



Q1 2021 Investor Conference Call

Wednesday, 12th May 2021

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Bayer's Investor and Analyst Conference Call on the First Quarter 2021 results. Throughout today's recorded presentation, all participants will be in a listen-only mode. The presentation will be followed by a question and answer session. If any participant has difficulty in the conference, please press the star key followed by zero on your telephone for operator assistance.

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

Welcome

Oliver Maier

Head of Investor Relations, Bayer AG

Good afternoon and thanks for joining us today. I would like to welcome all of you to our First Quarter 2021 Conference Call. With me on the call today, I've Werner Baumann, our CEO, Wolfgang Nickl, our CFO. And the businesses are represented by the responsible Management Board members. So for Pharma, we have Stefan Oelrich; for Consumer Health, we have Heiko Schipper; and for Crop Science, we have Liam Condon.

In an effort to provide additional time for Q&A, we've streamlined our prepared remarks for today's call and, as usual, posted our slides at the same time as we shared our release. So, hopefully many of you have had a chance to review prior to the call.

That being said, Werner will begin today's call, as usual, with an overview of the key developments in the first quarter. And Wolfgang will then cover the performance of our businesses as well as the outlook for 2021, before we open up for the Q&A session.

I would like to start the call today by drawing your attention to the cautionary language that is included in our Safe Harbour statement, as well as in all the materials that we have distributed today.

With that, I hand it over to you, Werner.

Q1 2021 Results: Business Update

Werner Baumann

CEO, Bayer AG

All right, thanks, Oliver, and good afternoon, everybody. It's my pleasure to welcome you to our conference call. We're looking back at a quarter of intense interactions with our investors and very much appreciate the exchange and your input. During the JP Morgan conference and our Capital Markets Day, we discussed the acceleration of our strategy and specific midterm targets. We provided more colour to Pharma's LOE approach, our late stage pipeline, as well as the new modalities that we are investing into. We also gave more context to our mid-term growth plans in Crop Science and our focus on sustainable, profitable, above-market growth in Consumer Health. Our mid-term targets are clear – be it innovation, sustainability or our financials.

Other Topics

Before we go into the quarterly financials now, there are a few other topics that I'd like to briefly address. First, on behalf of the entire Board of Management, I would like to thank you for your strong support and endorsement during our Annual Shareholders meeting. We know what you expect of us and we are laser-focused on delivering.

Second, we see a strong momentum when it comes to a now truly global sustainability agenda and the opening up for new technologies that are of great importance to address some of the world's biggest challenges. The US administration has just formulated its very ambitious sustainability agenda. And during the Climate Summit in April, we saw many countries contribute to far-reaching de-carbonisation plans. Bayer is prepared to be a leader in this space and innovation matters a lot in this regard. A study commissioned by the European Commission has concluded that modern gene editing technologies – and by the way, also traditional GMO – do not pose a risk towards mankind and the environment. With our expertise and our substantial investments in new technologies in Health and Nutrition, we are very well positioned to realise the long-term innovation potential of the bio-revolution. That said, we believe that we'll benefit from these developments in the political and regulatory framework for one simple reason: Our solutions contribute significantly to address climate change. They also lead to better health and nutrition for people around the globe. Just take our new carbon capture initiative that we started in 2020 and we will scale up quickly. And we are one of the founding members of the newly established LEAF coalition to protect tropical forests and sequester carbon.

So we really have many good reasons to be optimistic for the future.

Roundup Litigation

Before we move on, I'd also like to share a few comments on the glyphosate litigation. We continued to negotiate with plaintiffs' counsel to reach agreements on the remainder of the current cases. Approximately 96,000 claims in the Roundup litigation overall are covered by settlement agreements that have been executed or are in the process or did not meet the requirements for eligibility and thus were disqualified.

Regarding potential future Roundup cases, the hearing on the motion for preliminary approval on the revised class settlement agreement will now take place next week on 19th May.

Successful Start to the Year

So, turning to performance in the quarter, we had a very successful start to the year, especially when you consider that we cycled over an exceptionally strong prior-year quarter, which was fuelled by pandemic-related early stocking in our businesses. In the agriculture business, in particular, we continue to see a positive market environment as future commodity prices for corn and soybeans remain strong.

