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# 1 Final Transcript

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# 2 Corporate Participants

- **Dieter Weinand** - Bayer Aktiengesellschaft - Head of the Pharmaceuticals Division and Member of Management Board
- **Erica Mann** - Bayer Aktiengesellschaft - Head of Consumer Health and Member of Management Board
- **Johannes M. Dietsch** - Bayer Aktiengesellschaft - CFO
- **Liam Condon** - Bayer Aktiengesellschaft - Head of Crop Science and Member of Management Board
- **Oliver Maier** – Bayer Aktiengesellschaft – Head of Investor Relations
- **Werner Baumann** - Bayer Aktiengesellschaft - Chairman of the Board of Management and CEO

# 3 Conference Call Participants

- **Florent Cespedes** - Societe Generale Cross Asset Research - Senior Equity Analyst
- **David Paul Evans** - Kepler Cheuvreux, Research Division - Senior Equity Research Analyst
- **Christian Faitz** - Kepler Cheuvreux, Research Division - Equity Analyst
- **Jeremy Redenius** - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst
- **Peter Verdult** - Citigroup Inc, Research Division - Director
- **Michael Leuchten** - UBS Investment Bank, Research Division - Co-Head of Pharmaceuticals Research of Equity Research
- **Timothy Michael Race** - Deutsche Bank AG, Research Division - Research Analyst
- **Daniel Wendorff** - Commerzbank AG, Research Division - Research Analyst
- **Kerry Holford** - Exane BNP Paribas, Research Division - Analyst
- **Jo Walton** - Crédit Suisse AG, Research Division - MD
- **Julian Shaw** - JP Morgan Chase & Co, Research Division - Analyst

# 4 Presentation

- **Operator**

  Ladies and gentlemen, thank you for standing by. Welcome to Bayer's Investor and Analyst Conference Call on the First Quarter 2017 results. (Operator Instructions)

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

- **Operator**

- Oliver Maier – Bayer Aktiengesellschaft – Head of Investor Relations

Great. Thank you, Emma. I would like to welcome all of you, also on behalf of my colleagues, to our first quarter 2017 conference call. With me on the call are Werner Baumann, our CEO; and Johannes Dietsch, our CFO. The different businesses are represented by the responsible management board members. For Pharma, we have Dieter Weinand; from Consumer Health, it is Erica Mann; and for Crop Science/Animal Health, we have Liam Condon.

Before we go on to the Q&A session, Werner will start the call today presenting some of the highlights of our first quarter 2017 operationally and financially, give a brief summary of the developments in the different divisions and then finish with our outlook for 2017.

I obviously would like to start out by mentioning our cautionary language that is our safe harbor statement for all the materials that we have distributed today.

*(See "Disclaimer" chart at the end of this transcript).*

So that was the easy part. That's for me. Werner, the floor is yours.

- **Werner Baumann**

All right. Thank you, Oliver. And good afternoon, everybody on the call. What I'd like to do is to go through the materials rather quickly, and then enter Q&A. We had a very good start into the year, as you have seen. And the nice thing about it is that we see growth in all segments. If you look at Life Sciences, of course, Pharma has posted the highest growth, it's very much driven by our main growth products. Xarelto and Eylea both with roughly 20% growth year-over-year, but the others -- also the oncology products (inaudible) are doing very well. We see a good performance also if we look at our competitors in Consumer and Crop and Animal Health has been doing okay as well. If you look at the reported numbers, they've continued to include, of course, Covestro. Covestro has had a very strong start into the year both in terms of top and bottom line. And that has also led us to actually upgrade our guidance, a little bit unusual already in Q1. So we continue to look at where we are going to go with our Life Science business but the upgrade is very much driven by our Covestro based of business that is reported in our numbers.

Beyond that, we've also had good news in R&D. First of all, very much, as we talked it about already at our Meet Management, about the COMPASS study. Secondly, we've presented positive Phase II data for copanlisib in non-Hodgkin's lymphoma, and we've also submitted by now, the package to the FDA. And as far as Covestro -- as far as Monsanto goes, we continue to make progress with our filings, by now, we have filed in most of the jurisdictions, Europe still -- is scheduled for quarter 2. And last but not least, we of course, also reduced, as we had announced earlier, our stake in Covestro with the first step we've taken from 64% to now 53% shareholding in Covestro but of course, we continue to consolidate.

Let me now briefly touch on quarter 1. So top line up by 9%. Main contributors here, as already mentioned, are Covestro on one hand, and then on the other hand, Pharma, with all others are also contributing. Reported EBIT up in line with the strong earnings performance that is very much driven by sales  34%, EBITDA 15% up, that also translates into an increase in our adjusted earnings per share or core earnings per share, which advanced to EUR 2.62, which is an 11% increase year-over-year despite a small dilution due to the fact that we've reduced our Covestro position. And of course, with that, we have high minority in the stakes that are being reported now.

Let me now move to cash flow. Cash flow also very strong improvement from continuing operations by 50%. Again, driven by our good earnings performance. CapEx, up by roughly 14% to a little bit more than EUR 400 million, and very much driven by the divestiture of our Covestro stake, the reduction in our net debt position to just like the above EUR 10 billion at the end of quarter 1.

