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News Release

Bayer Q3 Media Update
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Address by

Board of Management

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Bill Anderson,
Chairman of the Board of Management (CEO) of Bayer AG:

What you will hear from us is excitement about the opportunities ahead, coupled with clarity about some headwinds and crosswinds we need to navigate. That's the tone we aimed to establish with you in March. It reflects the way we're steering our businesses. We see great progress in some areas. We've had a good run of positive readouts in Pharma, and great momentum on our launch assets. We see outstanding first results out of the new model.

Even as we see great progress in some areas, others require more attention. Regulatory challenges and generic pricing pressures in our crop protection business are two examples. Regardless of whether these things are entirely in our control, we need to manage them with resources and decisions that are in our control. That's part of doing business. Sometimes you have to navigate twists and turns in the road, and adjust. It's okay to do that, as long as you're on the right path. We're confident that the course we've laid out for the company is the right one, and we intend to stay on it.

Let me start by covering our year-to-date performance in 2024 and our full year outlook. As a Group, we're going to deliver on nearly every parameter that we committed for 2024. We expect the agriculture market to decline around 2 percent this year. Given that, hitting those numbers is no small feat. Year-to-date, Pharmaceuticals is up, pacing with the guidance we upgraded last quarter. In fact, we're confident that we'll deliver at the upper end of that upgraded guidance in both sales and earnings. Consumer Health is growing, though not at the rate we expected given a slowdown in some markets, particularly the US and China. Still, our performance in Pharmaceuticals and Consumer Health is offsetting some of the declines in Crop Science. Clean EBITDA will come in lower due to the headwinds I mentioned, but as a Group, we are fully committed to hit our full-year targets on sales growth, core earnings per share, and free cash flow.

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

In **Crop Science,** we're going to come in under our guidance for 2024. Latin America is a big business for us, and we expected big contributions from the region in the second half of the year, similar to what we saw last year. Weather challenges and disease pressure have led to corn acreage decline in Argentina and Brazil. Compounded by soft commodity prices and generic crop protection pricing pressure, this led us to lower our 2024 targets. You have seen similar dynamics across the entire industry. And Rodrigo and team have shown we can compete with and withstand market pressures, thanks to our innovation edge, but ultimately we aren't immune to them. Nonetheless, we've got to own the results for this year – and there's definitely areas we can improve going forward.

For 2025, we are cautious on the market environment. On top of that, we anticipate some impact to our crop protection portfolio due to extended product reviews and changing regulations. That makes the nuts and bolts of our operational performance really important. And Rodrigo and team are going to optimize the resources we have at our disposal to compete in a challenging context. As we do that, we'll also strengthen our mid-term prospects. We have industry-leading launches coming in 2027 and beyond and we'll be ready to capitalize on them.

In **Pharmaceuticals,** we upped our guidance last quarter. We've got two months to go and are confident we will come in at the upper end of that guidance. We're happy with what we see from our launch products. Nubeqa™ has accelerated this year. Kerendia™ is showing excellent growth as well. That's important, because we can expect the Xarelto™ loss of exclusivity impact to accelerate in the other direction. With that comes margin erosion. But we're focused on what we can control. Moving assets through the pipeline and delivering successful launches. With acoramidis and elinzanetant, we are expecting the next two to come in 2025. And we have great momentum in renewing the topline, reinvigorating the pipeline and building the base for continued profitable growth in the future.

In **Consumer Health,** you've gotten used to continued growth from us over the past five years. Julio and team have every intention of continuing that, while recalibrating growth back toward volumes. With that comes a reorientation of investments behind our brands. They're shifting resources to the right brands in the right markets, while addressing the key factors weighing on our costs and cash. Our Dermatology and Digestive Health categories are growing consistently, largely due to this approach. Now our team is translating it to the rest of the portfolio, and we expect it to fuel growth in 2025.

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

I've highlighted where we stand with the PRECEON™ Smart Corn in the last few quarters. The biotech version will be launched in 2027, and the breeding version has already been launched in three countries. In September, I got to see it for myself. I walked a field with Jerry, a 4th generation farmer in Northeast Iowa. He was able to plant PRECEON™ at a significantly higher density than his tall corn. The crop withstood heavy winds in July – up to 70 miles per hour. While his neighbors had to deal with broken crops and dramatically lower yields, his corn stood tall. Or I guess "short" is probably more appropriate.

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

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

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

Litigation

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

In the glyphosate litigation we will now decide on which case we will request review by the U.S. Supreme Court. If the court accepts our case, we hope to obtain a ruling in the 2025-2026 session. Outside of the courtroom, I see momentum among politicians, farmers, and other stakeholders demanding American farmers get the legislative certainty they deserve. Further, companies like ours are standing up to the nebulous funding that often bankrolls the US litigation industry. We recently joined more than 100 major companies – across industries – to petition the courts to mandate disclosure of third-party financing in lawsuits.

On PCBs we also expect an important decision in the upcoming months, in this case by the Supreme Court in the state of Washington regarding the Erickson case.

All in all, there remains a lot to do on the litigation front. This is a long road, with no quick fix. We are focused on the bigger picture, and we're pursuing multiple avenues. We'll learn more about the Supreme Court in 2025 and we will continue working to significantly contain the risks.

Cash & Deleveraging

Wolfgang will cover cash in his update. As I said up front: We are fully on track for the year.