However, the good underlying performance is masked by substantial currency headwinds, as anticipated in our guidance. We mentioned during our full-year conference call in February that we expected negative currency headwinds on sales of about €1 billion for the first quarter alone and €2 billion for the entire fiscal year, obviously also impacting earnings.

Let me conclude with an update on innovation.

Update on innovation

We have just announced that Finerenone met the primary endpoint in the Phase III FIGARO-DKD cardiovascular outcomes study in patients with chronic kidney disease and type 2 diabetes. Finerenone significantly reduced the combined risk of time to first occurrence of cardiovascular death or non-fatal cardiovascular events versus placebo when added to standard of care. That underpins that we are well on the way with our three late-stage pipeline assets: Finerenone, Nubeqa and Verquvo. We have considerably de-risked our pipeline and expect substantial contributions to growth from these assets.

In Crop Science, we have entered an exclusive collaboration with RAGT to jointly develop state-of-the-art wheat hybrids for the European market. The collaboration opens the opportunity to improve the yields and robustness of wheat, the world's most widely grown food crop.

And in Consumer Health, we continue to invest in high growth opportunities, like Care/of and new product launches. In Brazil, for example, we just recently introduced our new dry skin range for Bepanthen. Across the year, we will see additional launches of this new Bepanthen line extension, and others to contribute to our sales growth. Overall, we are more positive about the agriculture market sentiment and, if sustained, that should benefit our Crop Science business in 2021.

For Pharma, we expect a sequential improvement of our growth dynamic as we progress throughout the year. And of course, we prepare for a successful launch of Finerenone in the second half of the year and further rollouts of Nubeqa and Verquvo.

In Consumer Health, we are determined to outperform the market this year.

And with that over to you, Wolfgang.

Q1 2021 Results: Business Performance & Outlook

Wolfgang Nickl

CFO, Bayer AG

Thank you Werner. Ladies and gentlemen, also a warm welcome from my end. I will now walk you through our business performance in the first quarter, followed by our financial outlook for the fiscal year.

Q1 2021: Good Underlying Momentum Masked by Currency Headwinds

Our currency and portfolio adjusted sales grew by 3% to €12.3 billion in the first quarter of this year. Our EBITDA before special items was down 6% year on year, coming in at €4.1 billion with an adjusted EBITDA margin of 33.4%.

As Werner mentioned, it is important to note that the good underlying momentum was masked by substantial currency headwinds. Specifically, sales were negatively impacted by €938 million of foreign exchange effects, and EBITDA before special items by minus €337 million.

Core earnings per share in the first quarter came in at €2.59 and above expectations. Underlying performance almost offset negative currency headwinds of 22 cents. The core financial result improved from minus €493 million to minus €385 million, mainly relating to

currency effects and lower interest rates. Our core tax rate came in at 24.3% for the quarter, in line with last year. We continue to expect it to be around 23% for the full year, as guided.

Earnings per share was €2.13, mainly impacted by the usual adjustment for acquisition-related amortisation. However, EBITDA-relevant special items had a positive impact of 5 cents, mainly due to the settlement of a patent dispute on Jivi. You will find the bridge in the appendix of our presentation.

Our free cash flow came in at minus €3.2 billion in the first quarter of 2021, compared with minus €793 million in 2020. This includes litigation-related settlement pay-outs of approximately €2.2 billion. In addition, higher tax payments and higher-than-expected accounts receivables stemming from stronger sales reduced the free cash flow this year, which we expect to balance out over the year.

Our net financial debt increased to €33.9 billion in the first quarter, mainly due to the negative free cash flow that I just mentioned.

Crop Science Off to a Strong Start

I'd like to give you some more colour on the performance of our businesses.

Our Crop Science division showed strong currency and portfolio adjusted sales growth of 6% with record quarterly sales for herbicides and fungicides. From a regional perspective, LATAM and Asia Pacific were up significantly on a currency and portfolio adjusted basis, growing by 26% and 29% respectively.