Now let's move into Pharma. Pharma sales are up over quarter 1 a year ago by roughly 7%. Our key growth products delivered EUR 1.4 billion in sales, up 20% overall, and that is also the order of magnitude of growth we've seen in the 2 biggest products, being Xarelto and Eylea. Outside of the U.S., and that's what we are driving, Xarelto sales up even a little bit higher because reported in our numbers, sales is essentially licensing fees and royalties in the U.S. was flat year-over-year, I'm sure

we are going to touch on that later on in the Q&A.

Eylea, overall, very much driven by higher sales volumes in Europe, and then also contributing in Canada and Japan.

Business in Xofigo, also very strong improvement with a majority of that coming out of Japan. It was the very successful launch we have seen so, we didn't have any sales in 2016 here, and that's what's been driving then, of course, also the numbers. But we've also been doing well in the U.S. and in Europe.

Stivarga, up by 9% to now EUR 75 million. Adempas, up EUR 28 million -- 28%, I'm sorry, also there's strong contributions from the U.S. And then our established product portfolio was a somewhat mixed story. We've seen Kogenate down by 9% year-over-year, which is very much driven by the order pattern of CSL. We will also going into that in the Q&A, I'm sure. On the other hand, we saw very pleasing growth with Mirena by 23%. And of course, we have also had the Kyleena launch that contributed here with the Mirena franchise.

We've had a very strong earnings improvement that is driven by both strong top line growth and very good cost containment. So we continue to manage significant growth momentum. It's an essentially, you can say almost stable marketing and sales investment, and that's been the case actually, for the last 3 years already. So do we get leverage and efficiency out of the organization the way Dieter and his team manage the business.

Consumer Health, up by 2.6% or roughly 3% in the quarter, very much driven by good and encouraging growth in Europe, Middle East and Africa, also Asia Pacific. North America came in on prior year level. If you look at the product portfolio and the compositions of the U.S. sales performance, there are 2 things that I'd call out. One is of course, the launch of our new product portfolio in Coppertone that has been contributing to growth very nicely. You see the 21% year-over-year growth. The other one is -- actually, the other way around, we are preparing for a restaging of Dr. Scholl's business in quarter 2 as we still see a washout of trade inventories in the first quarter. Hence, the reduction in Dr. Scholl's. Other than that, we saw a very nice increase in Bepanthen, very much driven by Europe and Asia/Pacific, somewhat weaker performance in Latin America here particularly, in Brazil.

And last but not least, if we look at earnings, we see some progression in the bottom line, we continue to, of course, invest behind the turnaround of some of our brands. And we've also had a EUR 20 million onetime gain, just about EUR 20 million onetime gain in our clean EBITDA that stems from the sale of the non-core brands that contributed in quarter 1.

Let's now move into Crop. We've seen sales being up by 3% year-over-year in Crop as well. Crop Protection, we saw solid growth in herbicides and insecticides. Also in our SeedGrowth business, whereas Fungicides had to face some top line regression here also, in particular, Latin America in Brazil. Seeds business did perform very well. As you've seen also with our competitors, our business grew by about 8% over prior year quarter. And that again, was very much driven by strong oilseed rape/canola business, and of course, our soybean business that is developing very nicely.

We've had a technically effect into our Environmental Science, we sold the ES consumer business last year to a French company. And what you see here, reported in our sales is to a large extent, the delivery of products to the new owner of that business and that has been driving our sales performance, so it's not in-market sales but driven by portfolio sales.

Regionally, a very good performance in North America, here also driven by our Seeds, SeedGrowth, Insecticides and Fungicides business. I already mentioned that Latin America was somewhat slower, particularly in Fungicides side in Brazil. And we also continue to see quite high market -- in-market inventories in Brazil. So sell-in we are cautious with because of that high inventory (inaudible).

EBITDA before special items in Crop benefited primarily from the better volumes. On the other hand, we had higher cost of goods sold, we also increased our investment in R&D. And we had almost slightly decreasing selling prices, that weighed slightly on earnings.

Last but not least, Animal Health. We've seen, again, roughly 3% top line growth, both from our ongoing business and then the reported top line included the portfolio effect from the acquired Cydectin business that is not part of that 3% currency and portfolio adjusted growth, but the reported top line of EUR 440 million, that's included. The same holds true also for our reported earnings, which are up by 11%, driven on one hand by price increases, and on the other hand, by a large price increase, on the other hand, by the contribution of the Cydectin business.

What we continue to see here is the same as you saw in prior quarters and our companion animals business, our Seresto flea and tick collar continues to do very well. As we've seen here, again, a strong increase of almost 40%. On the other hand, our Advantage product family did erode by about 10%, mainly driven by intense competitive pressure and some demands shifts.

Last but not least, and that will then conclude my comments on the quarter. As I mentioned earlier in my introductory statements, we upgraded our guidance for the full year, which is driven by the strong increase of both top line and bottom line in the quarter but also in the guidance of Covestro. So Covestro now for the full year, is looking for a substantial sales increase and a significant improvement in EBITDA. And we have, of course, taken that into our forecast figures as well. So as a consequence, we are upgrading as follows: sales are now going to be just around EUR 51 billion, up from the EUR 49 billion we had guided for before; EBITDA before special items is now expected to improve by a low teens percentage. And if you look at our core earnings per share from continuing operations, those will increase by a mid to high single-digit percentage. But on one side, it is driven by the strong performance of Covestro that continues to be consolidated. We, of course, do have a counter effect here, driven by the fact that as I mentioned earlier as well, we reduced our stake in Covestro by 11% as of March 2017. So that earnings that relates to the 11% is now reported in minority -- in minorities and not in our numbers that go into the core earnings per share.

