lot of guts to make that kind of change. However, all that change came at a very high cost. It came at a cost of debt that we have on our balance sheet today and the interest payments on that debt. But it also came, really crucially, with a disruption in focus. It took the focus away from operations and onto transactions and everything that needs to happen around a transaction.

And when we say operations, that is a throwaway word. But what it means is the ability of tens of thousands of employees to focus on what a customer needs, to focus on advancing a product, advancing innovation, improving a process. That is what operations is. And when you have a lack of focus on operations, there are consequences. That is, I think, really important background for the choices that we face today.

If we fast-forward to 2024, it is a very dynamic situation. Just in the last ten weeks, we have had a lot of things going on. 65 days, here is a snapshot. We got pharma market authorisation for Eylea of 8 mg. We got our experimental medicine, Elinzanetant, with two positive phase III studies, all primary and secondary endpoints positive.

We announced the plan for our major changes called Dynamic Shared Ownership. But really critically, we announced that our employee representatives fully support the plan and the massive changes that are required.

In order to address the debt, we have proposed cutting our dividend to the minimum legal requirement. That is a big change. That is something that has not been done in post-war history for Bayer. We received another adverse verdict in glyphosate litigation, but last Friday, we also got a positive verdict and a mistrial. So that continues to move.

We are launching short stature corn in the US right now and preparing launches around the world.

Yesterday, we strengthened our pipeline in pharma by adding an important cardiovascular medicine, so we are very excited about that. And then tomorrow is the 125th anniversary of aspirin. Think about that, 125 years. That was our entry into Consumer Health. And just to illustrate how Consumer Health works and how it is different than Pharma, this year we have two major new product launches in aspirin in both the US and Germany. So, 125 years later. All the time this is happening, all these events I just listed, our share price is hovering near a 20-year low.

What I have found at Bayer

Strong foundation that can drive a prosperous future…

And I have to say this is indicative of what I found upon joining Bayer last year. This is a company with a very important mission, and that mission translates to an intense level of motivation amongst our employees that impresses me every day. We have incredibly strong science and innovative capacity. That is a great asset. It includes a deep talent roster that ranges from R&D all the way through the value chain to the commercial end.

In Crop Science, we have industry-leading innovation and a business that is really important for the world. We are launching blockbuster products in Crop Science that are going to give us decades of differentiation. In Consumer Health, we have this combination of product innovation and really well-known brands around the world. That is really powerful. And in Pharma, we have made great strides in just a very short period, a few years' time, to really change the course of our pipeline, to say goodbye to some older products and to bring in some new things and to really freshen up that pipeline.

But we are facing challenges, and I do not have to tell you that. These challenges, they weigh us down, they weigh our people down, and they weigh the stock price down, and people feel it. It is time to change. And let me just take a moment to share a personal experience that I think has some interesting analogies to the situation that Bayer is in.

In 2021, so three years ago, I had some, I thought, pretty interesting, pretty cool personal and professional goals for the year. I was doing stuff. We were coming out of the worst of the pandemic phase and excited about a lot of things in life. But one Sunday morning in early June, I was out skateboarding, something I had been doing for more than 40 years, never had a broken bone. But I had a freak accident, and I fell, and I broke my right femur in four pieces. I was face down in the street, no family or friends around. My leg was literally – it was bad. I am looking at that, right? And the pain was so intense. They ask you, 'How is the pain on the ten-point scale?' I know what ten is. Ten is where you are in and out of consciousness. In

that moment, all those plans and goals I had for the year, they were suspended. Facts took over. I needed to get to a hospital. I needed an orthopaedic surgeon. I needed a lot of titanium parts to put it back together. I lost almost a litre of blood, but I did not need a blood transfusion. I was right on the edge of it. However, I spent 11 nights in the hospital and I had 12 gruelling months of physical therapy to get back.

Now, circumstances did not stop everything I was doing, but it altered all of my plans. So, before the accident, I was a man with a plan. And after the accident, I was a man with a plan, but a shattered femur. And it changed a lot, but it did not stop me from pursuing my plans. In fact, thanks to the wonders of modern video conferencing, I barely missed a day of work because, yes, I could do stuff from there. I was not a lesser person, but my immediate actions and my choices and my options were very limited.

And I think there is some important parallels for Bayer. Because today, Bayer, is Bayer a great company? Absolutely. Bayer makes an impact on millions of farmers, patients, customers every day. That is important. Sustainability. I think all of us are learning to care more about sustainability as we just endured the hottest year on record, and this year looks like it might be another one. This company may have one of the greatest opportunities to help the world with climate change by our regenerative farming practises but also health equity. So there is a lot there.

We have shown the ability to lead in industries. We have shown the ability to turn around a business. We have shown the ability to manage a portfolio. I mentioned seven acquisitions, but five divestitures. We know we have that muscle to evaluate a business and say, hey, we do not think we are the best home for this business. We know how to send it out. If I stop with that list, then there is some pretty interesting questions we could ask. Do we have the right structure? Why should these three businesses all be under one roof? Are there some new business areas we should be pursuing? But the problem is that the list does not stop there.

...but four major challenges that need to be addressed

We are a high-impact, mission-driven company with three great businesses. However, we are also badly broken in four places. The shareholders have felt the pain, our employees have felt the pain. We have had multiple rounds of lay-offs, and it has been intensely frustrating for shareholders and employees because we have not fixed the problem. That is very unsatisfactory.

Those four broken areas is the loss of exclusivities in pharma, and we have not yet got the pipeline to offset it. It is the litigation situation, it is the level of debt, and it is the bureaucracy that prevents our people from doing the best thing for customers or driving product innovation every day. And those four problems, they really limit our choices. And they limit our choices whether we are three divisions in one company or whether we are in smaller pieces.

Completed Our Strategic Review Based on Clear Criteria

And so that really brings us to the topic of structure. Since I arrived, we have had intensive efforts on this. Before I arrived, it was called the Defence team, like defending the current structure. And we talked at the Management Board and we said, 'Hey, that is not what this ought to be. We should not be defending the current structure. Our job is to figure out what is the best approach for Bayer.' And so we actually created two teams. We created a team

that is focus was, 'Hey, give us all the reasons and justification for breaking up in every possible option.'

So we looked at valuations and what value the different parts of the business could bring. We looked at how a change could increase value creation. We looked at the speed of execution. We looked at the cash flow timing, the amounts and timing. We looked at the leverage ratios for the RemainCo and for the NewCo, and in a number of different scenarios, business scenarios. And we looked at what does this do for improving our future options. It is pretty clear, for example, pure-play. All around us, our competitors have moved to pure-play companies. Virtually all our competitors are now pure-play, and it is pretty clear why that happens. That is the simplest approach, and it has got a lot of appeal. That said, you also have to consider where your starting point is. And those four broken areas that I mentioned, they do limit our degrees of freedom.

We looked at IPOs and spins. It is clear that to do either an IPO or a spin, that is an all hands on deck effort for generally 24- to 36-plus months, because there is the pre-IPO or spin, and then there is a lot of stuff that has to happen after it in terms of service agreements and all these sorts of things. The challenge we had on this, quite frankly, was what happens with cash and leverage ratios. And it just created some situations that, from an ability to provide reliable financing, we thought were unacceptable.

We also obviously considered a sale of Consumer Health. That is pretty obvious because you could take the money and immediately pay down some debt. However, on that one, there was a combination of factors. The costs are significant, the tax losses would be significant. The one-time costs associated are significant. But also, valuation-wise, there have been consumer health businesses out there for the taking in recent years, and it is not a real strong environment on that. And we would have to say goodbye to a business that is reliably generating cash flows and is growing on that. When you take all those things together, it was not obvious.

Neither one of those options, a spin, an IPO or a sale of Consumer Health, they do not directly address our litigation problem. In some ways, having a new pot of cash, I would say there might be other people who would have designs on that cash. Does not address our LoE situation. I know that companies sometimes try to buy their way out of a patent cliff, but the industry track record on this is very poor. And I think many of you who have studied the industry for many years, you know this. The sweet spot for deals tends to be preclinical or phase I deals. Once you are into phase II, phase III, post proof of concept, generally, those are negative NPV deals. And personally, I do not like negative NPV deals. I know sometimes companies justify them for strategic reasons, but I think maybe we could all agree that if there is ever been a company that should not be pursuing negative NPV deals, that that would be Bayer today. So those were important considerations.

No Break-Up Now, Creating Future Optionality

But finally, any kind of structural move, it is clear it would be a 24-month minimum, all hands on deck exercise. Now, since I became CEO of Bayer, I have had an opportunity to talk with many fellow CEOs of companies that you know, that have done or been a part of these breakups over the last five to seven years. And I asked them a lot of questions about it. 'Would you do it again? What was the hardest part? What did it look like?' One thing they all told me is they said, 'Look, you can do a major restructuring, focus on performance, or you can do a breakup,

but you cannot do these things at the same time.' It is everybody 100% focused on… We are in 100 countries; you are talking about splitting legal entities in 100 countries. It is a full-employment act for lawyers and accountants, but it is not a time where you are revamping operations. So in the end, we said, yes, this could be a good reason to have all hands on deck, but not today.

In short, our answer on this question of structure is not now, but that should not be misunderstood as never. We are going to keep an open mind, but our priority for now is to tackle these challenges that I laid out, so that we can improve our performance and increase our flexibility.

We are going to do what, we believe, is best for Bayer, which is for all the stakeholders of Bayer. And for the next 24 to 36 months, we are going to focus on implementing Dynamic Shared Ownership, on getting our debt level down and working towards a single A rating, on getting reining in the litigation situation, containing that and on improving the pipeline in Pharma.

Now, we still need to ask, is our system competitive? Is Bayer the right home for these three businesses? And I can tell you, I do not believe we have earned the right to answer that question affirmatively. We have to either change that, or we have to change the structure. That would be my view.

Bayer Taking Decisive Action and Making Changes

Now, let me say this. We have done a lot of assessments over the last eleven months, a lot of evaluations, but we have not stopped at that. We have been very busy with actions as well, and I think we have taken a lot of bold actions. Perhaps the all-encompassing was our decision last July to start this transition, this transformation to a new operating system, to deliver faster decisions, greater accountability for everybody in the company, faster innovation, simpler processes. And we have managed now to mobilise large parts of the company, including the employee representatives, who are fully supportive of what we are doing. And by the way, that is no small feat to accomplish that in a short time.

In July, we made the tough call to reduce our guidance for 2023. We were very disappointed to do that. In August, we said we need to deliver to regain the trust of our investors. We need to be consistent. We need to make promises that we can keep. In November, we said that we were confident we could keep our guidance, and today we have delivered on that. However, we have 12 more 90-day cycles between now and the end of 2026, and we intend to get up in front of you all 12 more times and say we have delivered. That is something that we need to do.

Our Supervisory Board has also made major changes. First, they are refreshing the membership with three new members representing capital markets, biotech and pharmaceutical product development and litigation. We think those are very important additional perspectives to have. And then also the Supervisory Board is recommending a new incentive structure – long-term incentives, short-term incentives – to more strongly align management interests with shareholder interests. We think that is also important.

Finally, we are pursuing a new guidance approach. I was surprised when I got to Bayer at the amount of stuff Bayer was guiding on and also the timelines. Trying to predict what revenues are going to be for three different businesses in three years' time, I do not think that is a very

reliable exercise. What we are going to do is we are going to guide on current year, and we are going to try to have guidance that reflects a range of outcomes that we, with reasonable certainty, can deliver. It is not aspirational. It is our best estimate of what we are going to deliver.

Midterm, we will have certain commitments, but they will be only things that we can control. For example, we can control cost-cutting. We cannot control what the price of grain is going to be in 2026, but we can control costs. We are also going to share ambitions for the businesses and also some useful information for investors, so that you can model our company's financials.

And this is all about really having greater transparency, but also greater accountability, on our opportunities, our results, our wins, but also our challenges. And so we are beginning that today.

Addressing Our Challenges

Pharma LoE, pipeline structure

And I think as part of that, we need to start by having a hard look at those four challenges I mentioned. The first one is the situation in pharma with the LoEs and the pipeline. And I start with this because I think that our Pharma division is the biggest lever that we have not really fully grasped yet. We have some amazing growth opportunities in Crop Science with the blockbuster products you have heard about, and you are going to get to hear more about that today. I think a lot of that is underway. The Pharma pipeline is a huge area to be developed, and there is big upside here, but we got to make it happen. I am really impressed with the progress that Stefan and Christian Rommel, our Head of R&D, have made, but we have to do more on that.

We have a strong early pipeline now with 13 INDs over the last two years. That is 13 new molecules that we are taking into the clinic. That is great, but we need more in phase II and phase III. And one of the ways you get there is have great molecules going into the clinic and then implement – get the trials done, turn it around, keep them moving.

There is no doubt we are going to have some challenging years losing patents on Eylea, the low-dose, and on Xarelto. But I think we can fight through this and we can come through the next few years with a very strong pipeline.

So that is going to be the focus in Pharma, implementing DSO and using that to drive innovation.

Litigation

Next, let me make a few comments about litigation. Obviously, this is a huge obstacle for both our finances and our ability to pursue the mission. I know it is a big obstacle for investors. The issues with litigation on PCBs and glyphosate are at the top of my agenda. They are at the top of the Board agenda. We are on this, I would say, probably in a more strategic way, perhaps. They are very different situations. And maybe I will start with PCBs, but we are going to make a number of changes on both of these.

And PCBs, let us remind folks, Monsanto company stopped selling PCBs in the 1970s. There were multiple parties involved in the production chain, and so we are not alone on this. We expect the litigation on PCBs to ebb and flow. It does not have the same dynamic as glyphosate by a long shot. We expect individual cases will arise, and we will need to defend ourselves. And as this is happening and the situation is evolving, we will continue to assess the best course.

On glyphosate, let me start with the facts. Fact number one, glyphosate is safe. This has been affirmed over and over and over again by regulatory authorities and by scientific panels all around the world. Most recently, the European Union re-authorised glyphosate for another ten years based on the updated assessment of the European Food Safety Authority. They did a super thorough assessment because there is a lot of folks who do not like any pesticides, and so they really challenge this. I think this is like a golden seal of approval on the safety of glyphosate. All these years later, a new, updated assessment.

Even California, a state I have lived in for many years, a state that routinely lists things as causing cancer – by the way, I have just a quick story. I have a son who lives in Dallas, and he and his buddy were outfitting their apartment, his roommate, and he bought a lamp at Target. And he got home, and the lamp had a sticker on it that said, 'This product is known to the state of California to cause cancer.' So he called me and he was like, 'Dad, do lamps cause cancer?' So anyway, even California, the court recently ruled that any attempt to put a cancer warning on glyphosate would be false and misleading. That is a fact.

Glyphosate is safe. Glyphosate is essential. It is the most used agriculture crop protection chemical because of its unique ability to keep weeds at bay and to protect the yield, the crops, row crops, essential row crops, fruits and vegetables. And frankly, that is really important for being able to put food on the table. And a lot of folks do not maybe know this, but food prices as a percent of income now are at 30-year highs. And that is a big deal if you are working to make ends meet. A removal of glyphosate from agriculture would result in a massive food inflation, and so that is a big deal.

Second, feeding the world. There is an increase in population, but we have less arable land. Glyphosate plays an important role there. Glyphosate plays a unique role in supporting no-till carbon, which is important for keeping carbon in the ground instead of going into the atmosphere. It is important for keeping energy consumption in agriculture down. It is important for keeping fertiliser requirements down. If you take out glyphosate, you take out those opportunities.

And finally, glyphosate plays a major role in the farm economy, and threats to glyphosate availability are threats to farmers. That is why probably 360 advocacy groups in America are contacting members of Congress with their strong advocacy on this topic.

Now, those are facts. Let me talk a little bit about actions. There is going to be a number of cases go to trial this year. We have a new general counsel. We are bringing in some new external counsel as well. We are bringing a litigation expert on our supervisory board. We are going to defend ourselves vigorously. We welcomed the positive verdicts last week. On Friday, we got a positive verdict, a 9:3 for us and a mistrial. We welcome that. But we are going to continue to appeal every unfavourable verdict. We continue to average about 90% reductions in awards, but we are also continuing to work, even when we have had the awards reduced, to have the verdict set aside entirely. And we are not nearly through with that.

But it is also clear to us that defence alone is not enough. We are going to look at litigation through every angle, both inside the courtroom and outside the courtroom. We have to thoroughly engage with more stakeholders on this, because it is not just a Bayer problem; this is a problem for farmers, it is a problem for eaters, and it is a problem for the world and for the

environment. And so we are going to be doing more there. And we are going to evaluate every appropriate measure to bring closure to the situation.

I just want to conclude by saying you should expect to see considerably more action from us. But we will only be talking about these things when and where it is in our interests, because we do not want to give our plans to the litigation industry to use against us.

High debt

Let me move on to the third challenge, which is the debt load. You should expect from us a really intense focus on improving our profit base. We have to improve our profit base, and then we have to convert the profits to cash. And these are two topics that we know we can do better. We know we need to do better. Wolfgang will elaborate more of the steps we are taking, particularly on working capital and CAPEX. But we are not stopping there.

As you know, two weeks ago, that we shared our recommendation to move to only the legally mandated minimum dividend for the next three years. That was not an easy decision. We listened to your input. I see many people in the room that I have asked about this, and we took your input very seriously on this. I am pretty confident this will be approved at our AGM because, yes, we did get a lot of shareholder input on this. I want you to know we are going to be very responsible with what we do with the money. Our focus on this is going to be to use the money to the greatest extent we can to pay down our debt, because we want to be on a path to a single A rating again. Servicing the debt is an increasing cost for us, and it is time to get the debt down and increase our flexibility.