Our Soybean franchise displayed currency and portfolio adjusted growth of 3%, with solid performance of our Xtend platform in a growing North America market.

Our Fungicide platform continued its strong growth trajectory with a 22% currency and portfolio adjusted sales increase, primarily due to higher prices and volumes of Fox Xpro in Latin America.

Our Herbicides, Environmental Science and Vegetable Seeds segments each recorded considerable business expansion across all regions, leading to double-digit currency and portfolio adjusted growth. In Herbicides, both volume expansions and price increases contributed.

Sales in Corn Seed and Traits came in at prior-year level, as good momentum in EMEA and LATAM was mostly offset by an expiring corn licensing agreement in North America.

On the earnings side, EBITDA before special items declined by 6% to €2.4 billion. Price expansions as well as contributions from existing efficiency programmes were partially offset by the mentioned negative sales mix effect from the expiry of the North America license and the loss of thiacloprid registration in EMEA. Furthermore, massive negative currency effects of €252 million weighed on our earnings.

Pharma on Track for Sustained Growth Momentum

Currency and portfolio adjusted sales of our Pharma division came in at prior-year level.

Our two blockbuster drugs, Eylea and Xarelto, showed strong performance with Eylea sales growing by 16%. Xarelto delivered 7% currency and portfolio adjusted growth, compared with an exceptionally strong prior-year quarter.

In the area of elective treatments, we saw good growth momentum for the IUD franchise with 8% and our radiology business with 3% in the first quarter.

On the contrary, we saw sales decline for Avelox and Glucobay related to the implementation of the volume-based procurement policy in China.

Our hemophilia franchise was particularly affected by inventory build-up in the prior year quarter and by competition. The declines of Kogenate and Kovaltry were only partially offset by growth of Jivi.

Furthermore, competition in the US negatively impacted the sales of our cancer drug, Nexavar, declining currency and portfolio adjusted by 22%.

Regarding our bottom-line, the mentioned negative price effects, coupled with a negative currency effect of €57 million, were only partially offset by cost containment and volume growth, resulting in a 6% decline of our EBITDA before special items.

Consumer Health Continues Outperformance

We'll close out the divisional updates with Consumer Health.

Sales declined by 4% on a currency and portfolio adjusted basis, following an exceptionally strong prior-year quarter with 14% cpa growth.

This was coupled with a weak flu season and ongoing COVID-19 related lockdown measures. Consequently, the lower demand for our Cough & Cold products caused a significant 30% decline in our Allergy & Cold category in the first quarter.

On the other hand, we saw strong growth for Dermatology and Nutritionals with 7% and 5% respectively. This is driven by continued demand for preventive health solutions.

Overall, we continue to outperform the Consumer Health market.

Our clean EBITDA margin at Consumer Health increased by 180 basis points to 23.3%, driven by contributions from divestment of non-core brands and cautious marketing spending in a volatile market environment. Currency effects had a negative impact of €26 million.

We Confirm our Outlook for 2021

Let's move on and look at our guidance for the full year. Clearly, we had a very good start into 2021 with the first quarter, and we are optimistic about our business development for this year.

We confirmed the outlook that we provided in February. Please note that our guidance is based on constant currencies, or in other words, average actual 2020 exchange rates. The outlook at constant currencies is shown in the light blue column on the left of the chart.

In the grey column on the right, we provide the currency impact for the fiscal year 2021 if currencies would stay at 2020 year-end exchange rates as presented in February. Let me add here that the full-year currency impact would not be substantially different if we took the current exchange rates from the end of April.

Note that given the seasonality of our business, especially in Crop Science and the strong appreciation of the euro against the US dollar versus last year, the negative currency impact is skewed towards the first half of the year.

Our guidance reflects our current business and does not include any impacts of the planned sale of our Environmental Science business.

I'd also like to mention a tool we are launching to further assist you in modelling the currency effect on net sales at Bayer. We expect to provide this currency simulation tool to you next week. Going forward, we plan to update it quarterly then.

With that, I will hand the call back to you, Oliver, to start the Q&A please.