So excluding portfolio and also your equity measures, net financial debt is going to be around EUR 8 billion by the end of 2017. And last but not least, I also touched on debt in my introductory remarks as well, we are quite optimistic for our Life Science business, even though we have not upgraded our guidance at this point in time. Just looking at the fact that we are just into the first quarter, and let's see how the second quarter goes and then we'll update you accordingly in our Q2 call.

With that, I come to the end of my remarks, and we are now very much looking forward to our Q&A session. Thank you. Oliver?

- **Operator**

Great. Thank you, Werner. Emma, I think we can open up the Q&A session now.

# 5 Question And Answers

- **Operator**

A. (Operator Instructions) First question comes from the line of Mr. Race.

- **Timothy Michael Race**

Q. It's Tim Race here from Deutsche Bank. So a few questions, please. First, if you wouldn't mind just updating us with where we are with the antitrust process in Monsanto. I mean, the time lines or your best guess of time line so far for the various stages? Then on Crop, if you wouldn't mind just discussing your results in the context of what we're seeing from the other crop companies regarding -- Obviously, Monsanto have some reasonable figures, Syngenta and BASF maybe less so. And I would just like to understand why you think you're winning here, and is it your portfolio being different? Or is there some particular elements that means that you're riding -- or following better? And then maybe just moving on to the Pharma division, particularly on Xarelto. We saw your partner report some relatively flat sales in the U.S. and yet, prescriptions are up in double digits. So I'd be interested to know what's going on in the U.S. in terms of price pressure. Are you having rebates more aggressively in that market? And then finally, just on cost discipline. Obviously, pleasing to

see, just wondering if there's anything we should expect to increase in terms of your costs going forward for the rest of the year outside of normal seasonal fluctuations? So is this a good signal of cost discipline for the rest of the year?

- **Werner Baumann**

A. Okay. Thanks, Tim. Let me answer the first question before we then go to Liam for Crop and Dieter for Pharma. As far as the antitrust filings and the process is concerned, we continue to be on schedule. The fact that we are slightly delayed with our filing compared to our original communication in Europe, you may remember, we wanted to file in quarter 1, that is exclusively related to additional data requests that we are diligently working on. With that we couldn't hold it to quarter 1, but it doesn't have any bearing on our perspective that we are going to close this transaction by the end of 2017. So from that -- and everything stays as is. And as we have communicated before, we are engaged in good and constructive discussions with the main regulatory agencies. There are still in a number of areas some fact-findings and some discussion going on. But overall, we are pleased with the quality of the discussion we do have with the different agencies. With that, let me hand it over to Liam, who's going to answer the question on our results relative to those of our competitors.

- **Liam Condon**

A. Yes. Thanks, Tim, I'll try and give you a perspective without going into any specifics about competitor results, but that I'm sure you've spoken to with them already about. I think if you break it down according to Seeds and Crop Protection, you can see that we have very competitive results in both Seeds and Crop Protection. I think you'd see overall, there are stronger growth rates for seeds, and all the companies that have reported so far have relatively stronger growth rates for Seeds and relatively weak growth rates for Crop Protection. And the way we view this is, I mean, first of all, the seeds need to get purchased, need to get put in the ground and then later on, you can get to use Crop Protection. And so, this is, for us, a good sign that there's a degree of confidence in the market, and that there's relatively robust sales level of seeds right now. On the Crop Protection side, you know we have a very diverse portfolio, not only from a geographic point of view but also from an indication point of view. And what we also have in here is a segment called SeedGrowth, where we look after, basically, seeds, to make sure that they can grow accordingly. And here, we have a very, very competitive position, and we see this as a kind of a comparative indicator for potential cyclical uptake. And also here, similar to seeds, we had quite strong growth of 7%. So I think overall, just by the diversity of our portfolio, the very innovative portfolio, and simply in the market, our ability commercially to execute is why we are doing different from the competitive performance.

- **Werner Baumann**

A. Okay. Thanks, Liam. So Dieter on Xarelto, J&J, U.S. price and cost discipline.

- **Dieter Weinand**

A. So let me start by saying, we're really pleased with the continued performance of Xarelto with the growth that we have seen, of course, the 20% again, globally. We also have been able to continue to expand our market leadership position in all major markets with expanding or maintaining our market shares, and so we're very, very pleased with that performance. And as -- and I cannot speak for J&J on specifics, but what I can tell you is what they have said. That there were 2 facts that impacted the reported sales by J&J. One fact was some price impact from the prior year. And the other one was the different accounting, the linear accounting for the dollar to, or rather on what they use, how they used to account for that. In-market performance continues to be healthy, and that is all I can say for the U.S. For us, there's -- we continue to grow primarily on volume. Volume is up plus over 21%. Prices negligable for us for now in our territories. So there's nothing unusual going on, other than normal competitive pressures that we are facing. So overall, a very healthy business. We're very pleased with the performance. And regarding the cost discipline. Obviously, we're very pleased with the great spot we've had into the year. Our ties expense or disciplined expense control is and stays in place, as we have previously discussed a number of occasions. And we do at the same time while

we balance that with taking the right positions to ensure our future sustainable success by supporting our pipeline and/or investing in the appropriate commercial opportunities that are lying ahead of us, such as the copanlisib launch or Stivarga's second-line HCC that is coming up and potentially, depending on how the data comes out with the data associated with COMPASS trial. But we remain quite confident in the guidance that we have given for the year and look forward to continued successful performance.