Bureaucracy

Finally, bureaucracy. Now, it is important to note on this, the number that we talk about is €2 billion.

Our New Operating Model Yields Several Advantages

But this is really about three things. It is customer-centricity, its speed of innovation, and it is going to yield €2 billion in organisational cost savings. But the customer-centricity and the innovation speed, those will deliver top-line. And we will see how that evolves. But I am very confident. It is simple math. If something used to take 20 people a month to get done, and now it is going to take five people a week to get done, you can do the math. It is not just the cost savings, it is like, hey, you are pulling things in, things get a lot faster, and you are going to hear some examples about that.

Strong Momentum in Scale Up, with Numerous Initiatives Globally

I feel great about the momentum we have on implementing this. In fact, it is really surprised me how quickly the people of Bayer have adopted this. In my previous work, I had to take a lot more effort to explain the 'why'. At Bayer, nobody is asking why, nobody is saying, 'No. We got everything figured out. We do not need change.' The people of Bayer are voting with their feet, literally. They are wanting to get into the new system as fast as they can. And we ended last year with about 50 teams up and running. We have 70 design teams laying out the new architecture. We now have about 300 teams that are up and running. All geographies and functions are represented in the plans. And by the year-end, we hope to have every part of Bayer affected. We will not be done, we will not be completed, the rollout, but we hope to

have at least made an impact in every part of Bayer, and we hope to have it done next year. The colleagues will say more, but, yes, it is exciting.

Achieved Our Revised Commitments in 2023; 2024 First in a Three-Year Rejuvenation Period

Let us move, and now talk about our financial commitments. As I said, we have delivered our revised 2023 plan. We feel good about that. We worked hard, especially on free cash flow. We had a real challenge because we started very soft last year. We were aiming for a minimum of zero. We ended up at €1.3 billion. I feel good about that. Net financial debt, we managed to get it down a bit, €34.5 billion, and we are counting by the tens of millions, because we want to make this happen. But we are pleased where we landed.

Moving forward in 2024, we really view 2024 as the first year in a three-year rejuvenation period. We have a soft growth environment we are projecting into, due to the ag cycle dynamic, which impacts volumes in Crop Science and also the LoEs in Pharma. There is actually a bit more profit pressure on EBITDA because we are losing some high-margin sales there, particularly with Xarelto. So that brings our EBITDA to somewhere between minus 9% and minus 3%.

On core EPS, we are looking at €5.10 to €5.50 on a constant currency basis. And free cash flow, we are looking to improve that from a soft year last year, up to €2-3 billion in cash flow. And then we want to have our net financial debt down to between €32.5 billion and €33.5 billion. So you will get to hear more from Wolfgang about specifics on that, but that is where we are at the big picture level.

Through 2026: Enhance Performance and Regain Flexibility

So later, you are going to hear from my colleagues, Rodrigo, talking about efforts to build additional leadership in Crop Science; Stefan, on providing top-line resilience, as well as refreshing the pipeline; and Heiko on how we continue to innovate with these trusted brands. But I want to provide a vision of where we would like to be when we fast-forward out into 2026.

We have three important businesses to drive forward, and we have these four challenges to tackle, and we are going to be doing this altogether. And what we would like to see, and what we believe we can see, is that we have weathered the worst of the LoE hit in Pharma, and we have managed to significantly rebuild the pipeline, so that that promising early pipeline now is more like a promising mid- to late-stage pipeline. That we have managed to advance our strategies and approaches in the litigation area, and we have substantially contained the litigation risk. That we have managed to bring our debt level down, to substantially improve our leverage ratios, and that we are at or on track to that single A rating. And that we have used dynamic shared ownership to accelerate our progress right across the value chain.

In Crop Science, that we have launched the first of those ten blockbusters and we have got a bunch more coming in rapid succession. In Consumer Health, that we are outperforming our competition on sales growth and on margins. And most importantly, that not only have we overcome bureaucracy with our system, but that we have regained that strategic flexibility that we are missing today.

Health for All, Hunger for None

So that is a picture of where we want to be. Why is this so important to us? We have this mission of Health for All and Hunger for None. And I want to assure you, we are not naive people. We know that is an impossible mission to accomplish, even in a lifetime. But what we do know is we have a company that is very important to addressing those goals. And those are important goals for the world. And so our business, the three businesses have developed what we think are really compelling visions, not just for the world or for the outside, but especially for our people. Because our new system, one of the key elements of Dynamic Shared Ownership, is a compelling vision that aligns everyone's action every day with what is important, and we get rid of everything else. And we believe that these visions that you are going to hear more about today for the three businesses, they will focus all Bayer people to do that, and we are going to eliminate everything else.

So again, thanks for your interest in Bayer. And I want to invite Wolfgang up now.

Financials

Wolfgang Nickl

Chief Financial Officer, Bayer

Summary

Thanks, Bill. Welcome, everybody. It is good to see so many familiar faces. Hello on the webcast. Our pleasure to have you here.

Let me follow and go into a bit more of the details on some of the important things that Bill mentioned. I want to accomplish four things with you this afternoon from my end. I would like to speak a bit more about 2023. You have seen the numbers, but I will tell you some of the things that I think are important also in the historical context. I will zoom in on 2024 on the guidance. I want to pick up on two of these boxes on one of the last charts that Bill showed. DSO, what does it mean? How does the CFO look at it from a financial perspective? And then I want to really talk about capital allocation as well. Bill mentioned already a few important topics there, but I want to zoom in on this. And I am actually also really looking forward for the exchange and the Q&A session with you, because we cannot cover it all in a short half an hour.

FY 2023: Achieved Revised Outlook

Let me get started with 2023, and let me start by saying the same thing that Bill said. We are not proud. We started a year with a false assumption on glyphosate pricing. We had to do a major profit warning. It is not something that you want to do. We had to do it, and we regret it. We did it in end of July. And as Bill said, we said, come hell or high water, we are not going to miss that number, and we are not going to miss numbers going forward. And I am actually really happy with the attitude that the team showed. You see from the numbers, five check marks that are green. On revenue, on EBITDA, on core EPS, we are at the higher end of the range that we provided. We feel good about that. I want to tell you this, the FX effect, because these are all reported numbers, were actually somewhat higher than expected. Everybody who is following what is going on in Argentina and in Turkey and other countries knows what I am

talking about. But the effect, just for illustration, on sales was about €2 billion and on EBITDA was about €375 million. So it was quite significant.

I also want to tell you that while we had a lot of negative effects, in particular on glyphosate, we had some natural hedges coming in from our variable incentive programmes. Just to give you a flavour, the STI, the short-term incentive, that we earned in 2022 is about €1 billion higher than 2023. So that helps the profitability in 2023 to offset some of the glyphosate effects. It will actually help the cash flow in 2024, because we are paying out much less than in 2023. But it will also imply a hurt on the profitability, because we are going to put our targets at a level where people can earn some better STI if we achieve them, and I am sure we are coming back to that as well.

Net financial debt was better than expected, and that was mainly a function of free cash flow that we saw a way to zero. We knew a lot of options exist to make it better than that, and we activated the whole organisation to achieve that. We have done a lot better on inventory, we have done better on AP, accounts payable. I will show you an example later on that. And we have also activated, quite frankly, some safeguards from the corporate level to ensure that we do not miss the target. So we deployed, for instance, a factoring instrument at a low €100 million number to make sure that we hit that number and also get to the net financial debt.

I have seen some reports that expected us to be at €38 billion net financial debt at the end of 2023, and that assumes people counted on us not achieving the number. So we overachieved the number. And, quite frankly, at the end of the year, we got a little bit lucky, the dollar got a little bit weaker, so we got a few hundred million of a tailwind from currency as well.

2023 was an important year for refinancing as well. We refinanced about €10 billion during the year, got a bit tough at the end, but at the end we had good demand. I know we have debt investors in the room as well. We are in a situation now where we have €45 billion cross-debt and €34.5 billion net debt. That means, in return, we have about €10 billion in cash and cash equivalents. If you look at the maturities for the next two years, you will understand that we have put ourselves in a position where we are not depending on the debt financing markets in the near future. And that was the attempt in a very difficult geopolitical environment, as you can imagine.

I want to point you to the appendix. I know a lot of you want to understand it in much more detail. We did our best to show you a few bridges and a few additional pieces of information in the appendix to the organisation. For instance, we have decided, by business, to also give you more P&L lines. Instead of just giving you EBITDA, we give you COGS, we give you R&D, we give you Sales and Marketing, and Other and so forth. So we do this in an effort to give you more transparency as we go.

Resilient Performance in a Volatile Macroeconomic Environment; Litigation Impacting Cash Flow

I wanted to do a real quick review of the last five years, and my colleagues will later on do more on that, on the top line and on the EBITDA line. You see here that the business had kind of a solid top line. It was growing by 2%. The bottom line was growing by 1% when you look at EBITDA. But what I want to focus on is if you take the average of the EBITDA line, you have €11.9 billion per year. And if you now go down to the bottom of the chart, that I want to focus on, and you focus on the blue boxes, that is the free cash flow, the real free cash flow. There

are no special items in free cash flow. That is the money that came into the bank. And you will see that that number was €2.3 billion. So from almost €12 billion, you get down to a free cash flow that is €2.3 billion.

Now, you are all finance pros and investors, so you understand that there is a lot happening between EBITDA and free cash flow. You have CAPEX. Obviously, you get to pay some taxes on the way. You have the financial result. You have special items that are not special when it comes to the cash flow, for instance, for restructuring. What I did here is I wanted to illustrate what the impact of litigation is. And you see a little grey box on top of the blue boxes, and that is the impact of litigation over the last couple of years. And in total, when you take the settlements, the judgments against us, offset that by insurance proceeds, and take the defence cost, you are getting to a total of about €13 billion over that period of five years. And again, if you hypothetically add it back on top of it, you are actually coming to almost €5 billion per year in free cash flow.

And I wanted to illustrate that to just underline one more time how important it is to get a handle on the litigation situation, because this is money that we could spend otherwise on R&D to help farmers, to help patients around the world. I wanted to share that.

Cash Flow Mainly Used for Dividend and Litigation Related Payouts

On the next chart, I want to illustrate this on a different angle. And I start with the net financial debt at the beginning of the study period and the net financial debt that we just talked about, the €34.5 billion. And what you see is that if you were to take that cash flow without litigation, almost €5 billion, multiply by five, you get over €24 billion in that cash flow.

The second thing that I wanted to point out is that we actually raked in more money by divestments than that we reinvested in M&A projects. There are still some milestones outstanding that the sellers can earn, but we actually raked in more on divestments than we invested in acquisitions such as BlueRock, AskBio, Vividion. You will hear Stefan talk about this later on. And of course, you know, the projects that we sold, Animal Health, Environmental Science and many more.

Litigation, we need to manage, but the other big topic that takes cash away and increases debt is the dividend. And over that same period of time, we paid almost €12 billion in dividends. And in order to influence the elements or take advantage of the elements that we influence, we made the very tough decision to cut into that dividend. And I will come back to that when we come to the capital allocation strategy. I wanted to provide you that walkthrough. For those of you who wonder in the last box, that is mainly a foreign exchange, because about 40% of our debt is denominated in US dollars. And as the dollar gets stronger, it actually translates into more euro in debt.

Outlook 2024: Key Drivers

With that, I would like to pivot to 2024. You already heard from Bill that we are taking a different approach when it comes to guiding, in two ways. Number one, we focus on the year that we just started. There is just too much uncertainty out there in the years to come. So we focus on 2024. And we also set the guidance in a way that we have a very high probability to actually achieve it. So that does not mean that we put a lot of buffers in there, but we have really thought through hard what can we impact and what can we not impact, and how would we position that relative to the guidance. And I want to give you a couple of examples for that.

Let me probably talk about the business drivers a little bit, and then I repeat the numbers that Bill mentioned. In Crop Science, we will grow above the market on the core business. Obviously, glyphosate will come further down. Rodrigo will talk a lot about it. And we indeed see the effects that we already mentioned in November. We see crop protection pricing under pressure, in particular, due to the over-inventory situation of our competitors. And we see a shift that is happening in North America from corn acres shifting to soy acres. And those of you who follow us closely know that that is a more profitable business for us, so it impacts our financials.

To be very specific, on glyphosate, it is very hard to predict. We plugged in the 15 years average price, excluding the peaks, and that is equivalent to a reference price out of China of $3.80 per kilo. So you see, we have what we hope and believe is a very reasonable assumption there.

On Pharma, you will hear Stefan talking about a double-digit Xarelto decline, but a lot of the litigation and the court rulings are still out. We do not know for sure, but we anticipate a double-digit decline in Xarelto and continued pressure on China. We still have to deal with some of the aftermath of the anti-corruption campaign that really affects us only indirectly. But volume-based pricing is certainly something that we also have still to deal with.

What is really good is that Kerendia and Nubeqa, our new drugs that we launched, are progressing well. They were at about €1.1 billion together last year. We anticipate them to be over €1.5 billion in 2024. Bill mentioned the mix effect. Xarelto is very, very profitable because we are also paying no licences on it. Nubeqa and Kerendia are also very profitable, but not quite as profitable as Xarelto. That is why you see a mix effect there.

Consumer Health, you hear from Heiko, is progressing steadily on the growth front and also on the profitability front. We are pretty happy with the development there.

Our forecast includes, for 2024, €500 million of the €2 billion that Bill mentioned. And that is not a soft number, that is a number that is included in our incentive systems. So we are there to make that happen, and I will talk a little bit more about this.

On the headwind side, there is still inflation. Some areas have eased, like, for instance, freight. But other areas are under heavy pressure, including, for instance, labour. Not only our labour, but also the labour with our suppliers. I want to mention to you because this is important for your modelling and likely also the reason for a disconnect in the street expectation in our guidance, that the financial result will be a bit more negative than last year. It was minus €1.9 billion last year. It is going to be more like minus €2.3 billion this year. Two reasons. Number one, we refinanced €10 billion at higher rates, and obviously, now we have to pay the interest on that for the entire year. Remember, the US 144A was in December, so we had the higher interest for one month; now we have it for 12 months. And the second portion is really related to hyperinflation countries where we have translation effects, hedging cost, and in particular also cost of getting money out of the country. And here we are speaking predominantly about Argentina, and with some of you we have talked about this in the past.

Now, what we are seeing is that litigation has an effect, settlements have an effect on cash flow. We are not spelling it out this year for tactical reasons that were mentioned before.

Outlook 2024: Divisions

All of this taken into consideration will get you to a guidance that looks as follows. You see this by division first, and then I am going to show you the corporate numbers as well in a second. And I will focus on the column with constant currencies. We are also giving you the expected currency impact in the far-right column. You can pick so many different currency points. This one is the end-of-the-year currency. The constant currency is the average for the year. This is the end-of-the-year currency for illustration.

Crop Science, we see somewhere between minus 1% and 3%. I mentioned the reasons and we again expect an EBITDA range between 20% and 22%. Pharma, we see somewhere between minus 4% and flat sales growth. I talked about Xarelto, I talked about China. Stefan will talk much more about this. The margin here at constant currencies is 26-29%. Consumer Health grows between 3% and 6% and again, between 23% and 24% margin based on a strong delivery also in 2023. You will hear much more from my colleagues about this.

Outlook 2024: Improved Free Cash Flow Despite Lower Profitability

With that, I want to pivot to the guidance on the group level. And again, you have seen these numbers from Bill already. I want to again comment on the constant currencies. That all translates to growth for the company in a range from minus 1% to plus 3%. If you translate that into euros, it is between €47 billion to €49 billion.

EBITDA will decline between 3% and 9%. That will then be €10.7 billion to €11.3 billion.

I want to mention one point here on the Recon because this is something that was an outlier in 2023, and also the difference between the street expectation and what we delivered. Recon is usually at about €500 million negative, and it includes enabling functions costs that we are not allocating. It also includes peaks and valleys in the LTI that we have set the targets for four years ago, and we are adjusting as we go. With the results last year and the forecast, we had to significantly adjust the LTI accruals. So it was actually no loss in Recon last year, and we are predicting that to come back to normal levels this year. I think that is important for your modelling.

The EPS, Bill already mentioned it, is between €5.10 and €5.50 at constant currencies. Free cash flow is going to be higher, so profit going down, free cash flow going up is a function of numerous things. Three to mention is while we do not give out the settlement number, you can believe that it is significantly less than it was last year. I already mentioned the STI pay-outs this year for last year that are significant lower than in the prior year. And you can also expect some improvements on working capital management, in particular, and I will give you a few examples on that.

Now, consequently, net financial debt will also reduce. You have probably already figured out that it is not quite reducing all the way of the free cash flow, because we have the dividend in there and we have milestone payments in for prior acquisitions that we made. And that is the reason why we believe it is somewhere between $32.5 billion and $33.5 billion *[should be: €32.5 billion and €33.5 billion]*.

Outlook 2024: Muted Outlook for Core EPS

The next page is really more for you as an illustration. These are all the items I mentioned we didn't put the exact numbers there because they fluctuate a little bit, but you see the puts and

takes. You see Xarelto again, you see glyphosate, you see higher merits, inflation and higher STI and LTI numbers, but in contrast, you see the savings from DSO as a positive, and you actually see a lot of growth in the non-Xarelto and non-glyphosate business that my colleagues will talk a bit more about. Lower earnings, lower tax, that is why the tax box is in contrast to last year a positive. The tax rate we model is still around 23%, so there is no change in that.