Q&A

Oliver Maier: Great, thank you Wolfgang, thanks Werner for the overview. Without further ado, we can open up the line for questions open the lines for questions.

Operator: Ladies and gentlemen, we will now begin the question and answer session. Anyone who would like to ask a question, please press star followed by one on their telephone keypad. If you wish to cancel your request, please press star followed by two. One moment for the first question, please.

The first question comes from the line of Mr Andrews. Please state your name, company name, followed by your question.

Vincent Andrews (Morgan Stanley): Hi, I'm Vincent Andrews for Morgan Stanley. Good morning all. Liam, just wondering if you can give us an update on what you're seeing in the US soy market. And I guess, in terms of volume, in price and I guess, what I really also want to understand is where you think your XtendFlex acres are going to come out this year. One of your competitors in their results indicated that the market has gotten a little bit more competitive. So just want to understand how you're viewing things at this point.

Liam Condon: Sure, thanks a lot Vincent. So, as we pointed out at the last call, soybeans in the US is a highly, highly competitive space right now. Our Q1 performance was actually better than we were internally expecting. We got the XtendFlex approvals in time, we got the XtendiMax system out in the market. And I think the commercial team has just done a great job in rolling this out into the market.

Overall on pricing, we are, ballpark, flat so far. We had the pricing lists out before the run-up in commodity prices. So the Xtend system is flat. And we have XtendFlex, we have a slight premium, from a pricing point of view, in the market. And I think overall, from a competition point of view, we are very sure that we're going to be the number one system – will remain the number one system in the soybean space this year.

Acres, we don't know exactly how it's going to plan out. Right now, our internal assessment is about 89 million acres. That will be 6 million more than last year. And we'll be on at least 50% of those acres with the entire Xtend system; Xtend maybe two-thirds; XtendFlex maybe one-third. So I hope that gives you a bit of flavour of how we see the market.

Vincent Andrews: Yes, no, thank you very much. And just as a follow-up, are you seeing any issues with higher raw material costs in crop chemistry or seed production costs going into LATAM season or just freight in general?

Liam Condon: Yeah, we do have higher costs but we had actually factored those, by and large, into our original forecast. So, what we had guided for in 2021 was actually with higher, for

example, freight costs and other procurement costs. We did have some unexpected costs. For example, we had a shutdown of a plant in Texas due to the freezing cold condition, for a week or two, which caused some idle costs. But on unplanned costs, we would of course be expecting to compensate these through efficiencies throughout the year. So there's nothing that I would be overly concerned about right now based on our planning and what we've been able to achieve so far in Q1.

Vincent Andrews: Thanks so much.

Operator: The next question comes from the line of Mr Verdult. Please state your name, company name, followed by your question.

Peter Verdult (Citi): Yes. Thank you. Peter Verdult, Citi. Two questions please. A little bit like Groundhog Day, that are similar to the questions I asked at Q4. The first one's for Liam. I recognise all the headwinds that you've cited relating to BASF lost registrations and licensing income, but just wanted to better understand why crop guidance hasn't been raised in light of the Q1 trends, your comments about improving outlook and likely seeds pricing power later this year, given where commodity prices are. So are there any other factors that you want to call out? Is this you being conservative? And just, could you give us any sense to the seed pricing power you might expect later this year?

Secondly, Stefan on Pharma, just, what are the latest timelines on some important phase II assets you've got? The P2X3 antagonist, the Factor XI programme. Just, can you remind us what sort of data we'd likely to see this year? And then just quickly my usual one to you, Nubeqa and Vitrakvi, can you give us a feel, are we getting any nearer to that those two products are entering the top 15 drug list at Bayer? Thank you.

Liam Condon: Yes. Thanks a lot, Peter. I'll take the first one. So on guidance, do we have any concerns that we want to call out why we haven't increased guidance so far? I would say high level, no. There's nothing that we would be overly concerned about that, that wasn't in line with our expectations so far. We honestly think it's just prudent given the early stage of the season right now. I mean, we're in Q1. You really want to get through the Northern hemisphere season, see how things really play out, see what kind of returns there are as well. And also get a sense of what's happening in the pre-order book in the LATAM, in the Southern hemisphere season. So we think it just makes inherently way more sense if you're going to look at guidance again, to look at it at Q2, and not to do with already on Q1, because it's just premature. We don't have enough data points to give any kind of number that would be solid and robust. And if we're going to change anything, we'd rather give you a solid number.