- **Werner Baumann**

  A. Thank you, Dieter.

- **Operator**

  A. The next question comes from the line of Mr. Walton.

- **Jo Walton**

  Q. It's Jo Walton from Crédit Suisse. Just 2, please. On the consumer side, I wonder whether Erica could tell us a little bit about how she sees the background to the consumer market at the moment. A lot of companies have said that things are very tough. But what time point do you think we should start to see an improvement? And are there any more assets to be sold whereby there's going to be a booked gain which will help the margin? And is that a material part of how you keep the margin flat for this year, in this year where sort of transition and investment? And my second question is on the Pharma side and Kogenate. You talk about your partners' purchasing patents. Are these -- as your partner is effectively winding down purchases from you because you are ending your relationship with Helixate. And therefore, this is a steady thing that we will see continue? Or is this onetime patterns and we may just find that it'll bounces back in the second quarter?

- **Werner Baumann**

  A. Okay, Jo. Thanks for the question. So Erica is going to give you her perspective on the consumer markets, and the asset sales, both of the ones we had in quarter 1, and then also if there's anything going forward.

- **Erica Mann**

  A. Yes. Thank you, Jo. As you would have heard, we are experiencing in the U.S. market, particularly some category challenges across the industry. And so, we see that, that will probably get better towards the back end of the year as the new innovations are starting, introduced into the market. As far as Latin America is concerned, we do see some continued softness there, specifically coming out of Brazil. Again, all indicators are -- early indicators are, that, that it's time to pick up and should be better towards the end of the year as well. Now, when it comes to the margin question, obviously, we maintain our guidance for the full year. It's important for you to note that historically, quarter 1 and quarter 2 are better margin quarters. And the divestitures that took place is part of our natural portfolio, proving it's not something that is special, it's just an ongoing portfolio cleaning.

- **Werner Baumann**

  A. Okay. Thank you, Erica. Dieter, on Kogenate and CSL.

- **Dieter Weinand**

  A. Yes. So as fluctuations in Kogenate orders quarterly is not a surprise. We have always had that, so there is that up and down. And that is also the case that there's some phasing with tenders that we have in some of the markets, where we have national tenders that is also impacting our quarterly sales. As you know, the CSL contract ends in 2017, and we are working -- we're striving to switch that business to Kogenate and/or Kovaltry as rapidly as we can while we are preparing for the filing

for damoctocog-alfa at the same time. So we remain confident in the medium- to the longer-term position that we have in the hemophilia business with the strong position there, but I cannot comment on forward-looking potential orders or not from CSL.

- **Werner Baumann**

  A. Okay. Thanks, Dieter.

- **Operator**

  A. Next question comes from the line of Mr. Leuchten.

- **Michael Leuchten**

  Q. It's Michael Leuchten from UBS. Two questions, please. Just going back to the Pharma margin in Q1 and your commentary in your press release about the uncertainties for that division. If your marketing and distribution expenses are flat, as in you're very much in charge of that, you also have the COMPASS data reading out early, so that trial, I presume, is not as expensive as you thought is going to be. So what are the uncertainties that could have an impact as the year progresses on your margin in the pharmaceuticals business? So that's question #1. And then a question for Johannes Dietsch. Could you talk a little bit about the structure of the bridge finances -- financing that you have in place for the Monsanto transaction in terms of the tranches that are available to you? And what flexibility you have around that in terms of using bits and pieces to pay debt down if and when you draw down the bridge financing.

- **Werner Baumann**

  A. Okay. Thank you, Michael. So, Dieter?

- **Dieter Weinand**

  A. So you were right there, we continue to be disciplined in our expenses, as I've mentioned earlier. And that included maintaining our marketing and distribution cost. And at the same time, I'll also mention that we continue, and as you know, R&D spend increases over the year as clinical trials progress. And that is also not new, that is what -- has occurred every year, and we anticipate that also to be the case going forward. You mentioned the COMPASS trial winding down. As you also know, when a trial reads out with top line data, the trial doesn't stop overnight and the expense does not stop overnight that winds down over time, that takes a while as well, because the trial have been scheduled, actually, to last longer. So that is not an immediate win for either. And we continue to invest in our pipeline, as I mentioned in the trials as they develop successfully going forward. And in the new commercial opportunities we want to exploit that I had mentioned previously, and as I said, we are quite pleased and very confident in confirming our guidance as we've previously issued for the rest of the year. And that's all I can say to that. There is nothing unusual that we foresee.