Through 2026: Enhance Performance and Regain Flexibility

With that let me quickly reuse one chart that Bill already showed. This is really our objective through 2026 to enhance the performance and create flexibility again. Crop Science, Pharma and Consumer Health - my colleagues will talk about later on. On the group side, Bill already mentioned litigation, and I want to just give you a few more points on DSO and a few more points on cash management and then capital location.

Our New Operating Model is Key Enabler to Achieve our Ambitions

I like this chart because it illustrates a few things. DSO is different than your usual cost-cutting programmes. Cost cutting is almost a bit of a by-product where you really look at everything that you are doing, and you are stopping things that are in the way of helping customers and getting to new products. You are really reviewing areas where you can simplify quite a bit, but the real deal is if you liberate the organisation from bureaucracy, it will translate in more customer-centricity. That should translate into more share and more revenue, and you will see a couple of examples later on where we are already doing this. And the same thing on the product development side, if you leave people to finding new products, you should get better innovation faster, which will also contribute to growth.

On the cost side – and by the way, these charts are just illustrative in both size and timing, but you can imagine, some of the cost elements will come in earlier than influence from the innovation and better products faster. What I want to tell you is the following, I want to repeat that we start with €500 million this year. It is in our incentive programmes and we want to get to the effect of full €2 billion by 2026. By the way, sometimes we have heard throughout the day that €2 billion is a little bit wimpy, but it is not a €2 billion applied to our entire cost base. It is applied to our organisational costs, so a good proxy is to compare it with the payroll we have. It is not all payroll related, but the vast majority is payroll related and our payroll is about €11 billion, just to show you how significant it is.

I want to also talk briefly about the one-time cost. You will remember from prior cost programmes that the one-time cost was somewhere between 1.5 and 1.7 times the savings. We have tightened the programmes a bit, and it is much more focused on personnel cost and not cost of outsourcing and reconfiguring systems, so the ratio will be much more closer to one. When you think about the savings on the one-time cost, it is a much lower ratio than what you have seen in previous programmes.

We Improve Cash Generation and Manage Adverse Impacts

I want to switch to the cash generation piece and I put this chart in just to show you the triangle. It was mentioned earlier, this is, by the way, how the STI system is proposed to be changed. For the Board of management, there will be three components: gross, profitability, and cash, all equally weighted. I think this is very important. Dynamic Shared Ownership is an enabler, the most important enabler. Obviously, cash is driven by growth and by margin in the first place, but then also by balance sheet efficiency and divestment proceeds. Now, here we are

not talking about divestments at the divisional level, but we permanently divest of brands and buildings and other fixed assets. And we have kicked into relatively high gear on that to help additionally with reducing debt relatively quickly. Obviously, conversely, we are also trying to impact the adverse effects and reign in litigation as soon as possible, and I talked about the severance pay-outs and how we have brought these down.

We Have a Clear Focus on Improving Working Capital Management and Prioritization of Capital Expenditures

One more deep dive on the working capital and CAPEX pieces of the cash programme, I think it is very obvious that we address the three items of working capital. The strongest focus last year was accounts payable. Just to illustrate this, we benchmarked how fast we are paying suppliers with best-in-class, and I can tell you we were several days faster. We made a lot of changes. You always have to be careful on the contractual side. You just do not want to drive over to the supplier and say, 'I pay you later,' because there will be some rebate evolved, and then you are getting cash, but you are jeopardizing the P&L, so you have got to do it with the right timing. We also beefed up our supplier financing programmes, for instance, where we have longer terms, but they can refinance themselves really quickly. Quite frankly, we also changed our internal processes, number of payment cycles and so forth, significantly. Just to illustrate that, I believe over the next three, four years, this is €1 billion, over €1 billion possibility. Every day of payable is about €75 million, and we got two to three last year. This is something where you have to be a little bit patient, but we are attacking it vigorously.

The second focus area is inventory. You have seen that inventory has risen quite a bit over the last couple of years. Inflation, but also protection from potential energy shortages. We are reversing that, and we are reviewing every S&OP cycle in the company.

On CAPEX, probably a few more words. The CAPEX ratio compared to revenue is relatively stable. The point I want to make here is, and it is very important when we talk about capital allocation, CAPEX includes investments in intangible assets. When you hear Stefan later on talking about the deal we just did in Cardio, that is actually not an acquisition in cash flow statement sense. That is the purchase of a license, which is part of our CAPEX, which we cover there and then with ongoing R&D. Just because we do not allocate much free cash flow to M&A, does not mean that we are not investing in business development aggressively. It is probably 25% of 3 billion CAPEX per year. I wanted to share that insight with you as well.

We Will Prioritize our Capital Allocation to Achieve a Stepdown in Debt

That gets me to my final chart on capital allocation, and I want to use a wider term. I could ask every one of you about what is capital allocation. We would probably get different answers. Often people say, 'How are you actually allocating your free cash flow?' I want to take one step before that, because before we get to the free cash flow we have already invested billions in the business. We have about €6 billion in R&D and you will hear from my colleagues how we are prioritising that. We have invested in CAPEX and we have invested in launches of new products. And if you have followed in Pharma, what we have done over the last couple of years to put ourself in a position to market products like Kerendia and Nubeqa, we very consciously got to invest into that market. If you add it all up, that is about €10 billion a year so that is before we talk about how we use a free cash flow.

I have already told you that we also intend to supplement the free cash flow with divestment proceeds of fixed assets that we do not need, so we have gotten much more flexible in our working habits. I can tell you, we sold a campus in Pittsburgh. We sold half of campus in St. Louis. We sold buildings in Berlin. You may not think that is a lot, but that is €100 million here, €50 million there, €80 million there, it all adds up. We are very focused on that as well. And then it comes to the usage of the free cash flow and the divestment proceeds, and they are the clear focus. We have said it abundantly clear, top priority debt reduction. You hear us talking about moving towards an A category. By the way, for all of you who wonder, we categorise that as a leverage ratio of about 2.5. Currently, we are on the lowest threes, so we have a bit of work to do. Hence, the reduction of the dividend as one measure to the minimum, and you see that as a very small sliver here. That does not mean that we do not do any acquisitions in an M&A time at all, but will not be focused on acquisitions that bring us immediate revenue. It will probably be bold-ons that are very early stages of product innovation.

How do we evaluate this, and I will probably stop after that. On the left side, on the organic investments, we are really challenging the three businesses to get the industry-leading business models. We challenge how much R&D do we invest compared to competitors, how much marketing and promotion do we invest, and so forth. On the right side, it is NPV driven. You cannot NPV everything, but that is the leading indicator for us when we look at M&A transactions, for instance.

Summary

I hope that gave you in a quick half an hour overview of 2023, our guidance for 2024, how we think about DSO more from a financial perspective. Cash is really in focus, and I hope that the capital allocation is stringent also in your eyes.

With that, we come to the first Q&A section on Bill's and my part. We will have Heike join us as well for that and then the three divisional presidents will talk, and we do a second Q&A session after their part and a short break, obviously. With that, I suggest we transition into Q&A.

Q&A

Bill Anderson: I think some of you may have had a chance to see Heike or meet her, but she joined after a very long career, more than 30 years with Bayer, and she has done almost every job there is to do in the Pharma division, including most recently running our business in Europe, Middle East, and Africa. Previous to that, in Japan for a number of years, so those of you who speak Japanese in the room, you can try it out on Heike. But very importantly, she made a really excellent choice as our head of talent and labour director based on her wealth of experience and just her great leadership qualities. And she has been really involved with our employee representatives in the discussions over our changes. I just thought maybe we start out the Q&A almost by just give you a chance to talk about that a little bit about the process and where we stand.

Heike Prinz: Thanks, Bill, and happy to meet all of you. I think we heard it already in your part, Bill, Wolfgang, you touched on it, I think in a place of core determination like Germany, sometimes changes of the order of magnitude that we are undertaking can take more time. I think I have been spending the bulk of my first couple of months' time working with the

employee representatives, and I am happy to say I think they very well understand the urgency of our situation. We have a joint understanding of the changes that need to happen in the company, and that allows us to now also move very quickly and swiftly and at the pace that is required as we go about the implementation.

I am spending a lot of my time working with them collaboratively and jointly because I think, as you heard before, we do go about the implementation this year and also next year. And I think that is where having the support, the tremendous support of the employee representatives is going to be very important.

Jost Reinhard: Emily?

Emily Field (Barclays): Hi. I will ask two questions on glyphosate litigation. The first one, if you could give us perhaps some more tangibles about how you are changing the litigation strategy. We have seen some media reports about new efforts in terms of lobbying state legislatures, or if any broader settlements would be under consideration.

Then secondarily, going into this event, we have been getting a lot of questions regarding whether the level of provisioning was appropriate, particularly in light of some of the adverse adjustments that we have seen as of late. I think you said earlier today, you are expecting to pay out less in settlements this year than in 2023, but more broadly, has your overall assessment of the ultimate liability of glyphosate changed at all?

Bill Anderson: Maybe I will start with the question in terms of the changes. Honestly, Emily, I hate to disappoint you, but I am probably really not going to say much more than I said, just because I do not think it is in any of our interests that we are describing our new plans to the – handing that over to the litigation industry. But I think you will see more from us, and maybe you have seen some of that already, but maybe Wolfgang, you want to comment on the provision?

Wolfgang Nickl: Hi, Emily. Provisioning, just to give the numbers, the total I mentioned, the €13 billion in cash that already went out the door, the provision on the balance sheet right now is about €6.5 billion or so with 80%, 85% on Glyphosate, the rest basically on PCBs. Can I absolutely guarantee you that that is it, it will not go over that? I do not know. I really do not know. What I can guarantee you is that a lot of people look at this very methodically, including the auditors of the company and I don't want to bore you with all the details, but you obviously look at how many cases do you have outstanding. What's the per-case average that you predict that you have demonstrated that you do? What are your win ratios? After you shorten the losses by the 90+%, what do you pay out? It is a pretty mechanical exercise, and those of you that have looked into accounting pronouncements, you have to be able to estimate it, and it has to be more likely than not in order to put it on the balance sheet. This all gets audited. We certainly hope that we can live within that envelope but I cannot guarantee it.

Richard Vosser (JP Morgan): Thanks. Just a question on free cash flow, really. How should we think about the development in free cash flow in the coming years? I think Wolfgang, you highlighted an extra €1 billion coming from working capital. You have €11 billion EBITDA number. The extra €1 billion suggests you can get a four, maybe five by 2026, but why can we not get six, seven? Just the levers around the free cash flow.

And then maybe also just a second question on the cash outflow timing around the restructuring. Is that spread evenly throughout the period to 2026 as well? Thanks very much.

Wolfgang Nickl: Hey, thanks, Richard. There is a good reason that we have not given out the guidance for 2025, 2026. But I want to give you the levers that we have. The biggest lever is obviously profitability. The more profit you have, the more you can translate into cash flow. Like I said in my charts, we are attacking everything. We are looking at all elements of working capital management. I gave you the €1 billion on AP, but I can also tell you that €14 billion on inventory is too high, so we are going to carefully look at that. Obviously, always weighing capability to deliver because we are delivering seeds and we are delivering essential medicines, and optimal operating cycles in our supply chain. And then we obviously look at the receivables part as well.

On CAPEX, good portion of the CAPEX actually is in growth investment, so we have to be careful there. We also want to be very, very careful in everything that is related to the license to operate. What you do not want to do is lose good manufacturing practise standard in one of your factories for Pharma, and then you save some CAPEX in one year, but you are paying it with a warning letter in the next year. So we are going to be very careful. We are attacking on all front. It is in the incentive targets and the reason why I showed you the €5 billion, if you magically would make the litigation go away, is that you see the potential without having even gotten that next level of growth in some of the optimisation potentials we have. I hope that gives you a little bit of an indication there.

Cash of restructuring, it always depends when exactly people are leaving the company. It depends on, is it an early retirement, then the cash outflow has a longer tail. If it is a separation agreement, the cash flow is upfront. So we will spell that out as we go because all of these plans are developing.

Christian Faitz (Kepler Cheuvreux): Thank you. I was wondering what you will do to monitor the progress of Dynamic Shared Ownership because I remember some 14, 15 years ago, also new CEO came in from the outside, cut significant costs, identified layers of decisions. And yet, 14, 15 years later, Bayer seems to have gotten a little crusty again with one acquisition and one bigger divestment. What are you doing to monitor this progress and keep on the toes?

Bill Anderson: Well, first off, in terms of monitoring progress, we have to deliver €500 million of cost savings in the next 10 months. That is a rather acute thing, and €2 billion by 2026, so that is also rather acute. We are going to be very closely monitoring that. I have to say though, do not think this is like those previous things that were done. I think those were probably very good things to do, but that was more classic reorg. You take out layers, but you do not change the fundamental way decisions are made. Decisions are still run up the flagpole and back down, if they ever get there, and we are taking that out. The reason why big companies do these cost-cutting programmes, streamlining, whatever word, and then a few years later, you are back to where you were, is because nothing really changes.

It is like going on a crash diet after Christmas, 'Oh, I ate too much, whatever, and now I got to lose a few pounds.' How well does that generally stick? That is what corporate reorgs are. They are like crash diets, and you have to have a new lifestyle if you want to keep the weight off. And we are talking about a new way of operating. Check out the companies that have done this, and look at someone like Nucor Steel in the US and see how often they are doing

reorgs. They are not, because they have a way of operating that is lean, and it has taken out layers and they stay out. And that is what we are intending to do, but we expect to be accountable to you on that.

Pete Verdult (Citi): Thanks. Two questions, one for Bill and Wolfgang. Bill, I am going back to litigation. I realise you cannot say much, but we are in this chicken-and-egg situation because the wider market is not going to engage with our equity story until litigation is perceived to be dealt with. And obviously, you cannot say much, so I am going to push my luck. On PCB, is your stance changing at all in terms of your strategy, or is it just about we are indemnified, we have got people that are going to share the losses with us, that will be a multi-year process? Or are you actually changing your legal strategy there? That is question number one.

Then just more simply for Wolfgang, just a clarification, is there any assumption on an impact on Dicamba trade sales or chemistry sales this year from the ban? Secondly, I know the free cash flow is clean, i.e. the DSO costs are in there, but the EBITDA number you have given, is that including the DSO costs, or is that going to be excluded? Thank you.

Bill Anderson: On the first one, on PCB strategy, I am sorry, but I am going to say again, we are not going to say much more than what we have just said because it is not in the company's interest to do so. I totally understand the frustration about people wondering whether to invest, but it is something that, unfortunately, we just cannot say more. Wolfgang?

Wolfgang Nickl: On Dicamba, I give you my view, and then Rodrigo can supplement later, but you have probably seen that the EPA has reacted very swiftly. So inventories and shipments in the channel can be used. If, at all, the impact for this year should be modest. On the one-time cost for DSO, we have actually revised the special item guidelines. You know about this cleaning everything quite significantly, because the more you clean out, the more the disconnect is there between the real deal cash flow and what you show in EBITDA. We actually only have two things that actually go into special items. One is litigation related cost, and the second one is the severance cost. Just the severance cost, not like the cost of reconfiguring a system or something like that. There was a much wider definition in the past, but now it is just the severance cost, so whatever is associated with that €500 million would not be in the clean EBITDA number. I hope that helps, Pete.

Pauline Lecoursonnois (EOS at Federated Hermes): I have a question to go back on organisational change, so Bill, you are fresh to Bayer, relatively fresh, and I wonder if you could share maybe about your impression on the culture you are inheriting. Is it the right one to successfully transform the business? Where are the gaps? And maybe could you talk about how you will monitor this and report on progress. Thank you very much.

Bill Anderson: Sure, sure. I have been very impressed with the culture at Bayer in sense of, it is a culture of mutual support. It is not a backstabbing place at all. It is a culture that puts the needs of the patient, the consumer, the farmer, that is really valued. Then you might say, well, then what is the difference? The problem at Bayer is not the culture, it is the bureaucracy. It is the layers, it is the approvals. Personally, I call that the system, not the culture, because think of it this way, you can have all the positive culture you want, but if it takes five signatures to replace a pump in the plant, then the culture is not going to save you. This is the phenomenon that we face at Bayer. I think, maybe, many of you have heard me say, Bayer

has a 1,362-page rule book that supposedly all the employees in the company are supposed to follow. Just for fun, I looked that up. *War and Peace* is only 1,300 pages so actually, our rule book is longer than *War and Peace* for those of you who had to suffer through that in high school.

In fact, one of my colleagues today was just saying that he had to sign off on something because we had a contract with a supplier, and we ended up using €52,000 less of their services than the contract called for. And there had been some prepayment clause, so they actually needed to refund us €52,000. This is a person who is at the very senior levels of the company, one of the top 20 people in the company. He had to sign off permission that the €52,000 could be returned to us. This is craziness.

But anyway, what I found is the people of Bayer are ready for change. They are saying, 'Bring it on.' We saw this with our employee representatives as well. When I was interviewing for the job, I talked to our employee representatives, because at a German company, you are not getting hired if the employee representatives do not basically approve you. So essentially, they hired me. But I told them the system and said, 'Look, we are going to put the mission first, employees second, shareholders third, and senior management last. We are going to put all our energy on driving the mission outcomes, better results for customers, better, faster product innovation, and there is going to be a huge amount of change, and lots of jobs are going to go away. We are going to have many fewer managers, many fewer layers and if you do not like that, or if you cannot see that as a vision for the company, then please do not hire me because it is not going to work.'