Stefan Oelrich: Hi, Pete, Stefan here. So, as to your question, so on P2X3, we expect some first phase II data readout in chronic cough later this year. So that should inform us about the way forward. And then on Factor XI, that's going to be a busy year this year because we expect multiple readouts on phase II. So, we should have some indication on our phase III direction that we're taking first half of next year.

Peter Verdult: And Nubeqa and Vitrakvi, are they near to getting into the top 15?

Stefan Oelrich: Yeah, that's a good question. So Nubeqa, it continues to perform above expectation. We really closed a strong first quarter, like we did last year. And so to give you a little hint, I do expect Nubeqa to be in the top 15 by the end of the year.

Peter Verdult: Thank you.

Operator: The next question comes from the line of Mr. Jackson. Please state your name, company name, followed by your question.

Joel Jackson (BMO Capital Markets): All right. Good morning. It's Joel Jackson from BMO Capital Markets. Thanks for taking my questions. So, my first question would be in Brazil, can you talk about what in crop protection, the channel inventory level looks like, and how you think that might change? Thanks.

Liam Condon: Yeah sure, thanks Joel, looking forward to seeing you next week, by the way. Channel inventories in Brazil are for us right now, we'd classify as very healthy. We have seen extremely robust demand because, of course, acreage has significantly increased, both for the soybean season and now for the Safrinha corn season. So very strong, very strong, double-digit growth on the CP side.

It is right now, actually, too dry so, there are concerns about the quality of the harvest on the corn side. This dryness in essence means that there is a much higher pest infestation, which in essence means where we're going to be selling more insecticides, so that just will be an outcome of what the current situation is. Dryness is usually not so good for fungicides. So the question will be how much of the fungicides actually get used. Right now, it's too early to call but we believe we have a very healthy channel inventory level. I'm not concerned about overstocking; we're rather trying to make sure that we can keep the market supplied and meet the demand that's there.

Joel Jackson: Thank you for that. So, my second question follows up from an earlier question. So you had a good strong Q1. You talked about how good Xtend was and the XtendFlex system in Q1 and soybean seeds a bit better than you thought. You've maintained – obviously, for Crop Science, you maintained your four-year outlook for sales and margins. So, Fx you say is about the same for you. So were there some pull forwards to Q1? I mean, are there some offsets happening later in the year that are offsetting your strong Q1 to keep your guidance the same? Maybe that's in soybean seeds or other parts of Crop Science. Can you just help us understand some of those nuances? Thanks.

Liam Condon: Yeah, sure. So, just as I mentioned earlier to Pete, there's nothing that we can see somehow that's going to derail us right now or something unexpected that's coming up. But we're still very early in the Northern hemisphere season. We still – if you look at North America, now maybe we've got 70% of corn planted, we've got 45% of beans planted, but only 20% emerged for corn, 10% emerged for soybeans. It's still very early in the season, a lot can happen. So we'd rather wait out at least for the end of the Northern hemisphere season. In Q2, we will know how that has played out, we'll know what kind of returns were, we'll know how much of crop protection products actually got used due to the weather situation. We'll know what pricing is going to look like for the fourth quarter when we start the new season in North America and we'll have an early read on the LATAM, particularly on Brazilian, then early orders for the Southern hemisphere.

So with all those factors in play, if we were to do anything – change anything to guidance now, whatever number we gave would be wrong. So we'd rather give a solid and robust outlook in Q2 as opposed to changing anything now.

Joel Jackson: Thank you.

Operator: The next question comes from the line of Mr. Faitz. Please state your name, company name, followed by your question.