- **Werner Baumann**

  A. Okay. Thanks, Dieter. And Johannes on the bridge financing?

- **Johannes M. Dietsch**

  A. Thanks, Michael. About the bridge financing, as you know, we concluded the bridge finance of about $57 billion in September last year with 5 banks and syndicated out to global banks, in total, 26 banks. Soon thereafter, this bridge financing is available for us and once we are drawing under this bridge financing, we have more than 2 years actually to do the term out financing. Within this $57 billion bridge financing, we have also a $10 billion term loan piece, which we can draw on, and which we can then pay back anytime. There are 2 tranches of this $10 billion. One is a short-term 2 years and one is a 5 years term loan. So we have had a lot of flexibility with those term loans. Apart from

that, we will -- you'll see equity, of course, to pay down the bridge financing, and we have done already the first €4 billion in the mandatory convertible notes, which will, of course, reduce the level of the bridge loan accordingly. And with all the other anticipated term out financing like the rights issue and the senior bonds that will then ultimately reduce the bridge facility. For this bridge facility, we have to incur some costs this year, we anticipate within our financial results the cost burden of roughly more than -- slightly more than EUR 200 million.

- **Werner Baumann**

  A. Okay. Thank you, (inaudible)

- **Operator**

  A. The next question comes from the line of Mr. Verdult.

- **Peter Verdult**

  Q. It's Peter Verdult from Citi. Three questions, first  for Dieter. Are you in a position now to tell us whether COMPASS was presented at the ESC or in November, at the AHA? And on -- and on Anetumab, can you remind us when is the earliest that we might see top line data from the registrational study in mesothelioma? To Liam, maybe a little premature to ask this, but are there any developments since the Meet Management day last month that increased your confidence in the ag cycle turning at the end of the year? And then lastly, Werner and Johannes, I know you've [beating] in on sales and profitability across each of the divisions within Life Science but the guidance for -- the guidance on any of those divisions has not changed. I was just trying to gauge how conservative your being, given the momentum that you're seeing at the start of the year or what the specific factors are that is going to dampen the momentum here today?

- **Oliver Maier**

  A. Peter, thanks. I missed the first part. Can you repeat the first question just for me, please?

- **Peter Verdult**

  Q. Yes, the first question for Dieter is on COMPASS, a to tell us whether that will come at the ESC, the European Society of Cardiology or at the AHA later in the year, in terms of when that data would be presented. And then on Anetumab, your antibody drug conjugate, when is the earliest we might see the top line data from the registrational mesothelioma trial?

- **Werner Baumann**

  A. Okay. Thanks, Peter. So Dieter on COMPASS and Anetumab first, please.

- **Dieter Weinand**

  A. So we -- unfortunately, Peter, I'm not one of the people that is involved in the data analysis and what happens to the data. Obviously, we are working as fast on cleaning up and analyzing the COMPASS data. But I don't have the timing, and therefore, I cannot predict at which upcoming Congress or so a venue we would disclose the final data. But then we reassure you that we're working very hard on this to get this out as quickly as possible. And with regard to Anetumab, as you know, Peter, we have -- the trial enrollment did finish much faster than what we had anticipated. However, this is an event-driven trial. And so we now need to wait for the events to come in. And that is difficult for us to predict. And so our -- as you know, our time lines for Anetumab were that we have been looking at a 2019 launch. Should that change as soon as we have some other read, we would obviously, come forward with that and inform you.

- **Werner Baumann**

  A. Okay. Thanks, Dieter. Liam, on the ag cycle.

- **Liam Condon**

  A. Yes. Thanks, Peter. So it's always very hard at this point of the year to make any kind of calls. I think what's become clearer in the last couple of weeks and even months, and is that we will have record acreages of corn and soy if you take North America and Latin America together. So there is strong demand for seeds, and we're seeing that in our soybean portfolio, very strong demand for soybean seeds. And the strong -- and demands are also going forward for SeedGrowth. We've seen that in our Q1 results. And now the issue is and this is the part where the weather is crucial, and it needs to get planted. And all of these seeds and then it needs to grow. And as it's growing, we have opportunities then to use our Crop Protection products, they're to protect and those that the seed as it grows, and then it needs to be harvested at the right time. So there's a lot of things that can happen in between, and that would need to come together for us to be able to call an upturn in the cycle. But it all starts with having very robust demand for Seeds and SeedGrowth. And at least, we're seeing that so far. And how the rest of the year comes out, then we will see, but at least we're off to a good start.

- **Werner Baumann**

  A. Okay. Thanks, Liam. So Peter, on guidance and your question on, why don't you upgrade now if I understand you correctly, after such a strong first quarter. The simple truth to it is that as we mentioned earlier, we are very happy with how we've started in 2017. Particularly, this very strong Pharma performance, both top and bottom line. But at the same time, it's a little bit premature to look at our guidance because we only announced it in February. And we have stated that at this point in time, we are not looking to adjust it, which means that, we'll update you after quarter 1 -- quarter 2, when we believe we have more visibility that can better gauge then how we are running vis-a-vis our guidance, and it's depending on where we are, contrasting that result performance after Q2, whether we can update you at that point in time. The only other thing and that's a difference, why this -- actually, still chosen to upgrade group guidance is what I mentioned earlier. Covestro has taken up its guidance. It does have an impact on the -- on us as well because we significantly benefit, of course, from such a strong performance. And that's what led to top line, bottom line and core EPS, everything else for Life Sciences, let's wait and see where we are after Q2.