And not only they hired me, but those conversations, they have been the most diligent students of the new system. Several of them cancelled their summer vacations and were basically having workshops on the new system to figure out how do we do this. I think the culture is super enthusiastic about the new system. I think that we could not have better grounds to do this. Thanks for the question.

Sachin Jain (Bank of America): Hi there. Two questions, please. Firstly on the savings, just give a bit of colour as to whether they are upside to consensus or the extent of reinvestment. The €500 million you have included in 2024 essentially got you to consensus EBITDA, so just, is the €2 billion needed to get to consensus or does it offer upside? The reason for the question is partly the Pharma margin pressure seems to have been worse than consensus, and we are just getting into the Xarelto pressure, which will magnifying in outer years. I am just trying to balance those two items.

Then secondly, Bill, I know PCB, I might just try my luck again if I may, but it is a slightly different question. Wolfgang has outlined the provision is roughly €1 billion based on the 15% of the €6 billion. You have had some sizable headline numbers so far, so five states at €2 billion, Sky Valley at €2 billion. I wanted to understand why that €1 billion provision is correct relative to only five states and one education centre that total €4 billion, and what is the event path from here that will confirm to the market that you are correct or otherwise?

Bill Anderson: Go ahead, Wolfgang.

Wolfgang Nickl: I will do savings first. First of all, I am not going to contrast it to a consensus, because then I would imply any guidance or something like that. But what I would tell you on the €500 million and then also on the €2 billion, and sometimes I get asked, is it gross, is it

net? It always depends on your definition of gross and net. What I can tell you, there is no plan that we say we take €2 billion out and then we put it in R&D, or we put it in Sales and Marketing. We have certain forces like inflation, labour inflation that really get offset, so I would be very careful to just take it to the bottom line. And we will inform you as we go. If you look at that one chart that I basically almost jumped over where you see the savings, you also see merit, inflation and so forth, so there is always a few offsets there.

I wanted to just say something, I said 85% of the provision is glyphosate, but it is not only PCB on the other side. There is a little bit of a rest of Dicamba and Essure and a few other complexes that we have, so do not conclude that is all PCB. And I think you are going to probably want to talk about the litigation, not much more.

Bill Anderson: Well, your question was around the provision and the… I do not know. What are we saying about the PCB provision? Because as Wolfgang mentioned earlier, provision, it has to be reasonably likely to happen. Things to be provisioned, they have to be reasonably likely to happen. In the case of PCBs, as I said, it is ebbing and flowing. It is more episodic, so I think there is less things that are reasonably likely to happen, so there is probably not as much provision. Does that make sense?

Wolfgang Nickl: Totally makes sense.

Florent Cespedes (Société Générale): Good afternoon. A question on M&A. You say that you have limited resources, but could you consider some innovative deals or multi-part transactions, asset swaps that could strengthen the midterm Pharma pipeline, for example, or even strengthen the Consumer business to create an even stronger entity that could be more attractive for investors? Any thoughts on this would be great. Thank you.

Bill Anderson: We can maybe take this up again when we have Stefan and Heiko at the later Q&A. We are open to innovative deals, and we have been for some time. And I think the deal that Stefan mentioned in his presentation that we announced on Monday, it is a great example of a – that is a classic win-win. BridgeBio is a young company. They are launching their first medicine in America. They need to focus on that. Building out infrastructure in Europe is not attractive to them, and we have a strong expertise there. And for us, it is like, hey, this is an opportunity to get a late stage deal in a geographic area, but at a cost that we think is attractive to us in terms of what we can deliver on the top line and profits.

Wolfgang Nickl: I can probably add one thing. We are really flexible on these, what I call bold-ons. We did two deals in Heiko's business, Natsana and GloryFeel, for instance, to beef about our digital capability. We did it is called Blackford Analysis. It is an AI shop in Scotland that is really helping us with the radiology business. We did CoverCross in the US. We are doing these things, and we are financing them out of divesting smaller assets. So we are very creative that way, but it does not distract us from our objective to take the majority of the cash flow and what we are not paying on dividends towards delevering.

Jost Reinhard: More questions. One here, then Jo and then in the back.

Sebastian Bray (Berenberg Bank): Thank you. Good afternoon. My first question, Bill, just on the terminology of the programme, Dynamic Shared Ownership, getting employees to behave like equity holders of a company. How many employees in Bayer currently hold stock? That is my first question. Would there be a target to change that?

My second question is, if we take, Wolfgang, your earlier comments on the net debt target of the company, let us call it 2.5 times EBITDA by 2026, say that is a number of €26 billion, I know opinions vary on this. But it is only really possible to get there if litigation payments are at or below the level where they have been for the last few years, in my view, or R&D gets squeezed. Could you give me a sense of how you expect R&D spend to develop at the company? I am not going to ask you for definite litigation numbers, but if I am in the ballpark with that assumption. Thank you.

Bill Anderson: You want to do the latter one?

Wolfgang Nickl: I can do the first one or the latter one or both. Why do you not do that?

Heike Prinz: The first one I think was around how many of our employees hold shares. I cannot give you the exact number, but we do have employee share purchase programmes that we regularly do, so I do know quite a number of our employees do hold our shares. And obviously, they are also impacted by the recent dividend cut.

Bill Anderson: I would just say, I am a big fan of employee stock programmes, full stop, whether it is issuing shares as part of compensation, or whether it is employee stock purchase plans, all of that. I am a big fan, but most companies that have those, they have employee ownership plan, or they have employee stock plan. And at the same time, what they giveth, they taketh away by having eight, 10 layers of bureaucracy that basically nobody is fooled. Most employees in big companies, they do not feel like owners. You do not feel like an owner when you need three levels of approval to do some basic change to solve a customer's problem. And it is a funny thing about humans. It is easy for us to focus on the money, but at the end of the day, the thing that really matters is what am I allowed to do? If I and my colleagues in Ohio or in Western India, we can see a need of the farmers and we can make a decision, commit resources and do it without asking permission, then we are acting like owners and we feel like owners. If we cannot do that, then ownership talk is culture crap.

Personally, I have worked too long to engage in that anymore. I have no interest in empowerment talk, but you want to cover the…?

Wolfgang Nickl: I just want to add one thing on the stock thing. We can have every employee on the employee purchase programme. That is one thing. You know that 18% of the shareholders are retail shareholders, so we have a very, very big retail shareholder base. I cannot tell you how many employees or pensioners or whatever are in there, but the other number we can share is we have an STI programme and we have an LTI programme. The LTI programme is not a direct share. Ownership is 100% tied to the stock price and, to a very large degree, to TSR. That is about 11,000 people on that programme, for your information.

The second one, I am really glad you asked the question on net debt. The maths is pretty straightforward. It would have to be somewhere in the zip code, but it is very important that we set towards an A rating by 2026. I hope we make as progress as possible. I cannot guarantee you that we are there exactly for the points you made, I do not know what the litigation – probably somebody wants to settle the whole thing for a reasonable amount and we would do it right away. So I cannot tell you that number.

As it relates to R&D, this is a really interesting question, and this is really a good application of that triangle that we showed. You always have to make that trade-off between cash,

profitability and growth. We made a very conscious decision in Stefan's business, and he will talk much more about this, to not cut R&D, as a matter of fact, to expand R&D a little bit over the last couple of years by what we, for instance, give to the platform companies. So we always do this in the context of this triangle, but I want to make sure, yes, A rating is super important for us, we are committed to it, but without a clear three-year commitment on the numbers, I couldn't give you a clear commitment to the A rating in that particular year either. I hope you can accept that.

Jo Walton (UBS): Shared ownership again, and also a bit on litigation, but in terms of shared ownership, have you done any benchmark work to see, are you overmanned in your divisions relative to others? It looks like you are going to get rid of a significant number of people. It is €2 billion of cost savings, one-to-one costs, severance being the biggest element and getting €2 billion back by the end of 2026. I am sure they are on averagely more expensive than your average staff person, but that is taking a lot of people out of the business. Does that leave you scrambling around trying to do too much with too few, going forwards? Just that element of benchmarking. And are you taking the opportunity at the same time of restructuring to make your businesses more separate and more standalone, just in case you were to make a decision going forward in terms of different structures? So just are you separating them?

My litigation question is just a simple one. You highlighted in your press release this morning that you have still got two appeals going at various circuit courts. Is it still an opportunity for you to get those to the Supreme Court and actually reverse some of this the pre-emption rights stuff? Or was that a great idea, but something that it is actually just really, really difficult? You didn't get it last time. The Supreme Court has just shown no interest in picking it up. Is it still an option going forwards? Thank you.

Bill Anderson: Do you want to do the third one?

Wolfgang Nickl: The third one, I can do very easily. We try everything on every vector to resolve this litigation, and if we can get to a circuit split at one point in time, we will certainly follow that. And right now, there is two avenues. We might find more, but we will not give up on that.

Bill Anderson: We also know that this is a major policy issue, and there are thousands of cases that could go to higher courts. This is a unique one in terms of the scope of its impact to the nation.

In terms of the question on benchmarking, the divisions are regularly doing various types of benchmarking, and I don’t think there is not a sense that we are overmanned from a classic point of view. If you compare us to another hierarchical organisation, we mentioned multiple rounds of layoffs. There have been multiple rounds in the last few years, and my assessment as an outsider coming in, as much as I can pick up on that, is that this is not a fat organisation, but it is an organisation that is trapped in rules and bureaucracy and in the hierarchy. And in that, it is not totally in a different category from many large companies, but maybe a little bit by degree. And so to your question about, well, is there some risk we have to the business with these savings, I don't think so because we are not talking about having people do more work. There is nothing about like, oh, well, now we have eight people doing this job and we are going to do it with six. That is not it.

It is literally when you have, for example, there was a group we reviewed recently, an example, it was a department that has 15 individual contributors that are assigned to product teams. And then they have four managers and one leader of the group, so basically 15 individual contributors, five managers. And they went through an immersive in the new system, talking about different ways of working, different ways of organising, and they concluded, 'Hey, we do not need that management layer. That is not really something that is adding value.' And so instead of having 15 people assigned to product teams, and this was in oncology where we actually have a lot of programmes growing, we can have 19 people assigned to product teams and have one manager.

I use this as an example, because the individuals are not doing more work, and we are not leaving ourselves exposed somehow. We're basically saying, hey, we do not need that. That chopping up this group into four pieces is not doing anything for the business. And again, I have got so much experience with this now, I am in year eight of this, and the first things that I did in my organisation eight years ago, none of them have been undone, so I have no hesitation that this is the right thing to do.

In terms of your question about, are we going ahead and doing separation work, the short answer is no, because a lot of the stuff you have to do when you are separating, it is like, oh, we have got one finance system, now we need to create two. We have got legal entities in 100 countries, and we need to split them. That is something you are either doing it, or you are not doing it. There is not a halfway, so thanks, Jo.

Jost Reinhard: Okay. That concludes our first round of Q&A, and brings us to the first break. We will also have online questions in the second Q&A. Thank you very much.

Crop Science

Rodrigo Santos

President, Bayer Crop Science, Bayer

[VIDEO]

We can envision the farms of the future because we are already building them.

Bayer is committed to an integrated innovation platform, delivering productivity and value to farmers, Bayer and the value chain. From our industry leading breeding programme, to our pipeline of blockbuster traits, driving innovative approaches in discovering new crop protection solutions, embracing open innovation for the growing promise of biologicals, and enabled by our robust digital platforms, tying together our crop systems and technologies, Bayer is at the forefront in regenerative agriculture, powered by the passion of our people, creating value for the world's farmers, all leading towards our mission.

So good afternoon. Also, I want to say thank you for being here with us, and also for the ones that are on the webcast. It is a pleasure to share with you a little bit our journey on Crop Science in the next year, so after getting Bill and Wolfgang, we are going to see the three divisions, a little bit of the information about that.

Bayer Crop Science Strategic agenda

So let me start. We had here a short video of the innovation summit that some of you were there six months ago where we talk a lot about our regenerative agriculture and our pipeline, and the five platforms that we have in our R&D, and how we are scaling that one. So this is a continuation of that.

On this presentation, I will talk about three things, basically I will provide a little bit about the vision for the Crop Science division, what we are aiming on the mid- to long term, but then bring back to our performance and how we are driving operational excellence on the short and mid-term. And we will connect with the triangle that you saw from Wolfgang and the consistencyt that we are having there. And then also just a brief overview about our innovation, how important innovation will play on that one.

So if you take a look on this slide, it is just the first slide, if you think about three key strategic priorities for Crop Science, starting from the right here, world class innovation. We are planning to launch 10 blockbusters in the next 10 years, each of them has more than €500 million of [peak] sales, so that is the very important element of our plans here. And you combine that with operational excellence, how we drive growth, margin and cash, and all the elements that we are putting together on that one, including the Dynamic Shared Ownership that we discussed already, to combine with that, and then really scale regenerative agriculture, delivering value for the farmers, for the society, and also for the owners that we have. So the financial return that we have. That is the intent that I want to share a little bit with you on Crop Science.

Our Vision Aspires to Address Global Challenges at Scale

So starting a little bit about with this vision, we established that we want really to help farmers to produce 50% more, and this is a really enormous challenge that we have. At the same time, different from the past, you produce more with less, is to produce more and restore more in the same time. And you have some elements here of the commitments that we made in green [house] gas emissions, in water usage in rice, and impacting smallholder farmers globally, that is another element, and how we are going to scale regenerative agriculture to help the farmers to do that. That is the question, producing more and restoring more at the same time. And why is that important for us as well as a company?

Ag Input Market Growing Over 2% to Meet Demand

With that, you see this graphic here that represents a little bit of the market. Today we compete on this market, and we have seeds and traits and crop protection, and we have a very strong position there. And that market will continue to grow on expectation of more than 2%, year over year. But also we are tapping now on new areas that will help us to expand that market opportunity that we have, and we talk about €200 billion at least on that one.

So good examples of that, and you heard it already, CoverCress and biofuels – we have an agreement we acquired with a partnership with Bunge and Chevron and how we tap on these biofuel markets in US. If you are in US you have heard about that one. Or nitrogen fixation that can have a significant impact in crop fertility in our partnership with some of the companies like Ginkgo Bioworks, as an example, that we also mentioned. Our carbon platforms, we have the platform in US, we have the platform in Brazil, and we are also in Europe, and this is the first year that we saw already some revenues coming out of that platform. So this is new areas that we are exploring, the digital platforms, the partnership with Microsoft, the expansion of

our Orbia platform, are all the great examples of the opportunities that we want to use on the mid to long term, to expand the market that we are participating and drive even further growth than we have in our core business. So that is the goal that we have on that one.

The Established leader in Crop Science

But that is starting from the position that we have today, so how is the performance of today and how we are performing? And I am very proud to share with you after the last interaction that I had with some of you, as Bill said, was in November, we closed the year and we re-established very clear the performance that we have in our core business, comparing to the market, comparing to the key competitors and the peers. So core business is everything excluding glyphosate, all the innovation that we have is on that one. So the good news is that the performance that we closed here on the core business really set a great performance versus the market again, and versus the peer, and we are established leader on that one. And you know this number, but I want to reinforce that.

Growers Worldwide Recognise the Value We Deliver

Here is some information. 2023 was very important for us because not only we grew in all the four regions, and I am mentioning that because there was a lot of noise in the market in 2023, but Bayer Crop Science in the core business, we grew on all the four regions that we have, including LATAM, including Asia. But also very important element, we grew in our core business in 2023 in all very strategic segments, 14% in the corn business, 6% in soybean, 9% on the fungicide, and we grow for all the strategic lines here. The only segment that was a decline was cotton basically because it was less planted acres, but we gained share on cotton as well. And that gives us a very strong position. The farmers give us the number one position in corn, the number one position in soy, the number one in herbicide including glyphosate as well. Number two in fungicides, number two in veg, and number three in insecticides. So a very strong position that we have in the market, that help us to tap that opportunity that I was just mentioned.

Pricing to Innovation in Our Core Business Powers Sales CAGR

And very aligned to what you saw from Wolfgang's presentation, let me just share one of the things that you asked me as well is about, share a little bit about the performance of the business in the last years, after the acquisition, the integration of the two companies, and this is a good chart to show that one. On the left side of the slide, you see the performance of the business: the dark blue is the core business and the green bar is the glyphosate. As you see, far majority of our business is in our core business where we have our innovation. And if you look on the last five years, we had a 4% CAGR on the core business. We added €3.5 billion on the top of our sales in the core business. One of the key drivers for that, as you know, is pricing and mainly driven by the innovation that we have and all the new launches that we had. We have the glyphosate on the top. All of you know on 2022, as was said, you had the peak of the sales and peak of profitability of glyphosate because we had record pricings because of the short of supply in the global market.

That is the same for the margin here; we had 2023, delivering 22% margin, and this is the guidance that we established for 2024, we are going to come back on that one as well. And this is the position that we establish in 2023, and I am very proud about the final results that we had here, on the core business.

Driving Operational Excellence to Outgrow the Market in the Core Business

But this is just an important element to go back to the same triangle that you saw, and how can we further generate growth, improve our EBITDA, and also generate really leading industry cash conversion. That is the goal. And a lot of initiatives in place, because we wanted to continue to improve that one, and let me mention some of that, that was mentioned by Wolfgang, but in Crop Science makes a lot of important component. You know that in the last years we had a significant impact on COGS. After the pandemic, after the war in Ukraine, the energy crisis in Europe, you had a significant COGS increase in our CP, in our crop protection products, especially. One of the major efforts in the next years is starting already in 2024 is to reduce the raw material cost and reduce COGS. And this is one of the core elements that we are tapping to improve the numbers that we have here on this triangle.