Christian Faitz (Kepler Cheuvreux): Yes. Thanks. Good afternoon, everybody. Thanks for taking my two questions. Christian Faitz, Kepler Cheuvreux. First on Consumer Health, how would you see sequential growth trends in allergy & cold within the consumer segment over the next few quarters? And then second, coming back to agriculture production costs, Liam, I remember you saying that you are hedged for this year against rising crop prices, which your production partners obviously want to be compensated for. Have you already negotiated pricing for the next production season, given that crop prices are most likely to stay at significantly higher levels compared to the last several years? Thanks.

Heiko Schipper: Okay. First on Consumer and specifically on Cough & Cold, obviously it was a major drag on the whole category across the industry in quarter one, and Cough & Cold is a quarter one and, also to some extent, a quarter four business, as that's when people – the majority of the world runs into their cold season. So in Q1, the numbers were 50-60% down across markets, some even a bit more. I expect Q4 definitely not to be another drop like that because we're cycling just over already lower numbers; Q4 last year was already going down. But to which extent positive it will be, it's just too early to say. We need to see how many people, and particularly in North America and Europe, will really be not wearing masks and get out any more, but at least the comp is easier. So we're not going to see another kind of brutal number that we saw in Q1 that hit across the industry.

Christian Faitz: Okay thanks, then, so let's hope that people are soon hugging and kissing again.

Heiko Schipper: We all would love to see that.

Liam Condon: Christian, on the second one, exactly right. Our seed production costs are hedged. And we do that on a rolling basis, and that's why we don't have, let's say, an unforeseen cost increase this year because it's hedged, even though the actual costs are, of course, going to be significantly higher with the higher commodity prices. And we'll continue to hedge that rolling forward.

Christian Faitz: Okay. Thanks.

Operator: The next question comes from the line of Mr. Jones, please state your name, company name followed by your question.

Tony Jones (Redburn): Yes, good afternoon everyone. I've got two questions as well. Firstly, on corn – a question for Liam – the EMEA growth was offset by a decline in North America. But acres, I think, are expected to be pretty flat and one of your competitors has called out pricing up too. So, does that mean you lost market share? So, could you talk about the moving parts there?

And then I wanted to ask about the seed price card for South America. Again, a competitor is talking about pricing going up mid-single digits and acres planted, maybe 3% or 4% gains. Is that how we should be thinking about it for Bayer Crop Science in H2? Thank you.

Liam Condon: Thanks Tony. So on corn North America, we had flagged in Q4 last year that we have a license, an older license running out which impacts both top and bottom line. And if you eliminate that impact, the underlying would basically be flat in North America for us. And we do actually expect growth for corn going forward. It will be one of our growth drivers this year, but we do have this impact of the corn license, which will particularly impact us in Q1 and Q2. So, nothing with the underlying business, just a license running out there, is the impact.

On seed prices in LATAM, specifically in Brazil, we have updated our price cards now, already, for corn for our summer and Safrinha season and also soybeans for the summer season. And we are looking at, you can say high single-digit, but it's actually low double-digit price increases. So, just to give you, that's already published price cards that we've out there. So ballpark, 10%-ish is the price increase we're looking at.

Tony Jones: Great. Thank you very much.

Operator: The next question comes from the line of Mrs. Engkilde, please state your name, company name followed by your question.

Laerke Engkilde (JP Morgan): Hi everyone. Thanks for taking my question. Laerke Engkilde from JP Morgan. Firstly on Crop Science, which saw very strong growth for the quarter, in particular across herbicides and fungicides, you've already touched on this, but how should we think about the sustainability of this growth? And did you see any pull forward at all?

Secondly, in Pharma, could you elaborate on the strong performance seen for Eylea and whether there was any stocking here?

And then finally, if I may, given your significant US exposure around Crop Science and the IP position of Monsanto being US-based, what could we expect in terms of the potential impact of the US tax reform? Thank you very much.

Liam Condon: Yeah. Thanks a lot. I'll take the first one on sustainability of growth. And I guess the question is how much is phasing impacting this? For sure there is some phasing impact in here. We believe it's relatively minor, but it's very hard to call out because we think some of it is simply related to COVID and some, basically, customers wanting to ensure that they get access, particularly to crop protection products, in such a, let's say, vibrant market. So, overall, we would expect that if there's a phasing impact of the sales, maybe it would be maximum a quarter – like maximum, maybe it's 20% but very hard to call and another reason why we think it was more prudent to look again at the overall guidance that we've given rather at Q2 as opposed to changing anything now.