Dynamic Shared Ownership

Finally, on Dynamic Shared Ownership. It was in our Q3 call last year that I first introduced our new operating model to you. At that time, we had just kicked off the journey. We had 2,500 people introduced to the system. Today, we've scaled it to the vast majority of the organization. And we're seeing big changes as a result. We have 5,500 fewer jobs in the company since the beginning of the year, and a significant majority of them are managerial positions.

Most importantly, we're seeing improvements in the way we run our business. I recently visited Garbagnate, a production site for our Pharma division outside of Milan. The team there created a cross-functional team to try to cut 10 percent off of the batch release time, which was approximately two to three weeks. They worked in three 90-day cycles, had authority to make decisions on the spot, and included factory floor operators on the team. At this point, they have cut the release time by almost 50 percent with tangible benefits on lowering inventory, reducing waste and improving cash flow. Mission impact for our people, quicker innovation for patients, and better cash conversion for you. That's what we're going after.

There's no doubt we have a lot more work to do in scaling this effort. We're at a critical phase of implementation right now, so as a management team we're keeping our eye on the ball, making sure this overhaul doesn't go the way of more traditional, often ineffective, restructurings. At first, when I'd ask about success stories, I kept hearing the same two-to-three examples, then we'd get a new one monthly. Now, I'm hearing stories like these basically on a daily basis. I'm confident that will translate into results for our investors, and a bright future for us and our customers.

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

Thank you for your attention, and I'll turn it over to Wolfgang.

Wolfgang Nickl,
Chief Financial Officer of Bayer AG:

Thank you, Bill. I'd like to briefly talk about our Q3 results before I turn to our outlook for the full year and the vectors we see moving into 2025.

As always, sales growth comments are on a currency and portfolio adjusted basis.

In Q3, Group sales increased slightly by 1 percent versus the prior year with growth in Pharmaceuticals and Consumer Health offsetting a decline in Crop Science.

Our EBITDA before special items came in at 1.3 billion euros which is 26 percent or about 430 million euros below the prior year quarter. The delta is largely driven by lower Pharma and Reconciliation results.

Foreign exchange remains a major drag this year, with nearly 440 million euros headwind to our topline in Q3 and 1.2 billion euros year-to-date. On the bottom line, FX leads to a 40 basis points negative impact to the Group margin in Q3 and year-to-date. Impacts on divisional margins differ significantly, which is largely driven by different geographic distribution of sales and cost base.

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

Core earnings per share of 24 cents in Q3 are 14 cents below prior year. Lower contributions from EBITDA before special items were partly compensated by a better core financial result.

Reported earnings per share came in at minus 4 euros and 26 cents. The delta to core earnings per share is largely driven by the non-cash relevant impairment losses of approximately 3.8 billion euros posted in our Crop Science division. Main drivers are reduced business prospects, especially in crop protection, FX, and the dicamba label uncertainty, whereas weighted average costs of capital were favorable.

Our free cash flow came in at 1.1 billion euros compared to 1.6 billion euros in last year's quarter mainly due to quarterly timing of customer payments in Crop Science. Year-to-date our cash flow is at minus 200 million euros. This compares to minus 2.9 billion euros for the first 9 months of the prior year. The difference is mainly driven by lower incentive payouts and lower settlements. We anticipate strong cash contributions in Q4 to deliver on our full year commitments.

Net financial debt was reduced to 35 billion euros by the end of Q3 due to the positive cash contribution in the quarter and an FX tailwind of about 600 million euros.

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

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

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

For Consumer Health, we anticipate moderately lower market growth for the rest of 2024. This is largely due to softening economic conditions in selected markets. US consumers are becoming more cost conscious, and there are early signals of a weaker than expected Cough & Cold season. In China we see a deceleration of market growth.

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

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

On Group level we are fully committed to achieving our sales growth, core EPS, Free Cash Flow and Net Financial Debt targets for the year – all at constant currencies. Based on the updated divisional outlook, we lower the clean EBITDA outlook to minus 11 percent to minus 8 percent compared to previous year. We now expect a better core financial result of approximately minus 2 billion euros versus minus 2.3 billion euros previously. This is in line with the actual year-to-date performance.

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

Let me also take the opportunity here to summarize key business vectors for next year.

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

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

For Consumer Health, we expect market growth at a similar level like this year. Within that market we expect to deliver robust growth, with a focus on volumes.

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

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

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

Bill Anderson:

Thanks, Wolfgang. All in all, I hope this presents a helpful snapshot of each of our businesses today and what we see when we look at 2025. Let me summarize before getting to your questions. On our 2024 guidance, we will hit the numbers on sales growth, core EPS, cash flow, and net debt. Strategically, we've made progress. We've rapidly scaled the new model. We have leveled up the Pharma pipeline with great speed.

But we also have more to do. We've got the litigation uncertainty to contain, and we have a team working 24/7 on it. We've got our operational performance, where we always strive to be more competitive. Rodrigo and team are on the case in Crop Science. In Pharma, we're prepping two more important launches next year. Consumer Health is unleashing more focused resources behind our brands. And all three of our businesses are becoming leaner, more entrepreneurial and more dynamic. We're confident in the strategy and plans we laid out in March. We have the right focus – for our customers, our company, and for our investors.

Thanks for your attention.