We also have a lot of the impact on that on the inventory. One of the impacts of the inventory increase that you heard from Wolfgang is also the impact of the cost of that inventory, and that also again aims not only to improve our EBITDA, but also impact positively our cash flow. And there is an important element of that in this year in 2024.

Centre of that, as you are going to hear from me, you are going to hear from Stefan and Heiko, we are taking the new operating model, the Dynamic Shared Ownership, to really drive the three elements here to further generate growth for us, also help our profitability and our cash flow. And we are going to talk a little bit more about that, but that is the focus. That is the focus of the organisation and the Crop Science team as well, we will be on these three elements of the equation here.

DSO Anchored On Customer and Moving To Scale In 2024

So let me just talk a little bit more about how we apply the new operating model to Crop Science, and we have been working a lot on that one. On the graphic here that you have is we had more than 1,500 people from Crop Science, from the organisation, working on the model that applies for Crop Science, with the same principles, the same principles that you are going to hear. How we design the organisation to be focused on customer facing and the product teams. How we delayer the organisation, how we simplify the organisation, how we increase our span of coaching to make sure that we have the most effective, fast and agile organisation in place. So we apply the same principles to the Crop Science organisation.

Crop Science, if you think about our business, it is a B2B business. We work with farmers. They acquire our products to make money – to produce and make money – so it is very important that more time that we spend with farmers, you can see the result of that, especially if you tied here things. You just saw the beginning here, a short video of our five R&D platforms that we are going to talk more, how we bring breeding, biotech, gene editing, chemistry, biologicals, digital platforms, how we bring that to help the farmers to increase their production and restore soil health and restore nature as we talk about.

So the design that we have for DSO in crop science aiming that. We design 450 customer facing squads in all the four regions, and how we increase the time with the customers, we started with 50, we have front runners and we design from that one. And also the product teams, how we ensure in R&D as an example, that we are more flexible with the resources and we can advance faster, the innovation that we have.

So those are the elements applying the same principles, applying in Crop Science, how it works for Crop Science. But let me share with you a little bit of what we call front runners, and you heard Bill talking a little bit about that, because it is not only the design, we implemented and we have regions in all the regions that we already implemented, and we are testing the model and we are advancing on that one. So I will ask to share the short video about a little bit of some of the elements of applying DSO in Crop Science, please.

[VIDEO]

The most exciting thing about DSO, as I think about it, is just the amount of empowerment, and the potential that we are going to unleash with our field salesforce.

With our two DSO frontrunners in the country, we amplified our customer-centric approach. We eliminated everything that was not adding value for them and empowered the team to self-organise and privatise. We managed to substantially bring down the decision timelines from, say, around 15 days on an average to two to three days. But most importantly, we freed up time, allowing our customer-facing teams to actually spend 20 to 30 minutes more with farmers every single day, listening to their needs and concerns and offering them solutions to succeed.

Listening to our organisation, we are acting along the way, and we are truly co-creating this new world together. When we look at Illinois overall, it is over $1 billion, which is significant to not only our business in the US but even globally as we look at Bayer.

With our sales teams being organised to really focus on Bayer, full portfolio solution, through our enhanced multi-brand strategy for every customer in the marketplace, it is going to change how we go about promoting our product, and how we go about providing solutions.

I cannot think of another competitor out there, that can bring together the portfolio, the technology and the solutions that we can, in one conversation, with one amazing team to our customer in this market today.

And really asking everybody that we do business with to consider that when they purchase a product from Bayer, it is fuelling the R&D budget that we have every year, to create the next blockbuster trait or product or technology that is going to revolutionise the way that we farm, and we will do that again and again and again.

DSO Anchored On Customer and Moving To Scale In 2024

So just building on that one, it is so important to reinforce what I said. We have these five engines on R&D, and you know that we have some competitors more focused on the seeds, some other competitors on the CP and some other competitors on digital platforms. Bayer has this unique opportunity to bring these five platforms in helping the farmers to be successful, and that is the leverage that we have. And of course, when you think about that, bringing these five platforms with the model that we are designing, really having the customer-facing squads, I will give one number, in the US, 21,000 farmers makes 42% of the market; 16,000 farmers in Brazil makes 45% of the market. The potential that you have, really, to leverage that relationship and to take the five platforms is really unique, so that is the goal that we have, and that is the work that we have. Because again, driving operational excellence, ensuring that we are delivering the performance that we talk a little bit about here, and how we enhance that performance, that combines with a second element. And the second element is very important as well.

Extending Our Leadership Position through Our Pipeline

On the chart here, and you are going to see that one, this is the revised peak sales of our R&D. We just revised that €32 billion of peak sales, 50% that is incremental and very unique.

On the next 10 years, we have 10 blockbusters launch with more than €500 million that I said to you. That is very special for Crop Science, that is very unique for us, and of course we are seeing that impact of those launches coming in the pipeline. So that is the overall pipeline and some of you that does not cover Crop Science so close, so let me tell you something that is very important, because probably there are some of the difference between the Crop Science and the Pharma.

Annual portfolio refresh provides foundation for growth

But in the Crop Science, the base of the innovation is on this slide here. The growth not only comes from some new launches but also with the base. We have a very important foundation of our business – that is our breeding, our germplasm, our crop protection business. And this is the first part of how we drive growth, how we bring innovation, so let me give you some numbers.

We are launching 400-500 new hybrids and varieties every year. We have 100 new formulations. Only last year, we had 190 registration in crop protection. That engine is extremely important for us, because those new hybrids, new varieties, comes with yield gain, and we share value with the farmers. And we have the power of innovation, feeding our pricing mechanism to be able to drive the growth business.

So when you think about the core business of Bayer in Crop Science, let me just go back a little bit, we had 10% growth in 2021, we had 6% growth in 2022, and we had 7% growth in 2023. This is our core business, everything excluding glyphosate, the engine of innovation here. So just to reinforce that, and the importance of that to continue to do that.

Blockbuster Technologies for System Solutions Advancing

But at the same time, of course, it is always great to have some new biotech traits that will fuel our platform. And I will just mention three examples here, three or four examples here, and we would like to go deeper and share more of that, but I just want to share three of them.

The first one is the short statue corn. We are launching now the breeding version, and we have that in the hands of the farmers in US, we have in the hands of the farmers in Europe and Latin America. So the breeding version is already in the market, but we just advance to the phase IV, the biotech version, that we will be launching in 2027. And the biotech version is important because we can expand exponentially that product to the market to farmers as well. And that is our unique future. I remember, some of you were in the field with us seeing the difference between the short statue corn. This is one of the unique opportunities that you have to really change how farmers grow corn, and you do not do that every year. So this is really unique, and this is something that is exciting and it is not only how we produce grain, but also how farmers produce silage with corn, so that is a very opportunity that we have on the Preceon smart corn system.

At the same time, soybean, and I said that soybean, we grew 6% last year. We continue to expand our platform in Brazil, we hold our share in US, we had new launches coming, so we have two new launches coming in soybean that are very important. The first one, we just

advanced to the phase IV, the five mode of actions, herbicides [tolerance] for soybean in US. Again, this is an important blockbuster. Farmers today, they need to decide which herbicide trait and package they use. We have these five mode of actions coming in 2027 on the market that will make a significant impact. At the same time that we advance to the phase IV, the launch of the third generation of Intacta for Brazil as well. And someone asked me, I see the 2028 launch of the third generation of Intacta, just to remember, we launched the second generation a year ago and we are ramping up. We have got 13 million acres in Brazil with the second generation, and I already mentioned with you the third generation. That is the importance of the renewal of the portfolio and the pipeline that we have in the Crop Science division.

And you heard from Bill as well, this is the new herbicide, so this is also advancing to the phase III, planning launch in 2028. This new herbicide is the first one in 30 years that we are able to develop a broad spectrum herbicide. At the same time that we are developing the herbicide, we are developing the tolerance in soybean, corn and cotton. One of the key elements of combining this platform on R&D is to be able to bring these two solutions to the market at the same time and to complement our pipeline.

So some of the examples, and again for the ones that say, 'Well, I would like to see more of those blockbusters,' I invite you to watch the innovation summit for the ones that did not have the opportunity, online, it is available. We really go through the five platforms, and we talk a lot about the innovation that is coming there, but I can also answer some of the questions on the second session that we are going to have here.

2024 Guidance and Our Mid-Term Ambition through 2026

So that brings me back to the 2024 outlook here that we have. You heard already from Wolfgang, just bringing home a little bit what we have for 2024. The core business, we are planning to grow from 1% to 4% on the growth that we have of 7%, so this is very important to highlight that one, when I compare to the peers in the market. We are managing glyphosate, it is important that because you are going to see a softer Q1. Of course, glyphosate on Q1, the prices versus Q1 of last year's is lower than that one, so you see the final normalisation of glyphosate, and also some of the shift that we have in the market from corn to soybean, so this is planned for the year as well. And we are planning for an EBITDA margin for 20% to 22%.

On the triangle that you saw, our organisation is highly focused on really growing our business. Our core business outpaced the market and our peers. This is one of the key first priorities that we have. We are also aiming to really generate and convert cash, that is a very important element of all the work that we are doing, and I mentioned some of that. You heard other elements from Wolfgang on the payments, on the receivables. I mentioned on the inventory as well that we are doing. So that is another important element. And we are going to focus also on our profitability, and we are going to manage in the mid-terms here, our EBITDA margin, on the low to mid 20s as well. That is another element that we are managing, and this is an information that I think is important. For specifically 2024, we have a soft Q1, but that is the plan that we have for the full year moving forward here.

Delivering Regenerative Ag Solutions to Outperform the Market

So let me go to the final slide that I have here on my presentation, and what is a short overview of Crop Science here. So I think that our leadership position in the market, in all those platforms that I mentioned and our global presence, really gives us this unique opportunity to set this bold but achievable vision of helping the farmers to produce 50% more and restore nature, scaling regenerative agriculture. That is a very clear plan that we have. And for doing that, we need to combine these two elements. One, continue to drive operational excellence in the organisation, ensuring that we are bringing innovation, we are pricing, we are managing costs, we are reducing inventory, that is the game that we need to really be focused, and this is part of the element that we have. At the same time, continue to really be up front in the market, in terms of our innovation, our pipeline, because when you combine these two things, again, we really see the opportunity to really have a significant impact for our customers, also for the society as a consequence, and for us as the financial results that we have.

And you heard, and you are going to hear a lot about that, the new operating model will fuel a lot, will boost all the elements that we have here, and we are designing. And you are going to hear how we are designing with the same principles for Pharma, you are going to hear how we are designing that in Consumer Health, but a lot of work have been done in the last months in the organisation to design that, applying that to a specific on a B2B business as Crop Science.

So with that, this is basically what I want to share briefly with you, and I invite Stefan to present you the Pharma. Thank you very much.

Pharma

Stefan Oelrich

President, Bayer Pharmaceuticals

Well, thank you, Rodrigo, and good afternoon everyone here in the room, and also good morning, good afternoon, good evening to those that are following us online. In the next half hour or so, I am going to try to answer to the challenge that was posed to me by Bill this morning, saying that our biggest vector or lever for growth, in the future, comes from our pharmaceutical business. So I will try to provide some colour of both how we are going to try to navigate the LoE situation which is going to affect us mostly in the next three years, even though we have seen Xarelto exclusivity expire since 2020. So how we navigate the next three years, but also provide some idea on how we are making progress on really completely renewing our R&D approach and accelerating our, I think, at this point, really exciting early pipeline.

Bayer Pharma's Strategic Agenda

For that, we are seeing three priorities in our pharmaceutical business in renewing that top line in the short term, but really growing that pipeline value in the long-term. And using DSO as a leverage in this new operating model to unleash more of the potential that we see inside of our organisation and really focus on what really matters in terms of employment of our resources.

Bayer Pharma Sales Diversified Across Therapeutic Areas and Geographies

Just a little reminder, because the Bayer Pharma portfolio is a little different, so in four of the five areas that we compete and where we have revenues of about €18 billion over the last year, we really hold a leading position. But what makes us also a little different from some of our peers is our strong position in Europe and also a relatively over-indexed position in China, where we have been traditionally in the top five of multi-national companies. As a negative to that, we have been relatively underexposed or small in the United States, and this is largely due to the fact that we do not hold rights to Eylea in the US and that we are partnering Xarelto in the US.

As you can imagine, as we move forward, we are going to balance this out much more. We hold global rights to all of the products that are currently underway and being launched, with the exception of the one that we announced yesterday, Acoramidis – I will speak to that a little bit more in detail– which we, for now, only hold European rights to. This will give us an opportunity to also benefit of the most attractive pharmaceutical market much more in the future than we may have done in the past.

Leading Franchises Providing Sales Growth and Resilience, Margin Profile Impacted by LoE Transition and Strategy Execution

Rodrigo and also, I think Bill showed you where our business was going over the last five years. I am not going to belabour that too much, but we have been facing, with the beginning, loss of exclusivity of Xarelto starting in 2020, but most importantly with the volume-based procurement, some significant headwinds over the last years in our Pharma business. And we have been balancing this nicely with some of the growth that we have seen, also, mostly compensating for the margin pressures that came with that top line winds that were going against us and that have significantly also eroded margin, plus inflationary trends in the market.

Launch Assets and Late-Stage Pipeline Expected to Largely Offset LoEs on Stable Base Business

So let us go into a little bit more detail, how from here we want to move forward. I mentioned to you €18 billion in 2023, so the big question is how you are going to manage the coming years. And we can see it, if you like, in different shades. First, and I will go into this in more detail, a very resilient stable base business that we have of about €10 billion. Then of course, some stability that we see, given the approval for the 8 mg in Eylea, which compensates for some of the headwinds that we are going to be seeing with the loss of exclusivity, starting in 2025 there. And then our ability to manage the decline of Xarelto and compensate for that through our launches with Elinzanetant, now Acoramidis, and Asundexian, but also with what we have been seeing on Nubeqa and what we have been seeing on Kerendia.

So you can see that we expect between 2024 and 2026, despite basically a full erosion in Europe from a LoE perspective, we expect to compensate this with top-line counters that help us grow the business at the same extent that we expect to lose in Xarelto.

Despite its Maturity, Key Parts of Our Base Business Are Benefitting from Strong Market Positions and Supportive Trends

Now, as we go into this, into more detail, one of the unsung heroes, like in many companies, but in this one, maybe even more to be highlighted, is our base business. If you think about the Bayer base business, half of it, roughly, is in radiology and in women's health. Women's

health, an extremely resilient business where we manage to maintain pretty much our sales now for quite a while. We are a leading company in long-acting contraception more than anything, but also in many regions of the world, we continue to be a champion in short-acting contraception and also menopause management. And then there is radiology where we are clear market leaders, both in contrast media but also in delivery of fluid delivery of our radiology agents and other agents than our own. And we have seen here significant growth over past years, and we are fully capitalising on our leading position. You heard, I think it was Wolfgang mentioned that we did an acquisition last year there in the IT space, where we now also act as a consolidator in this space, and this with a great success. So this should give you some comfort that we really have a very strong base of our business that is not touched by some of the changing dynamics that we see elsewhere.

With Its Unparalleled Clinical Profile, Eylea Positioned to Continue Market Leadership in a Growing Market

Then we were very pleased last year with the development that we saw with Eylea, with the approval that we now recently received with 8 mg. The data was just stunning, and to the surprise of many, has not only maintained our position as the standard of care, but I really think has broken new ground. And there is good reason to believe, and when I look at our share development and also our current volume expansion with our base business, that we can build on that, and continue to see a very positive situation for Eylea. Last year, despite some pricing headwinds in some European countries, we were showing double-digit volume expansion, and that with another product that had entered the class, so you can see that there is still some elasticity in this marketplace. And despite also the fact that we, as the leader, have been expanding on dosing intervals, through more data on our 2 mg version, we expect that to continue with 8 mg, that can allow for even higher dosing intervals. So a strong position here that continues to be strong, certainly, along that three-year outlook that I was giving you on the earlier slide.

Xarelto to Face Genericisation in the Next Three Years Globally

Now let us move to Xarelto. This is obviously the tricky one, the tricky one because we have been seeing these loss of exclusivities now, moving over a longer period of time, starting in China and starting in Latin America, where we have digested a big part of this. This year we will see loss of exclusivity for atrial fibrillation in Japan. We are also going to see the expiry of our substance patent in Europe, as of next month. We are happy to confirm that we have additional IP protecting us, and we have been battling this over the last two years or so, with the main protection being our 24 oral tablet patent that we hold in Europe. And European patent office has confirmed this patent on appeal. We have been now having, I think, four or five countries where this has been challenged in courts, and we have prevailed in all of them in different European countries. We had said that we would have to basically go country by country now and defend that patent, so all good on that side.

But, we are also seeing activity of generic companies trying to go around the patent. One way of going around it is using different pharmaceutical forms than a tablet, and that is exactly what they are trying to do. So while we cannot assert our patent in itself against these challenges, we will have to wait until they come to market, to then go after them legally and file preliminary injunctions. So it is going to be a battle that is going to be unfolding over the next two years, with some uncertainty on when this is going to hit and where this is going to hit, if it is hitting.