Stefan Oelrich: Hi, on Eylea, the 16% is obviously something that we're very pleased with and I think it's very well aligned with what we've said all along last year during COVID, where we were actually expanding markets here because of our strong data during this 2020. And we see this continued in 2021, we continue to increase market share on an already very high level. And there was no stocking here. This is performance.

Wolfgang Nickl: And on the tax reform, obviously, whenever taxes go up, some of that will be reflected in our model as well. We need to see what the final details are. Probably two things for the immediate future. Since we have quite a bit of deductions on the settlements, you shouldn't see it impacting any tax cash payments anytime soon, number one.

Number two, depending on when it comes out, you may see a little bit of an adjustment to our deferred tax assets on the balance sheet, but we will have to see details on that. So we'll just wait until we see them, and then we'll inform you about the impact on this.

Operator: The next question comes from the line of Dominic Lunn. Please state your name, company name, followed by your question.

Jo Walton (Credit Suisse): It's actually Jo Walton from Credit Suisse for Dominic. I've got a couple of questions please. Firstly, on your Roundup settlement, your hearing next week, could you give us some idea of when you would expect the judge to make a ruling? Would it be shortly after that hearing? What sort of timeframe that would be sensible there?

Secondly, right at the beginning, you made a comment that GM is now being accepted as being a net positive, no downside. Do you find any acceptance from European politicians about this? Is there any chance that GM or CRISPR or other things that have been very difficult for you to get into Europe could come into either Europe or more broadly into Asia?

And again, I'm afraid going back to the same question of guidance, as I understand in Germany, if it comes to a point where you think that the market hasn't got the right information, you have to make a comment to us and you don't have to wait for the quarter. And that's certainly happened in the past. That suggests to me that you must still think that you're most likely to come out in line with your guidance, despite all of the positives that we keep hearing about. I'm still a little bit confused as to what the negatives might be that are holding back your views here.

Just reminding us, we're going for something like 2% growth for the year at the top line. And yet we've seen 6% at the first quarter. We've seen strong seeds and strong crop protection. And now you're telling us that the likelihood for seed pricing in the second half of the year is also very strong with an uplift of pricing. So I'm going to come back, please, to what could go wrong and why you're not more optimistic now.

I would also like just on the Pharma side, could you tell us if there's anything wrong with the US prescription trends that we can see that don't show a massive uplift in Nubeqa? Have you just done much better in terms of acceptance, for whatever reason, in the European markets where you've initiated launch, rather than in the US? Or is US prescription data just not right and actually you've got strong growth there as well? Thank you.

Werner Baumann: All right. Thanks for the questions. I will start and take your questions one and three. Then I hand over to Liam and Liam is then going to give it to Stefan to answer your last question. So, let me start out with the hearing. The hearing on preliminary approval in front of the Judge Chhabria for our future settlements that was handed in on 3rd February, is going to be on the 19th, so just about exactly a week from now. And after the hearing, the judge has about 30 days to actually look at the settlement and render his opinion. So, it could be anything from giving – you're getting first reactions and perspective, even ahead of the meeting, as we've seen last time around, during the settlement hearing, or at any point thereafter. Quite frankly, this is like looking into crystal ball, we don't know.

So, we are well prepared. We have been very, very diligent also in our negotiations with plaintiff counsel, in further negotiating and addressing the points that were raised last year. And we very diligently address those topics with the modified agreement that was filed by plaintiff

counsel with our support. And now let's see, we are well prepared for, let's say, whatever the outcome is going to be. And we'll take it from there.