- **Operator**

  A. The next question comes the line of Ms. Holford.

- **Kerry Holford**

  Q. Kerry Holford, Exane BNP Paribas. A couple of questions, please. Firstly on Betaseron. Could you comment on the reduced demand you're seeing in the U.S. and Europe? We're seeing this trend across the category. But just interested on your views on why this is occurring. Is it just that the patient population is now well-penetrated? Or does it reflect, perhaps patient warehousing ahead of Russia's (inaudible) launch? Secondly, on copanlisib, can you just discuss the scope to file based on the recent Phase II data in NHL or whether you need to wait for the Phase III that I think has just recently started. And a great one would be on Animal Health, any strategic update here on this business? Kyleena's performing well, that remains upscale versus competitors. So any commentary there would be helpful.

- **Werner Baumann**

  A. Kerry, thank you. So Dieter first on Betaferon, on why the decline in the contexts of the overall MS space. And secondly, copanlisib, whether we could file with the Phase II data in a nutshell or do we have to wait for Phase III.

- **Dieter Weinand**

  A. So some of Betaferon. Betaferon performance is obviously impacted by continued expansion or utilization of the oral products in the competitive markets. While Interferon remains a mainstay of therapy for MS, all Interferons are impacted by the oral competition. And I don't think that, that is going to -- that trend is going to change over time. But we are -- we think Betaferon is still well positioned in these interferon markets as a key product. With copanlisib, we are -- we have initiated a rolling submission with the U.S. regulatory authorities. We have accelerated review, Phase II, would allow us to file, and if successful, could result in an approval, and it would require that we -- with the post-approval commitment. But we could file, we have actually initiated the filing process. And with the -- in that -- going sufficient process now, and it could result, if positive, in an approved phase based on that data.

- **Werner Baumann**

  A. Okay. Thank you, Dieter. So Kerry, let me briefly give you an update on Animal Health. The business is doing well. There's no news to be shared on its strategic position. It is where it has been, and it stays, and will continue to stay there. No change.

- **Operator**

  A. Next question comes to the line of Mr. Faitz.

- **Christian Faitz**

  Q. Christian Faitz from Kepler Cheuvreux. As already noted in the call, compared to your peers you had a fairly good start into the crop season. Also, I would track in agrochemicals, not just in seeds. Can you share with us some insight into the ongoing crop season in the Northern Hemisphere? Are you into Q2, particularly in Europe? Looking at weather data, it appears to me that we are looking at a shortened season, driven by a combination of dry and cold conditions so far. What is your take on this? And in that context, do you still see elevated inventory levels in the channel? Second question, your friends in Ludwigshafen are quite happy about their Dicamba performance. Can you compare and contrast performance of your LibertyLink franchise, please?

- **Werner Baumann**

  A. Yes. Okay. Thank you, Christian.

- **Liam Condon**

  A. Okay. Thanks a lot, Christian. And on the Northern Hemisphere and what we can see to start in North America, there is, due to weather a delay in the planting season. So particularly, corn has much lower planting rate than in previous years. The assessment is, this will be caught up, and it's only a temporary blitz, so it should be okay. In Europe, it is indeed a -- there's very slow start to the season, we're seeing this particularly in Western Europe, anybody who lives here knows it's been cold, and it's been wet, and most of the time so far. And there is a risk that we would have a shortened season in Q2, which would probably, particularly impact fungicides. You might miss a spray simply because there would be less of a window of application that will be possible. And it's little bit too early to call, but we -- I'd say, we are very cautious on Western Europe. It's very sluggish. And in contrast, we see very good conditions in Eastern Europe and the Central and Southern Europe, so far. So that, that helps balance out and that's all for the reason why we grew in Q1 also in Europe, was not because of Western Europe, it was because of Eastern and Central Europe. And overall, on the herbicides side, we have, you mentioned competition, Dicamba coming on to the market. We also had good growth with 5% overall, or over 5% growth in Q1. And see continued strong demands in -- now, particularly, in the Northern Hemisphere, we had particularly strong demand in Canada but also in the U.S., and Liberty is driving this herbicides growth as well.

- **Werner Baumann**

  A. Okay. Thank you, Liam.

- **Operator**

  A. Next question comes from the line of Mr. Redenius.

- **Jeremy Redenius**

  Q. It's Jeremy Redenius from Bernstein. I've got a couple of questions. First of all, on Crop Science. We've heard, I guess, you and a couple of other companies talk about high fungicide inventories in Latin America now. And I'd like to hear your perspectives on how does that look going forward? Is this foreshadowing a particularly weak second half of the year down in Latin America? And then on Eylea, we should be getting competitive data on some products this year that can be dosed less frequently, for example, I'm thinking about Novartis' RTH258. Would a -- when a product that's -- that needs to be dosed every 3 months for the similar efficacy have a significant effect on the Eylea trajectory?