Let me make it very clear, we believe in the validity of our IP, and we will defend it rigorously across all of the territories where we have this protection, especially in Europe, but it is hard for me to give you the exact date and time. One thing is certain, our protection expires in 2026 in Europe, so that is when we, in any case, expect this type of erosion that you are seeing here on the slide. So 60% of our Xarelto sales come out of Europe. You can expect 80% of those 60% to be eroded relatively quickly in the course of about two to three years, and I think that part is easy to model. The exact time when it happens, in which country, that is a little bit more difficult to model. And we have tried to capture this a little bit also in our guidance for this year.

So that is about Xarelto. By the way, US is still patent protected until 2027, so no, we do not expect any generics to enter. You know that Janssen is our partner in the US, and they have exclusive marketing and sales rights there.

Nubeqa Set for Continued Growth in Prostate Cancer Driven by Market Penetration and Label Expansion

Which brings me to our true growth factors in the short term. Nubeqa I think has been, for some of you, maybe less for me, a very pleasant surprise, and I am looking into somebody's face there, without mentioning anyone in particular. So we had last year above €900 million in sales. We continue to enjoy very attractive growth rates, and this by only capturing a fraction of the total market opportunity so far, having been approved in non-metastatic castrate resistant prostate cancer patients; and on the other side of the spectrum, in metastatic hormone sensitive patients in combination with chemotherapy. We expect this year, not only to be significantly above €1 billion in sales, we also hope that we get the readout positive from the ARANOTE trial, which opens up the entire space of metastatic hormone sensitive prostate cancer, including monotherapy. And then in the mid to long-term, we have initiated new programmes that would actually expand significantly, the potential use of Nubeqa in earlier patients with the ARASTEP and the DaSL-HiCap trials, where we would go into the non-metastatic setting early on.

So all in all, something that I am more than pleased with, and it comes to show how strong our organisation is in actually replacing lost sales that we see on the Xarelto side.

Kerendia with Potential to Become Foundational Treatment for Broad Groups of Patients with Kidney Disease or Heart Failure

Kerendia is another one, and this is maybe less of a surprise. This is more of a slower animal than we see with Nubeqa, and I think that follows a pattern that we see in cardiovascular medicine very often. So here we have present in the market in the renal indications and have a relatively – not a relatively, a strong body of evidence from early onset of kidney disease to later stage kidney disease in diabetic patients. We have seen sales of €270 million last year. We still see good growth and expect over €0.5 billion this year. The development of the kidney evolution is a little slower than we would have expected, but we have placed additional bets on the secondary indication that we are pursuing with heart failure. You know that this class of product of spironolactone analogues has been widely sought to be used in heart failure with strong efficacy approved, but a poor safety track record, which really limited the use. We have now proven in the kidney setting, how well this product is tolerated, and we expect that this could become a foundational treatment also for heart failure patients.

We expect readouts from the FINEARTS trial, which is studying more advanced or more sick patients with reduced ejection fraction of more than 40%, but we have doubled down here in adding trials that cover the entire spectrum of heart failure. So by the time that we would expect approval for coming out of the FINEARTS, we should also have data by then on these other programmes that we are putting into place. We think this could truly offer an incredible opportunity in an area where people are underserved, especially with this mechanism of action. If you want some proof about this, beyond spironolactone analogues, you can see that we have seen evidence from our phase III on secondaries that this would work in heart failure as a good mechanism of action.

Asundexian is Targeting a High Unmet Need in Secondary Stroke Prevention

Let me quickly go to Asundexian, where we continue to go along on stroke prevention. Needless to say that this is a highly prevalent indication with one in four adults that at some point in their lives suffers a stroke, and with a high reoccurrence in the first year and in the first five years post-stroke. This is one of the most debilitating diseases. Basically any of us knows family members that have undergone this terrible experience. We have seen good evidence from our phase II settings – also the dose that we are using – that there should be strong efficacy in patients with atherosclerosis, so there is a strong rationale behind continuing this trial, and we remain optimistic about this. We will have data readout in the second half of next year, and then we will see about Asundexian furthermore.

Acoramidis with Competitive Clinical Profile to Treat ATTR-CM, Complementing Our CVD Franchise in Europe

I mentioned to you, Acoramidis or Acoramidis, we are still debating how to pronounce this, is a novel compound that is currently being looked at by the European Medicines Agency for approval. Here we have about 200,000 patients in Europe that are diagnosed with this debilitating cardiomyopathy. This is a disease where you have a tetramer building up in your heart muscle, and ultimately leads to a lower contractibility and will ultimately lead to death. There is a product in the market currently that is Tafamidis, which in Europe is selling slightly over €1 billion in sales. And if you look at how few patients ultimately have been treated that are affected by this disease, we see clear opportunity for further market expansion, and in the product that we have partnered with BridgeBio, we see a very competitive profile. And given our legacy in cardiovascular medicine in Europe, this is a perfect fit for us. So we think that this adds to all those interesting things that we are launching in the coming 18 months or so and to those that we have already introduced in our late stage pipeline.

Elinzanetant Offers a Differentiated Clinical Profile to Treat Symptoms Associated With Menopause

And there is one left in our late-stage pipeline that I feel tremendously positive about, which is Elinzanetant. Elinzanetant is going to be the first dual mechanism non-hormonal that targets here these KNDy neurons and our 1R and our 3R. We believe that this gives it a further differentiated profile to other products that have launched recently in this class, because it allows to both reduce symptoms, vasomotor symptoms, but also address sleep disturbances. And we have seen evidence in our first two trials where we have met all primaries and all secondary endpoints of the strong efficacy. We are waiting any day on the OASIS 3 trial. In the OASIS 3 trial, this is a longer running trial; we have exposed patients for over a year to Elinzanetant, and we expect a very more telling situation on safety, both in terms of endometrial

safety but also in terms of liver safety for this drug, because those are important to note. So this should be coming in any day. I would have wished to share it with you today but please give me a few more days and then we will hopefully have everything together there, at least from a top line perspective, but we feel really strong about this.

Elinzanetant Targeted to Enter Large and Underserved Market in 2025

And we feel strong about this because it is such a prevalent condition. Four in five women will develop in menopause, hot flushes; three in five will develop sleep disturbances that are associated to these symptoms, and so the market opportunity is just tremendous. 1.3 million women go into menopause every year in the US alone, where we see a tremendous opportunity. And this is a class that is just building. It is building after many years of question marks behind hormone replacement therapies. There needs to be awareness that needs to be created, and we think we will come in just at the right time to fully capitalise on this growing opportunity. And our long track record as a leader in women's healthcare certainly will help us in making this a very valuable asset in our overall portfolio.

Do not forget, we continue to be a leader in women's health today, with more than €3 billion in sales, in a very stable business. We have served more than 60 million patients as we speak, and we have reached out to over 100,000 OB/GYNs during that time. So it is our bread and butter business, we have been in this for over 100 years now, so it is just logical that we feel strong about this product going forward.

New Innovation Model to Rapidly Rebuild Pipeline

Let me shift gears quickly and talk to you a little bit about the future and what we are doing on the R&D side, because one area that I feel extremely strong about, since I joined Bayer in early 2019, is what we have done on R&D. We have not only brought in new people, we have not only done a lot of change on our portfolio. I can give you very concretely some areas of what we have done in terms of focus, in terms of change of quality, in terms of change of capabilities that we have today, but also in terms of shifting productivity and really shifting to value creation, responding to the challenge that was given to me by Bill, of accelerating innovation and bringing out more innovation through our Pharma organisation.

Focus: Zeroing in on High Unmet Need with Great Value Potential

Let me first start by talking about the focus that we are putting in. We have made it very clear, we focus around four areas, being oncology, neurology and rare disease, cardiovascular and immunology. There are clear reasons why we do that. Cardiovascular is the most logical one, because we have been in that for a long, long time, and I think we have second-to-none expertise in the area of cardiovascular. That is largely housed in our German sites in Wuppertal and a little bit in Berlin. And the example not only of Xarelto or Kerendia, will be further renewed with some of the things that I will share in a second in our pipeline.

Oncology, we now have a cornerstone in Nubeqa, but with some of the acquisitions that we made in terms of platforms, I think we have today a much more credible play in oncology; and to claim to be, over time, one of the leading oncology innovators, and also with that, one of the leading oncology companies.

Neurology & Rare Disease became an area of high interest to us with the acquisitions of BlueRock and of AskBio. Here we hold a leading platform position in terms of cell and gene therapies, and our two lead assets in Parkinson's are extremely promising.

Immunology is the one that I get asked about the most. So why immunology? With our acquisition of Vividion, then we have also a strong platform opportunity to actually go into the undruggable space, into targets in immunology that are high-value targets and that no one has been able to unlock before. Stat3 is one of those promising targets. We are in the clinic with first compound in Oncology. And we expect to go further into immunology. That could truly be, if it proves to be what we hope it could, could be a pipeline in a molecule.

Quality: Pursuing Leading Innovation Across all Focus Areas

So let us talk about quality. The first thing when you go after quality is you need to really ask yourself, do I have the right things in my pipeline? What Christian Rommel and his team did is impressive. They pruned over 40% of all of our assets.

When before people were already saying like, 'Your pipeline is not very rich,' well, after that pruning, it got really poor. But we did it. We did it because we have the quality to churn out new molecules, and we want to focus our money where we think the true value creation is, and not just produce another me-too or just do a check mark behind some, we are producing so many, I do not know, decision points in our pipeline.

No, we wanted to really go and raise the bar to where this has not been done before and to establish very clear criteria along which we move products through our pipeline.

Capabilities: Established Toolbox of Leading Modalities

We could do this because we had so much work over the last years on our capabilities. If you compare the capabilities of Bayer Pharma today to what I found five years ago, this is an unrecognisable company.

Five years ago, this was a German-centric, mostly cardiovascular footprint, with an interesting track record in cardiovascular, with Xarelto mostly, but from there onwards a relatively poor track record. Since then, we have done over 120 deals, over the last five years, and have been one of the most active actors in the space, despite limited cash availability.

Someone once, I think, out of your group said, 'You have done a lot with little.' Well, if you translate that to our capabilities, you can see that today with Vividion in proteomics, I think we have the strongest small molecule capability of any company out there. And it shows with the productivity that we are unleashing from that platform.

With AskBio and BlueRock, I think we have a leading position across the entire value chain from manufacturing, and the capabilities to manufacture, through our ability to generate new clinical stage opportunities in cell and gene therapies.

And with Algeta, which I must confess was already there when I came, we have one of the leading radiopharmaceuticals platform, an area that is highly sought after by many and where I think we have one of our most promising mid-stage molecules in our pipeline.

So all in all, you can see that if I add even Leaps as a potential source of innovation, we have strong platforms which give us strong capabilities.

Productivity: Reaching Higher, Sustainable Level of Output

And we try to bring those into this triangle of productivity, of generation of high-innovation but also with rapidity in moving them through the funnel and accelerating now as we move through the funnel.

DSO is going to be instrumental in actually moving the pace up and getting that productivity into, turning an early pipeline, which is very promising, into a great late-stage pipeline. So those are things that we are working on. Add the two components together of how much we have to replenish in the next three to four years with the products I just showed you at the late-stage and that have been launched, and take some of the early stuff, and then you are going to get to an interesting combination.

Replenishment of Early Pipeline in Full Swing: Numerous First-In-Class Pipeline Candidates to Potentially Transition into Phase II/III

So what does this mean concretely on the early side? I mentioned Vividion to you, the Keap1 in advanced solid tumours, is a target highly sought after. We have solved it through our chemoproteomics platform. We are in the clinic now. This could be a potential strong blockbuster product.

I mentioned our radiopharmaceuticals pipeline with the PSMA-TAC. This is a first-in-class, best-in-class opportunity in targeted radiotherapeutics with the actinium conjugate. We think we have a very strong position there. And I mentioned also the Stat3 inhibitor, this is the second medicine here, new medicine from Vividion that has entered the clinic. For a company that is only four years old, it is quite impressive how fast we are advancing.

And everyone, and I invite you to come, if you are interested, to San Diego, where we have won, I think, twice in a row, Employer of the Area, to see the spirit and the positivity and the can-do from these biotech platforms that we continue to operate very independently, then you can get a sense of what the future of Bayer Pharma may look like.

On the later stages, I mentioned to you BlueRock with Bemdaneprocel in Parkinson's. We are presenting tomorrow. We have two orals and a couple of poster sessions tomorrow at one of the Parkinson's conferences that are ongoing. And it shows that this product is really well-tolerated in phase I in both doses that we have given. And we cannot wait to get this now into a comparative trial in phase II, which should hopefully start later this year.

Another one from our own platform out of Germany is the Anti-Alpha2-Antiplasmin monoclonal antibody. This is an area which is right where we have the best knowledge. It is an effective thrombolytic with no increase in bleeding risk, so this is to treat acute stroke. So today there is no good standard of care for those patients that are basically, when the ambulance comes and they need to dissolve the clot immediately.

So here we have, we believe, a potential new standard of care, first-in-class and potential best anyway, because first-in-class potential.

HER2/mEGFR is one that where we just got breakthrough designation a few days back by the FDA. Here, a nice targeted cancer therapy for the underserved non-small cell lung cancer mutations. We think another one with best-in-class potential. So you can get a sense of we are really increasing the pace and the quality of our pipeline.

DSO Will Drive Speed and Productivity Enhancing Innovation and Growth

I mentioned that we want to use DSO as our operating model to actually even further increase the pace. How are we going to do this? In the break, I got the question, 'Do you really believe in this stuff?' And I said what I do believe in is that if you are truly following a product-centric approach in your R&D world, then you basically convert yourself into a biotech.

Today, most large pharmaceutical companies, they follow a functional hierarchical approach. That means functions optimise functions. They mean all the best for product, but when product wants something, they first have to check in their hierarchies if this is the right course of action. And hierarchies are going to decide what is best for their budget optimisation. But we are going to take that away. The budgets that are currently in these functions, we are going to just take them away, and product will have a financial frame, just like we operate our biotech platforms, and we are going to give them a framework in which they have to produce outcomes over a certain period of time.

And if we do that, we are going to just create a dynamic allocation of resources that we have never had before. Today, it is a much more static thing in our hierarchy. So we are basically turning the hierarchies, not upside down, but sideways. And I think this is going to unleash a lot of the potential and also going to take away some of the frustrations that I sometimes feel in the organisation when they say that we cannot get things done fast enough.

For that, I wanted to share a few examples with you. You have heard maybe about our US commercial team, which was our first go-to-life frontrunner. We have taken out 40% of our management in late December in our US commercial footprint. This is something that is already operative right now.

Now, we need to train everyone to actually function along those rules, because when you are a manager in the salesforce and now all of a sudden you have 20 people reporting into you, you cannot do like before and ride along with your reps and tell them exactly what to do. No, they need to peer manage some of the objectives and also some of the allocation of resources. And this is something that we are stilllearning, but we are putting it in place and we are moving fast. I would say we are moving even very fast.

I could also give you the product supply inventory management example, which I really loved because it is so simple. And some of the things are so simple that you wonder why have not you done this before. Because then someone is going to say because there was a rule that would not allow us to do this. Like, for example, when you get a product from a third-party supplier, well, instead of using the quality control at your supplier, which is also GMP-certified, well, we have to do it again. Because doing it twice is much better.

Well, it is not good for your working capital, that one I can assure you. So we are improving there too.

2024 Guidance and our Mid-Term Ambition Through 2026

So that brings us to the Pharma guidance. We expect a top line change of 0% to minus 4%. The large interval is largely linked to some uncertainty on the Xarelto situation and represents the ongoing generic entries. We expect with that a margin between 26% and 29%. You have heard this already from Wolfgang.

Mid-term, we aim to support our top line resilience while we manage the continued loss of exclusivity of Xarelto, Eylea 2 mg and assess the continued effect of the China VBP.

Preparing for Long-term Growth While Managing LoE Transition

So let me get to closing here of my remarks by just repeating some of those important things. First, you heard me say that we focus along three strategic priorities: renew the top line, grow pipeline value, and then ultimately leverage our new operating model. It is all about now launch success of our new entries. With Nubeqa, I think we have put a very big exclamation mark behind our capabilities in the marketing and sales area. And with Kerendia, Elinzanetant, Acoramidis, and Eylea 8 mg, we are continuing to follow on this. Our advanced R&D capabilities, I hope you got a sense of how not only that we have increased our quality but that we are also increasing our pace.

And then, the productivity gains that we expect out of the new operating system that will further unleash growth. I think we are at a great time to see Pharma coming back from Xarelto. Five years ago people were telling me, 'Why are you going there? There is no future after Xarelto.' I hope you got a sense of the future that we have built. There is still more to be done, but I feel very not just hopeful but also optimistic that we are on the right path.

Thank you very much. And with that, I hand over to Heiko.

Consumer Health

Heiko Schipper

President, Consumer Health Division, Bayer

Introduction

Thank you, Stefan. Yes, it is cool to see all this innovation. Actually, it was one of the reasons why I joined Bayer six years ago. That chapter is coming to an end at the end of April. You have probably seen that I am going to move to a company that is very close to here. I am going to join the executive leadership team of Unilever, where I will lead one of the large divisions called Nutrition, which is fundamentally the food business of Unilever.

Well, the six-year journey will end of April and I am here with my twin for the next month, Julio, who you have met earlier, who is going to be my successor. A great leader who I think can write the next chapter of Consumer Health in the right way.

Actually, I am very happy that I could be here to also reconnect with you. It is a journey that started also with many of you six years ago. I do not know if all of you were here; probably some of you still are, but probably most of you have moved on.

It was actually two months when I was into the job, it was April 2018 and there was a call after pretty poor Q1 of 2018. And the overwhelming question I received was, why does Bayer own a Consumer Health business? Is not that kind of business much better suited outside of Bayer? And we have heard more of that over the past months, because the confidence that we could turn it around and bring it to the forefront of the industry was pretty low.

What is nice is that at least today I stand in front of you that we did turn it around and that I think we have put it at the forefront of the industry, so it just shows that inside Bayer we can do quite a lot of good business developments.

The Consumer Health Market Continues to Remain Attractive

I will start maybe first now to talk about the future and not speaking too much about the past. We believe that the Consumer Health market remains a highly attractive market for a number of reasons. We would expect there be a CAGR of about 3% to 5% for the market, and it is fundamentally driven by a few very important underlying drivers. Firstly, there is just a continuous focus on do more and more self-care. People get to know their health much better, thanks to digital technologies. And I think also COVID has helped a lot in that to have a much greater focus on taking better care of yourself.

So that is more the pull factor. And then you have the push factor. Healthcare systems are super overstretched. They do not want to just do curing, they also want prevention. And of course, that starts with people being more conscious about their health.

And then the third element that I want to highlight is some demographics. The population is aging, but there is also a fantastic middle-class emerging specifically from the emerging markets of this world that are going to drive growth in self-care.

Just to give you a sense of magnitude here, if we go to the US, the annual spend per capita on self-care products is €115. And if we go to China, that is only €11. And if we go to India, that is only €3. So just think of the magnitude of growth that is still there through penetration, which is something that is of course a fantastic growth driver for a business.

So it is going to be a healthy market, it will continue to grow, and that is why there is also so much interest in this market across many industries that look specifically at consumer health. And I hope I know many of you are more pharma and ag people but I hope that you are continuously learning and seeing how interesting such a consumer health business is.

A Leading Player with a Well-Balanced Core Consumer Health Portfolio

So now let us move to Bayer. We had sales last year of €6 billion. That makes us the number three player in this business worldwide. I think we have a very good balanced category portfolio. As you see here in the percentages, we are pretty evenly spread around the main categories, which gives us a much better portfolio effect in case of spikes and downturns.

We saw that, for example, in the past year with coughs and colds going up and then significantly down. It went down a lot during COVID because the cold was not called a cold, it was called something different. And then when the latest variant came, which was more demonstrating itself like a cold, we saw a big spike over the last 1.5 years in that specific category.

Geographically, we are also well placed. I think the developed geographies like North America and EMEA are well balanced amongst each other. And then we have good presence in the emerging markets with an even split in our sales between Latin America and Asia Pacific. And even within Asia Pacific, I think we are quite well balanced between China and the rest. China is about 8% of the 13%, and the other ones are also Southeast Asia and India, where business is developing very rapidly.

Iconic Brands with Leading Market Positions

Now the most important part of our business is brands. That is the consumer world. That is the attractiveness of long-term value creation. We do not have patents in brands. They have a fantastic terminal value. They last very long. Bill already spoke this morning about tomorrow being aspirin's 125th year of existence. So you just imagine the terminal value when that brand was created, probably no one thought it was going to be 125 years. And I will talk a little bit more about it, how to keep these brands alive.

This is an amazing portfolio of brands. I would argue it is the best one that we have in the industry. And there is even one missing on this chart, which is the Bayer brand. I always say to many of my colleagues, this is probably one of the most important values that we have, that we can put that logo on these brands. Because we know that this brand brings trust, credibility, efficacy, and that is why we have a tremendous benefit when my people go to a pharmacist or to a healthcare professional, the fact that it comes from Bayer really helps us to sell these products.

Consistent Track Record in Delivering Profitable Growth and Cash

So maybe then a little bit of looking back to prove that we have the right to win in this industry. Here you see how we have delivered over the past five years on growth, on margin, and also on cash.

On the growth side, we have outperformed our peer group. We had a CAGR of 6%, and we also exceeded the guidance that we gave you of 3% to 5%. On the margin side, it looks like a pretty easy arrow upward, but it certainly was not that. It was a lot of work on productivity gains in time when there was a lot of inflation going on. So there was a lot of blood, sweat and tears, but we managed to get to 330 basis points improvement. And I had committed to bring this business towards the mid-20s (*referring to margin*). Mid-20s is what you should expect from a leading consumer health business. You should not go beyond that because that is usually when people start to cut marketing investment, and that is like cutting R&D investment in a pharma or in a crop business, that just does not benefit you in the long term.

In the past years, we have also put a lot of emphasis on higher cash generation, for the obvious reason, in the company. And we are greatly focused on working capital. Bill was talking about benchmarking before, where we were looking at our peer group in Consumer Health and even in CPG, our working capital was much too high. We were like in the mid-20s, so we started to really work on that, on all the elements of working capital. We brought the working capital to sales ratio down to the mid-teens now. And basically over the last three years, we have generated more than €3 billion free cash flow for Bayer. So this is a very attractive, solid cash generating business.

A Clear Game Plan to Sustain Outperformance

Now let us look at the future. Obviously with this kind of performance that we have had, we are not dramatically overhauling the strategy. The turnaround has been done. What we now need to do is to keep it at a high level. Obviously, I am going to give Julio a chance to touch this slide again because this is still very much my slide, so he will have sufficient time to look at that in the coming months and year.

So what did we really change? There is a few areas, for the coming years, that we want to focus more on. First of all, we have sharpened the definition of our vision to help over a billion people live healthier lives with the most trusted self-care solutions. What does it mean is: we want to penetrate deeper. I spoke to you about Southeast Asia and China and India, opportunities to grow further. We believe our brands are very well suited to do that.

And also when I look at where to play, we are trying to be more targeted there to optimise the use of our resources. So we doubled down on India over the past years. We did not have a business there three years ago. We thought it was going to last five years, but we are going to hit €100 million already probably in 2025. So that is a big area to win. Like I mentioned, only €3 per capita of spending there at this moment. So India is going to be a growth driver.

And the other area that we identified fairly quickly was the e-commerce *(referred to as "e-com" thereafter*) opportunity in this category. It is clear that maybe when you have a pain, you do not go to e-commerce because you probably want the solution pretty quickly. But when you think of vitamins and supplements in general, you use e-com much more these days. So we started to evaluate where are we, and we were not really satisfied with our position on e-com. So we made a few strategic investments there. We looked at what are the leading companies in e-commerce, or in Amazon, in Europe. So we bought two of them. One is called Natsana and the other one is called GloryFeel. These are two highly performing businesses. Last year they were already generating €250 million in sales, and we believe that in the coming years we can build a €500 million platform.

This is going to help a lot of our growth. And so India and e-commerce will remain drivers also for the future.

Growing our Brands and Innovating Across Four Growth Drivers

So how do we keep these beautiful brands really up to its value? And maybe just to give you colour on that. So here you see some of our brands that are very important to us. Bepanthen in our dermatology range, you saw that our growth was very good there, 12% growth last year. And here it is about continuing to innovate these brands. For example, what we did with Bepanthen is we saw an opportunity to extend from a brand that really comes from wound healing, and we saw that brand could actually move into dry skin, because the existing dry skin solutions were just not delivering sufficiently. It solved the problem for a couple of days, but then the dry skin came back. We just have very good molecule there that really works to build the skin from the bottom up. So that is one growth driver.

The second growth driver is to identify new unmet needs. And this is where the switches come in. So are there opportunities to switch products that are still Rx today into OTC? Do not think only about the products that are in Bayer Pharma that we can switch to Bayer Consumer Health, but there is many other companies, pharma companies, big or small, that have assets that are maybe coming to the end for them and that could be switched, but they do not have a consumer health business. So we can in-license them, and this is what we did.

For example, we saw there was a big part of allergy was growing, more the intranasal allergy rather than general allergy solutions. So we identified a very good Rx product called Astepro. This product works way faster than the existing products that were in the market. It is also non-steroidal, which is something that consumers like. So we in-sourced that, and we were able to do the switch. Again, this is where maybe a Bayer Consumer Health business is stronger

maybe than a straightforward more CPG consumer health company, because we know how to talk to a FDA, we know how to make a dossier and that is where some of the expertise that we have learned from our pharma colleagues really comes very handy. So we launched that. Today, already the number two player in inter-nasal allergy sprays in the US.

And then maybe the third element where we can see good growth coming is expanding our brands to new geographies. We have an amazing digestive health brand called Iberogast. It is something that we bought about 10 years ago in Germany, but the geographic footprint was pretty limited and we are now expanding that, and actually this month we are launching that into the US. An amazing product that works very well, and I think this brand, we already expanded it pretty much through Europe.

And then I already spoke about the e-commerce business. That is going to remain a major growth driver.

Industry Leading Commercial Capabilities

The last part maybe to mention what will drive growth in a consumer health business is capabilities. Marketing and sales has changed dramatically over the last five to 10 years. It has become much more digital game. Do you understand how to build a brand online? And this is something that when I arrived, this was quite underdeveloped. And now also AI is starting to play into this. So if you do not stay at the forefront of digital marketing and sales, you are going to go backwards in this industry. I believe we have built it up quite nicely, and we will continue to keep our eye on that, because otherwise we will not deliver the growth ambitions that we have.

Agile and Focused Organisation with Dynamic Shared Ownership

So what is the other thing that we have changed? Some of my colleagues have already shared how DSO applies to their specific divisions. Of course, DSO has a very natural fit with the consumer business, where we always say there is only one boss and that is the consumer. To have an organisation that is focused on consumers and customers just naturally is a very good fit.

We were also quite organised around functions before in this hierarchical system. That slowed us down to respond faster to needs of consumers and of customers. So we have already started to reorganise our division to have specific teams that center around category teams, you see here some of them mentioned, and also around certain customers. These are cross-functional teams that are constant in either thinking only about the allergy consumer or are working with Walmart or CVS or any of our other important customers, or Amazon, on a continuous basis to optimise our product and category offerings.

Maybe just to share already, because we started with 50 frontrunner teams, and there is some cool first learnings that we have there. First maybe to move to a faster organisation. In China, we had a fairly hierarchical system in place there. We had eight layers in the organisation, and that has now been reduced to four. And what we used to call span of control, in DSO world, it is not called span of control because the control and command system is not there. It is called span of coaching. So that went from previously eight span of control, has now moved to 29 span of coaching. And even in some parts of the organisation they are even up to 88, which is quite a wow number. And it shows just flattening the organisation much more, much higher speed.

And then maybe the last one to mention is Southeast Asia. We see it as a very attractive growth market. We all know that this is 650 million consumers there, and we believe it is a fantastic opportunity to grow more. The problem that we had is that we were only good in one category, which was our supplement business. And so we needed to launch much quicker some of our other categories, dermatology and allergy. But unfortunately, we had extremely complex processes to bring these products to markets, to local production, because in those markets you need local production.

So we have incredibly cut down on these heavy processes that we had, which could typically even take from 60 months to bring to another factory or to approve a co-manufacturer, and that basically has been halved, which therefore greatly increased our ability to launch in these markets. So basically three times faster time to markets, thanks to DSO.

So here is also a video from our US team, maybe to illustrate even better.

[VIDEO]

Today is day one and we are excited to kick off our DSO journey.

The market landscape that we plan is changing all the time and we have to figure out how do we keep pace, if not go ahead of our competition and really deliver on consumer needs.

Rather than waiting for long cycles of decision making, we are able to experiment and test hypothesis within a very short time frame.

It has been breakneck speed. It has been very engaging. It has been exciting.

We have gone from conceptual to action. So what we were able to do is go from a brand identity design and take that all the way through to actual packaging graphics for a multivitamin line. And we were able to co-create what that looks like with consumers and get their input along the way.

This gives them more reliable, established look to it.

Yes, it did catch my attention.

We looked at a new product that we can accelerate and bring to market faster, and we chose our Preconception product. And we have accelerated the timing on that new product launch by a year. The new brand identity and new product launch of Preconception is going to be selling on Amazon. In the old world, there is never really that opportunity to pause and focus and dedicate the right people against the right work. And so here in the DSO environment, we have been able to do that.

All right, another from-the-ground experience. You see these guys are excited. They are super engaged because they love the speed, of course, also.

Mid-term Outlook Anticipates Above Market Sales Growth

So with that, I just want to move into the guidance also for next year and also some sense of the mid-term where we are going. On the sales growth next year, we expect to grow between 3% to 6%. I expect that also to accelerate from Q2 onwards. We just closed February, so I have a sense where we are. So I think Q2 onwards is going to be starting to move in that direction.

EBITDA margin is going to be in that range of 23% to 24%. So that is the 2024 picture. And mid-term, what you should expect from us is what we have proven already in the past five years that we can sustainably grow above the market and also bring our profitability towards this mid-20s, which I think is exactly where we should be. A push to go higher than that, I would never recommend. I have been working in the consumer goods industry for over 25 years now, and companies that chase higher than 25% profitability in the consumer business do one thing – they start to cut brand investments and they start to cut R&D.

And we are at a very good place. We have industry-leading R&D investment at around 4%, and our marketing spend is about 20% of investment, which is exactly right for consumer business.

So that is where we are. Thank you for working with me and giving me some patience to turn around this business and bring it to the forefront of the industry. You could have asked me a few more questions over the years, but I guess that is all I should ask. There was always an inside joke, 'Let us see how many questions Heiko gets.' I take it as a positive sign. So all the best to all of you. Thank you.

One more comment, I think with that we move to the second Q&A.

Q&A

Jost Reinhard: The first one goes to you, Wolfgang. It is from Rajesh Kumar from HSBC. What levels are available for management to improve margins between 2024 and 2026, apart from labour costs? And the second question, when can you move away from EBITDA before litigations and restructuring to EBITDA?

Wolfgang Nickl: There are plenty of levels on launching *margin* obviously in any business as well. Pricing is one. The better we are in a position to pass on inflation, the better the margin is going to be. That is a bit easier in some of the markets than in other markets where you have market pricing or you have pricing dictated by government.

Being relentless on the cost beyond the payroll, working with our suppliers on taking cost out of the COGS would be another one that comes to mind. And certainly, I would say looking at the efficiency of gross to net programmes. So rebate programmes in the market, that would be a third area that is relevant.

Regarding EBITDA, when do we get from a clean EBITDA to an EBITDA? This is something that we have to watch. I think people who know me know that I am not a really big fan of special items. I said earlier on that we have greatly reduced them to just litigation and the pure separation cost. I think there is a benefit as well, because you normalise out something that is irregular. My philosophy, our philosophy is really much more to focus on the triangle, because you can stay on the clean as long as you do not take the free cash flow and the growth out of focus.

So we have no immediate plan to take this out. Our focus is on giving you more transparency. I hope you find some of that in the material we share today, and we will keep assessing it as we go.

Jost Reinhard: The next one goes to Rodrigo. It is from Joel Jackson from BMO. What would you say, Rodrigo, are the most incremental data points for Crop Science today versus the Innovation Summit last June?

Rodrigo Santos: Well, thank you Joel for the question. And I think that there is a very important element here. So first we advance in the terms of phasing. So I shared the phase IV example products. So we advance a lot of the R&D elements in our pipeline. But also I think that from that session to today, another very important element is what we call the drive operational excellence.

A good example of that is the performance of the core business that I highlight. Another great example of that is that our performance – and I had a lot of questions at that time about 'We have been seeing your competitors talking about stocking in the market,' and I think that I mentioned that time that, no, we are operating this with excellence in the last years. To be very clear, we even end 2023 with 10% even lower inventory in the channel that we had one year before, even better than that one.

So I am very proud of the organisation driving the operational excellence on that one. So that is a combination of advancements on the pipeline and very important advancements on the operational excellence.

Jost Reinhard: Thank you, Rodrigo. And with that, we can move to the first question from Falko.

Falko Friedrichs (Deutsche Bank): My first question goes to Rodrigo. On your guidance slide, you mentioned a low to mid-20s EBITDA margin. Just to clarify, was that for 2024 or for the mid-term?

Rodrigo Santos: That is mid-term. What we are guiding for 2024 is the 20% to 22% EBITDA margin specifically, Falko.

Falko Friedrichs: Okay, and then my second question for Stefan. Firstly, have any of your peak sales targets for any of the new drug launches changed? And then secondly, can you help us a little bit with the Xarelto sales in 2024? How we should think about that?

Stefan Oelrich: Thank you for asking the question on peak sales, because this was a thing that we have debated a lot about the value of adding or not adding those on the slide. So nothing has fundamentally changed, other than I have to say that now that I have done this for the last five years, that I have seen that the accuracy that you provide in either direction is probably never perfect.

If you look at Nubeqa, I am not going to give you a new number but this looks really, really good. If you look at the renal uptake, it is slower than we thought, so we are putting a lot of expectations on the heart failure indications as that will follow, but where we have more risk because we do not have the data yet. So we, for that reason, let those peak sales away, but nothing has fundamentally changed. And do not expect me to give you these type of peak sales going forward because I do not think that they add the value that I was seeing in them.

On Xarelto, that is a tricky one because there is variability in that number, because we really have uncertainty in Europe and I am really struggling to give you a good number. And I think that is reflected in the big spread that we are having on the top line.

Mazahir Mammadli (Redburn Atlantic): My first question is to Stefan. Now that you have basically abandoned the OCEANIC-AF study, what is the revised peak sales of Asundexian? And if you do not have a direct answer, how should we think about it?