- **Werner Baumann**

  A. Okay, Jeremy. So Liam is going to take the first question, followed by Dieter on Eylea.

- **Liam Condon**

  A. Yes. Thanks, Jeremy. So fungicides was actually the only disappointment that we had in our portfolio in Q1. And it's specifically related to the performance in Brazil. And this is directly related to the fact that the channel inventories were indeed too high. What happened, it was basically the sell-in last year, ahead of the season, anticipating a normal or a strong season and demand for Fungicides. The demand was lower and consumption in the market was lower. And we've basically taken a precautionary decision to reduce sell-in to the market. And to avoid the situation that the channel becomes overloaded. So from our point of view, this is part of our philosophy of managing for value and that's -- if we notice that channel inventories are starting to pile up that we simply reduce our sell-in. That the consumption in the market, we believe, is continuing at a relatively -- right now for the time of the year, at a relatively normal level. What's reduced is the sell-in. So I think you just have to differentiate between that sell-in and sell-out part of it.

- **Werner Baumann**

  A. Dieter?

- **Dieter Weinand**

  A. So I would say, as I always say, let's wait for the data. I think this market is driven by efficacy, as we have seen. As we've overtaken the market leadership from Lucentis in many different markets now with the Eylea market share of 74% in Japan. And the market share ranges, range of markets some 34% to 74%. So it's very clear that this market is driven by efficacy. And I would then say, be that being the case, then I would wait for the full data set to come out so that we understand the complete profile of the product and that would allow us then to gauge what the competitive situation will be and our competitive response would need to be. I also believe that we are positive, we're in the good position with the ANG2 combination, the collaboration we have with Regeneron if positive, that would obviously, target -- that it will be targeting enhanced efficacy. And I think in the market that's driven by that would position us very well in the future in that market. So let's wait and see what the data says and then we can speak more toward that. And then in the meantime, I think we're very confident on our continued performance.

- **Werner Baumann**

  A. Okay, Dieter. Thank you.

- **Operator**

  A. The next question comes from Mr. Cespedes.

- **Florent Cespedes**

  Q. Florent Cespedes from Societe Generale. Three quick questions, please. First, on Xofigo, could you come back on what is driving the good performance this quarter, and if this acceleration is sustainable. Second question is on Pharma in the emerging markets. Could you comment on what is behind the strong growth this quarter? Which are the main countries driving this performance, and also the main products? And my third question, the last question, is for Erica. Could you tell us if you start to see some sign of improvement behind the portfolio acquired from Merck? And, Dr. Scholl's Q1 sales are kind of slow and that you -- you should build from this and what could be the pace of the recovery?

- **Werner Baumann**

  Q. Okay, Florent. Thank you. So Dieter, on Xofigo drivers and then on emerging markets by countries and products.

- **Dieter Weinand**

  A. So Xofigo has actually been driven by 2 main facts. One is, we have a very strong increase in new patient starts this quarter versus the prior year. Across the board, in the U.S., Canada, Europe, everywhere, we see the same significant increases in the new patient starts. That is because we -- as we have previously discussed, we have fine-tuned our message. We have been more clear with the appropriate patient profile, exactly at what point the patient should be start with Xofigo that can benefit most. And we have enhanced our profiling and targeting. And we have also unlocked the opportunity in the freestanding urology clinics, where at the beginning, it was much more limited, the utilization to hospitals that were already set up with radiology departments and so on. So all of that is now coming together, and that is driving the new patient start growth that is significantly impacting us. At the same time, we see a development that is related to our better patient selection. A development in the increase in the number of cycles that are being given per patient. In the U.S., it's increasing very nicely, similarly, in Europe. And in Japan, we had a very, very strong launch. New patient starts in Japan are very, very high. And the average number of cycles in Japan is the highest of anywhere in the world, telling us that in Japan, they have actually learned from all the learnings that we have, the opportunity to learn from it. Other countries position the patient appropriately, so earlier patients get the products. And that has resulted in very high patient starts right at the launch. And the most number of cycles per patients. As a matter of fact, 60% of patients in Japan, we see 6 cycles. That compares to our -- ALSYMPCA trial in a controlled Phase III trial, 63% of patients. So very, very well done, Japan, that has also supported our growth. So far, the new launch as well as the continuing business is performing very well.

  Emerging markets, we see growth across the emerging markets. In the emerging markets, as you know, our portfolio is somewhat different. In China, we had particularly a good start. In China, this year, where we grew 18%, where the market is projected to grow 7.4%. So we've had a very, very good performance in China. That performance is driven by a very good growth in Adalat, Glucobay and Cardio Aspirin. It was somewhat buoyed or helped by the conclusion of provision of tender negotiations and a bit of restocking that occurred. But overall, the underlying business is driven by volume. It's performing very well, not only in China but across the entire emerging markets. And we are optimistic for continued good performance in these emerging markets as well.

- **Werner Baumann**

  A. Okay. Thanks, Dieter. So Erica, on the Merck products.

- **Erica Mann**

  A. So I'd like to reiterate, as we said before, the Merck acquisition was based on 5 products. And 3 of the 5 are performing as we had expected. So CLARITIN is doing well. AFRIN has now achieved the EUR 100 million mark last year in 2016. So that's blockbuster in terms of OTC brands. And then, of course, MiraLax is also doing well. We had worked very hard on Coppertone and the turnaround of Coppertone and the year-on-year increase that you're seeing is a very good reflection of our preparation for the season. We have added new innovation, a whip innovation, which was well received by consumers, and the feedback is really good on that. We have worked very hard to get more points of sale and to get to the right distribution. And we are now focusing on our sellout efforts with increased commercial efforts for the balance of the year. On Dr. Scholl's, as we mentioned before, this is a restage that takes time. We expect that by the back half of this year, we will be launching our new product placements, and that should start bringing a turnaround in that ground.

- **Werner Baumann**

  A. Okay. Thank you, Erica.

- **Operator**

  A. Next question comes from the line of Mr. Wendorff.

- **Daniel Wendorff**

  Q. Daniel Wendorff of Commerzbank. Two remaining. One on Pharma, one on Consumer Health. And on Pharma, I would be interested to know how does the development plan look like for Anetumab outside of mesothelioma and can you update me here, that would be fine. And the second question is on the Consumer Health growth opportunity, if you absolved all the turnaround situation in that division, so assuming markets dynamics persist and as they currently are, in the key regions, where could growth of your Consumer Health business be on top line?

- **Werner Baumann**

  A. Okay. So Dieter on Anetumab outside of mesothelioma.

- **Dieter Weinand**

  A. So we obviously, at Anetumab, we're looking at a basket trial, we'll looking at a number of 6 additional indications depending on where we find the signal from that trial we would then embark on Phase II, expand those indications into a Phase II trial of registrational intent. We are looking at a non-small cell lung cancer trial that we will be initiating -- but it's not yet recruiting also at the same time, and we're looking at a recurrent ovarian cancer trial in Mesothelin expressing platinum resistance recurrent ovarian cancer. So wherever we find the signals from the (inaudible) trial, in addition to the trials that I just mentioned, we would obviously, expand the developing program as rapidly as possible.

- **Werner Baumann**

  A. Okay. Thank you, Dieter. And Erica on growth opportunities after completing the turnarounds that we are working on right now in Consumer.

- **Erica Mann**

  A. So there are 5 categories, obviously, that are very important in the Consumer Health area. And those continue to be very important, and that's where we will continue to focus. What is key here is obviously, bringing new innovations to the markets and ensuring that long-term engagements remain from the consumer's perspective in each one of our brands. So that's where we'll focus on innovation and driving value in our brands.

- **Werner Baumann**

  A. Okay. Thank you, Erica.

- **Operator**

  A. Next question comes from the line of Mr. Evans.

- **David Paul Evans**

  Q. It's David Evans from Kepler Cheuvreux. Just a question on Pharma. On the Mirena device, clearly, we saw a very strong quarter. And I'm just wondering if you could, let's just say, how much impact the Kyleena device have? Was there any stocking there? How much price is contributing to that in the U.S? And kind of longer-term way, where you see that franchise heading? Do you see any means for competition coming in the future? Is this the kind of growth rate we should see for the rest of the year and so on?

- **Werner Baumann**

  A. Okay, David. So Dieter on Mirena and Kyleena.

- **Dieter Weinand**

  A. Yes. So in -- we report Skyla and Jaydess as well as Kyleena under the Mirena franchise, and we don't break that out. So let me give you a little bit of color comment around that. Mirena continues to perform very well. And as is Skyla/ Jaydess is performing well within our expectations, and Kyleena helped that with the very strong launch, but it's not a stocking. It is actually a very good reception by physicians, so I would not attribute the very strong Kyleena performance to stocking but rather, to utilization. As you know these devices are purchased by physicians then utilized and then reimbursed. So you will not see huge stocking by physicians unless they're trying to utilize that device. The overall long-acting contraceptive device market has been growing in the U.S., a little bit aided by a concern that may have been present that reimbursement for contraceptions -- contraceptive devices might be limited in the future. So that has given the market a bit momentum, and with that momentum that's (inaudible) market has been -- we have been able to maintain that momentum across the portfolio that we have. So I would not attribute that success to stocking but to a true very good reception of Kyleena and continued strong performance of our Mirena franchise overall.

- **Werner Baumann**

  A. Thanks, Dieter.

- **Operator**

  A. Next question comes from the line of Mr. Vosser.

- **Julian Shaw**

Q. It's Julian Shaw on for Richard. Just 2 questions, please. What sort of growth did you see for Kovaltry this quarter? And how did that perform? And then, could you give us an update on the time lines for your long-acting factor VIII products?

- **Werner Baumann**

  A. Okay. Dieter on Kovaltry and Bay 94.

- **Dieter Weinand**

  A. Yes. So Kovaltry, we don't break out Kovaltry from Kogenate, but Kovaltry is developing very nicely. It is performing very well in Europe, particularly in Germany. It is performing well within our expectations in the U.S. Kovaltry is gaining patients from across the boards, obviously, is to a certain extent, in proportion to market share, so we gained from Advate, but we also gained from Eloctate, which is encouraging, and Helixate. So overall, it's performing well within our expectation and well within the markets, what one would expect of the market. This is not a so rapidly switching market but within that slow switching market it is doing very well. Bay 94, as we mentioned, we want to file damoctocog alfa, we want to file midyear. And that is still the plan. We confirm that it's still the plan for filing that midyear.

- **Oliver Maier**

  A. Great. Thank you. I think that was the last question, Emma. Or is there anything, anybody else lined up? I don't think so.

- **Operator**

  A. There are no further questions at this time, sir.

- **Operator**

  A. Okay. Great. So I think, thank you very much, everybody, for participating, for the presentations, for the insight. We very much appreciate your interest and hope to talk to you soon. Thank you.

- **Werner Baumann**

  A. Thank you. Bye-bye.