And the second question to Wolfgang, I appreciate you disclosed that most of the restructuring costs are payroll, but if you can split it into Sales and Marketing versus G&A, by function basically.

Stefan Oelrich: I think half of the answer I already gave you. However, it is obviously a very attractive unmet need. I think a lot will depend on how Factor XI is ultimately going to be used. Is Factor XI going to be effective in the setting that is being studied in AF with milvexian, which is still ongoing. I do not know the answer to that question, but it will certainly have an impact on pricing for stroke. If stroke was a singular indication for this product, then probably the price point will be different than if there is also an AF indication in the mix. And that will determine the peak sales of either asset.

Wolfgang Nickl: And then on the restructuring and the savings, it is probably a bit early to split this by P&L line. The only thing that I would say is it is not just G&A in Sales and Marketing. We are also attempting efficiencies in reduction of increase of span of coaching in R&D. So you would see some of the savings also there, but it is a bit early. I would just give you, as an orientation, that we are looking at every corner of the company for these kind of efficiencies.

Pete Verdult: It is two questions for Stefan and one for Rodrigo. Sorry, Heiko, I think that Consumer is looking after itself, that is fine. I am not trying to be controversial here, but I have been coming to enough CMDs for Bayer to hear that radioligand therapy is looking great, and you had Xarelto in the past. But we know that it is a hot area we can see it, but it is other companies that are getting the value afforded to them. So Stefan, can I push you in terms of when we are going to see data that could move the needle as it relates to people valuing your RLT business?

And then secondly, cheekily, Astellas has launched Veozah badly. I know you think the drug is better. We have not seen the data yet. Based on the phase II data, you look like you have a better product, but is it good enough, do you think it can launch better?

And then Rodrigo, a strange one for me, but I am not a crop expert. When you launch short stature corn, will a farmer be able to use his or her machinery and anything? Will there be any incremental costs for a farmer to harvest short stature corn versus what they do now?

Stefan Oelrich: Thanks for the question, Pete, and sorry, Heiko. So PSMA, so the difference is I think – and this is something that I do not feel particularly proud of. We have for too long pursued the wrong radioligand. And now that we have moved on, I think that we are going to see better output and also hopefully then better data. We are in phase II. Give me another 12 months, and I will let you know. But what we are seeing early on in terms of how this is being tolerated, it looks good.

So the second question was around Elinzanetant and Veozah. So we have seen this time and again, when a new class has to be built, there is a heavy load to be carried in the first place. The hormone replacement therapy was often seen as the Holy Grail, and I think a lot of people are surprised how slow this is taking. I think we have an advantage because of our historic position, but this is heavy lifting to build a new class. And when there is going to be more noise,

I expect this is going to have an impact. And then ultimately you are going to see the product with the better data is going to prevail.

I cannot wait to show you all of the data at an upcoming scientific meeting of all three trials. And what I failed to say today, we are also studying, on top, in women that are really struggling to have sleep, find the right sleep with these conditions as primaries. We are studying this on top. So we feel strongly about what our product can do, and then we will take it from there. But this opportunity is massive.

Rodrigo Santos: I will control myself to not extend my answer to you. In short, this is one of the benefits of the short stature corn. Let me share you why. So first, we designed short stature corn so the ears is well positioned in the corn that they can use the equipment, the combine to harvest as they have today. What I am saying is the benefit is because of the short stature corn allow the farmers to come later in the season.

So today, farmers in US, they have a disease in the field, they need to contract an airplane to apply that fungicide in that field. And you can imagine that this becomes harder and harder to do. With short-stature corn, he can come with his own equipment and to apply when it is specifically needed. The benefit is even what we call accessibility to that field. And there is other benefits that will come on applying fertilisers. And that combines with the regenerative agriculture as well. So that is a short answer for that one, but thank you.

Christian Faitz: First of all, production economics of the new Herbicide 28, I believe, can you share with us your insights? Is it more economical to produce than glyphosate? I think glyphosate is a very easy molecule. And could it take away share from glyphosate?

And then one for Wolfgang, maybe. Wolfgang, you mentioned the severe tax effect from a scenario of spinning off or selling, in whatever form, Consumer Health. Why is that? Because if I look at your other divestments such as Covestro or Lanxess, quite some time ago, yes, but legislation has not changed, that was essentially tax-free, as far as I can tell.

Rodrigo Santos: Let me start. So let me talk about the herbicide, and I was with a team in Frankfurt where we are developing that one and now in phase III. So it is still a lot to be developed, to give you a concrete answer. It is a broad spectrum that is clear like glyphosate, it is a broad spectrum. It is also a new herbicide.

We believe that we will not replace completely glyphosate. I think that is a wonderful complement for the system. It is still a lot to be developed but we saw great, great benefits early stage on that development. So I will tell you more in the coming years when we get closer to the launch that we set.

What is also unique, let me highlight that one because this is one of the elements, in the past, when you would get a new herbicide like that, only when it gets to the market you would develop a tolerance on the crops. The beauty of what we are doing today is that we are developing that in parallel. So while we have the herbicide development, our biotech teams develop the traits to tolerate to that herbicide, and that fits really nice for corn, soybean, cotton, on the places that we can have biotech. So more to come, but it is really promising this, new herbicide.

Christian Faitz: Production cost?

Rodrigo Santos: Well, it is still early to say. Of course, glyphosate is a very competitive one. It is hard to beat glyphosate on that one, but it is still early to say, I would say. Thank you.

Wolfgang Nickl: And on the tax effect, real quickly, Christian, probably two thoughts. Some of the media outlets misinterpreted this in November. They said the tax effect is by far the biggest one of the effects. It is one effect. We have one-time cost, we have dis-synergies, we have synergies, we have time to cash, and so on. But there is a tax impact. And it simply has to do with the book values you have in this business around the world versus the allocation of a purchase price that you would have to spread over different countries. And the way how we see where the IP lays, where the book values are, it would lead to a very significant tax effect.

Only the final structure would determine what it would be, but what we have seen in different scenarios would be that it would have billions in it.

Vincent Andrews (Morgan Stanley): Rodrigo and Wolfgang, first of all, thank you for the increased transparency at the segment level from a financial perspective. Could you help me benchmark your SG&A to sales versus your peers? And in particular, I am wondering if you can bridge us to a core SG&A versus sales as we know glyphosate causes volatility in the sales line, and I am wondering if that is the same in the SG&A line, and maybe there is also some legal expense in the SG&A lines clouding the comparison? I am really trying to understand how you compare versus your peers. Are you best in class today or not? And either way as part of the DSO plan, where do you want to get to over the next couple of years? And I have a follow-up.

Rodrigo Santos: Vincent, thanks on that one. So let me provide you the first reaction on that one, and we are going to need to provide you more information. When you have that detail that you saw there, there is some adjustments that you need to do because of the acquisitions and so on.

Short answer for you, our gross profit margin today is at 46%. You are going to see on that P&L. Our peers are in the range of 42%. So we are more effective today on the core business that we have. Of course, one of the targets that we have with DSO is to continue to improve that, as we talk a little bit about that one, and should improve our margin, should improve our cash flow as one of the targets on that one.

And we are going to provide you a little bit more. When you think about R&D, you see that line as well. We are investing close to 10% on R&D. Our competitors, they are ranging from 8% to 9% investment on R&D. So that transparency, you are going to get there, and we can go deeper on that one, Vincent. But the first answer that I will give you in the gross profit margin, I think we are competitive, but opportunities to continue to improve.

Vincent Andrews: Sorry, I was asking on SG&A.

Rodrigo Santos: Well, overall SG&A, I think that we are competitive because our size, but I would say that this is the area that we will improve with the DSO, especially. I think that when you tackle the key element of the €2 billion on that one, we are going to be even more effective on that one. We are today because of the scale that we have.

Vincent Andrews: My follow-up is on Dicamba. You referenced an earlier question, the 2024 season is okay because of the EPA issuance. What is the plan for 2025? Are you anticipating

EPA will re-register the product by then, and for whatever reason they do not, what is your workaround?

Rodrigo Santos: Thanks for that question, because I just come back on that one and reinforce that point that Wolfgang did. Yes, for the season 2024 that the farmers are planting right now, the stock order that really minimise the impact, and we already have it on the plan.

For 2025, we are working with different options, Vincent. We are exploring different alternatives here. We are working with EPA on the registration for soybean and cotton, and how we are going to place for these two products. So that will depend on EPA. There are alternatives that we have. Also, there are alternatives on the platform, and just to share with others here because I saw some of the reports for the ones that does not cover as close, farmers that use Xtend, our platform, 50% of them use the herbicide, the Dicamba herbicide on that crop. There is other alternatives of glufosinate and of course glyphosate as well.

So we are exploring different alternatives for the 2025 season, we are going to come back on that one, working very close with EPA. We have been working with them because we were expecting that decision on Arizona when we planned what we planned for this season. And we are now working with EPA for the next season. And hopefully, I can give you a more concrete answer, Vincent, in the next months. Because it also depends on how fast they will do what we are working with them.

Florent Cespedes: Two questions for Stefan. First on Kerendia, heart failure. Could you maybe give more colour on the timing? Do you need a second trial before any submission? And when this product could be on the market? And any idea of how fast could be the ramp-ups? It is a huge market with still high unmet medical need despite the competitive landscape. So some colour would be great on this.

My second question is on radiology. You talked about focus, but how this business fits with your organisation. Could you leverage some of your products on the pharma side with this business, or is it an independent activity? So any thoughts on this division would be helpful.

Stefan Oelrich: Thank you, Florent. Very good questions. By the way, Pete, I misspoke, it is phase I, not phase II, the PSMA. So my mistake.

So on heart failure, we expect with the FINEARTS study that we have everything we need for registration, but in order to fully capture the opportunity, we need to double down. So the additional data is going to be ready for use at launch, but not label-wise. That will come obviously then a year later. So yes, we should be able to have, in 2025, a heart failure drug in the market.

And on radiology, this is a really good question. I do not think that there are too many synergies at the salesforce level. We have production synergies because there is a joint use of facility. We have backbone synergies, yes. But right now, the radiology business has been one of our fastest growing businesses and has been really a stabiliser for our base, given everything else that is going on. But yes, you are right, this is not necessarily the same as our core business.

Sachin Jain (Bank of America): A couple for Stefan and then just one clarification for Wolfgang, if I may. So Stefan, I will just repeat the question from this morning on Pharma margins. You have commented very clearly to stable top line growth products offsetting the

Xarelto decline. Any colour on the margin mix over the mid-term? The other two divisions have given directional margin colour; unless I missed it, you did not.

The second one was just on the growth products to help stabilise, how much data success is baked in, in the next two, three years. So you flagged Kerendia heart failure you need. Is there any other data that is important in that timeframe?

And then just a clarification for Wolfgang, if I may, on leverage. There was a question earlier on getting to the single A rating by 2026, and you said moving towards that target. I think you referenced also it was roughly around 2.5 times, and you are currently at low 3s. That therefore implies limited deleverage over the next three years, if that is correct, unless I am misunderstanding, so if you could just clarify that. Thank you.

Stefan Oelrich: On margins, a lot is riding obviously on Xarelto now. So it is hard to give you on a yearly basis the margin, but Xarelto going off patents is really having a significant impact on my mix. So my gross margin is taking a hit. We have actually been remarkably stable. If you go through the P&L lines of my business, we have been managing this very nicely. Actually on OPEX. Everything that we have spent more on R&D, taken out of out of SG&A so we have been super frugal in the way how we spend our dollars. So it is mostly a mix issue.

And we have €4.2 billion in Xarelto still. And with this going down by, let us say, eroding to the levels I was mentioning to you, it is not so difficult to make the math. We are talking about a 90+% margin product. And it is going to be refilled with products that are, gross margin-wise, less attractive. Some of them because we have to pay royalties.

In the case of Nubeqa, we have some royalty payments. In the case of Eylea, we share the proceeds with Regeneron. The first one which is going to be fully owned by us, obviously Kerendia growth and with Elinzanetant, that is going to be positive.

With Acoramidis, we will also have relatively high cost of goods, so gross margin in the mix is not going to be as good as with the 90+% product. I think you are already seeing it in our margin guidance now until 2026. We are not doing that guidance, but you can see some of the issues that we are facing.

But then growth should get us out of there. So through growth, I think we are going to improve profile. And when you look at the areas that we are in with our portfolio, we are going to be a little bit less dependent on large primary care stuff, and we are going to be more on specialty. You take something like Nubeqa, our SG&A cost is relatively modest. So that is going to help run margins.

And on the data, yes, we have ARANOTE that needs to come out positive, and obviously also Kerrendia would be good to have heart failure positive. We have de-risked this in our projections, so we are not assuming 100% probability of occurrence. And then we have not built into what I was showing – Acoramidis was not built in because this was so brand new. Actually, we had to change some of our slides yesterday because this was so new.

Wolfgang Nickl: And on the leverage, let me just reconfirm also, Sebastian, you had that question earlier. If we are currently somewhere in the very lowest 3s and we want to get towards 2.5, you can do the math, that is seven-tenths or six-tenths of EBITDA that you have to reduce. You apply three years of a dividend that we are not paying, that we are applying to the debt, and then hopefully we will get more free cash flow than what we would have given to

the dividend and apply that also, to a degree, to the debt. And then at one point in time, hopefully EBITDA will also help.

Now, the other thing is, because I do not want to get too technical, but you take the net financial debt, and you have to put on top of that the net pension liability. So there is a whole bunch of moving parts. Just for everybody's background information, we have pension funds of about €22 billion or so. So it depends largely on the returns on the capital markets, returns on the discounting of the future liabilities. So there is a lot of moving parts.

That is why I said A category is a given for us. I just cannot tell you today, is that in 2026, is it in 2027, but we are making progress towards that. So you should expect us making progress all the time on that. I hope that gives you a bit more colour.

Richard Vosser (JP Morgan): Maybe a couple of questions on Crop. Just thinking about trade royalty revenues rather, just how should we expect those to develop over the coming years? And maybe specifically on soy, you have been losing market share to Enlist in North America. Do we have to wait until 2027 for that share to be regained as you bring the new soybeans seed traits online and the new protection?

And then maybe just one Pharma question as well. The ARASENS trial was actually pretty differentiated. You did not have competition there, and you have taken share. The ARANOTE trial is a carbon copy of trials that have already been there for competitors. So how does that actually bring incremental sales for you?

Rodrigo Santos: Richard, let me let me start here on the Crop Science and just to share with everybody. So just the dynamic of soybean, our key competitor move from our platform to their platform. This is really the trait share in the last years. We talk a lot about equilibrium, and last season was a great example of that. We have 45% share with our platform, and that was exactly what happened and was flat share. We did not lose share on that one.

We have also, of course, the key element of the new launch that we talked with the five mode of actions, that is clearly a great opportunity for us to expand trait market share in US, no doubt. And that ties to your first question with our licensing approach. 95% of our licensing revenue comes from medium to small regional companies. Does not come from the big multinationals that we have.

So moving forward, our licensing approach will continue. And we see that opportunity to expand, first, trait market share in the US with a new launch, and of course, we are going to continue to work with these regional, small, medium companies to license that platform as well. So that is clear a unique opportunity that we have ahead of us on soybean as well. But we talk a lot about the equilibrium, and we saw that specifically in the market last year.

Stefan Oelrich: Very quick, with ARANOTE, we are closing a very important data gap in the hormone sensitive metastatic patient population. And without that, we cannot speak to this. And I do not want to rely on off-label use of that indication without the data. So it is just a must-have.

Emily Field (Barclays): I will just ask one quick one then. Just in terms of timing of rebuilding the Pharma pipeline, I think you said that you hoped to have it rebuilt by 2026. Are you more looking for assets that would be then launching in 2027, or is that more by that timeframe you

hope to have a line of sight into perhaps date certain launches for assets in phase III? Just trying to think about that cadence of potential growth beyond 2026.

Stefan Oelrich: Yes. Thank you. It is more the latter. So we are going to be building – we come back to what I would expect from a pharmaceutical company, that we have a strong phase III pipeline, a good phase II, and a strong early pipeline. And I think we have built all of the elements to get us there, but now we have to get there.

The good news, I think, in all of this is, if you look at the exposure that we have from Xarelto, yes, and Sachin highlighted it so nicely, I am getting squeezed on the gross margin, but actually the top line problem is one I think that is actually really well manageable, given what we are having in terms of launches over the next three years. So for a company our size, we are actually launching quite a lot. And actually, if you look at this historically for Bayer, we are launching more than ever before.

And I am not saying with some things that may be launching or may not be launching. Acoramidis is in registration. Elinzanetant is going to be submitted for registration we expect this year. So these are really credible assets. And when you look at the heart failure play, in principle the mechanism of action is very prone to be effective in that area. And in Nubeqa, well, I think we have told the story. So it is not that we have some pipe dreams about what we want. And then you hear me, I am not even mentioning Asundexian, which is a potential bonus.

Jost Reinhard: Thank you very much. With that, I would leave it to Bill to say some closing remarks.

Bill Anderson: Very briefly, I think you see in us, we have three businesses that are very important and we have great opportunities to grow these three businesses, and we make no secret of it. We have some big challenges as well, but we believe we have a plan, and we can attack each of those challenges, so that we are sitting here in two years' time with a very different outlook for the company.

We are very happy to have many of you as shareholders, and we think we can have a very prosperous run together. We look forward to tomorrow morning, we can get back at it full-time. Thanks again for your interest in Bayer, and look forward to catching up with those of you that are here in person during the reception. Thanks.

[END OF TRANSCRIPT]