So, on guidance, I guess you're asking about the necessity of going ad hoc. As you might expect, with each close, there's also a check by our Disclosure Committee on the qualification of our quarter. That was done as part of the routine. This quarter, we are off to a strong start. There's no doubt about it. And I think we've made the point several times now that given where we are and the fact that there's still a significantly important quarter coming, we'd much rather address our guidance once we know more about the year. And that is going to be based on everything we know right now and nothing unexpected happening. So, if everything goes as expected, we are going to be in a good position to look at our guidance and then also adjust it after quarter two. So there's no nothing else behind it. And you, I think, rightfully pointed out that the market sentiments, commodity prices, many other things are very, very good. We hope it stays that way. And to the extent it stays that way, or even gets better, our guidance will reflect it. I leave it at that. And, of course, there's also the other businesses that would weigh in and we are, quite frankly, also quite optimistic.

So, having said that, let me hand it over to Liam now.

Liam Condon: Yeah, Jo, the question on the gene editing in Europe, so this was really a milestone for Europe, the publication that was made from European Commission. And I can tell you from my personal discussions with politicians at the European level, there is broad political support for legislation that will support the introduction of gene editing in Europe for agricultural purposes. The one caveat that everyone makes is they don't want this legislation to also encompass GMOs because they feel this technology has been burned from consumer acceptance point of view in Europe, but for gene editing, there is a common acceptance amongst political parties and personalities that this technology is required to help feed a growing population in a sustainable manner.

So it's really a matter of, I think, getting the right legislation now in place, but there is an absolute will and intent to do that. And this won't only benefit Europe. It will particularly also benefit other parts of the world that look to Europe from a regulatory point of view. So, for example, Africa, parts of Asia who have been reluctant to embrace GMO technology, they will – if Europe changes its legislation, they will become at least open for gene editing technology which will for sure help advance agriculture in those geographies.

Stefan Oelrich: And then maybe Jo, to Nubeqa, I mean, you heard me say it at the beginning of the call that we're extremely pleased. I've been saying this like a broken record over the last year, and now we also gave you some idea about where we think the sales are going to land. As to your great questions on the market research, the secondary data may have been disturbed or distorted a little bit by some of our access programmes that we ran in the beginning. So that may be – please do not forget, we also have a different set of indications than some of our direct competitors for the time being. That will also change over time but for now, that is the case.

And then one of the, I think, big points that is still missing is that we're slowly but surely now getting back into the field with direct customer contact. So we are, more and more, having now our territories going back into direct customer-facing mode. We've been very successful

with our digital engagement with customers, which has helped us in getting the uptake. But now that we can add to that face-to-face across the board, we are quite optimistic about that.

Also in Europe, we're seeing strong early signals. The pricing and reimbursement situation in Germany has been favourable so far to us. And it's also reflected in the uptake that continues even after we got the AMNOG ruling and price negotiation for Nubeqa. So this is so far really looking good.

Operator: The next question comes from Mr Zechmann. Please state your name, company name by your question.

Gunther Zechmann (Bernstein): Hi, good afternoon. Gunther Zechmann at Bernstein. A few questions for Liam, please. The first one is on the input costs. Some of your competitors have commented that prices for intermediate and active ingredients have increased. Can you update us what you're seeing in your costs of goods sold and the outlook for this year, please?

The second question is, with a strong, soft commodity price background, what benefit you see and expect to see for the rest of the year in your precision agriculture business? Does that help pricing? I know you've been steeply discounting that historically. Is that improving or are you driving that for further volume adoption? What's your thinking there?

And the last one on the glyphosate settlement. The 96,000 claims overall that are either covered by the agreements or didn't meet the requirements for eligibility, could you provide us with a split between those two categories please?

Werner Baumann: Yeah. Liam will start and then I'll answer your second question, Gunther.

Liam Condon: Thanks a lot. So, on input costs, I mentioned a little bit earlier on, so we had actually planned for higher input costs this year, particularly freight and logistics. And we are seeing, clearly, those costs materialise. There is a tight supply situation for many raw materials but it's not significantly more than we had planned for. And any additional cost beyond what we've planned for, we would clearly simply be compensating this through efficiency measures. So net-net, we don't see, let's say, additional inputs costs or freight or logistics costs impacting on our bottom line versus what we have already forecast for.

On the commodity price benefits, and I know you specifically asked on digital, I think that the single biggest – we've got – it's important to always remember this run really only started after the price lists were published for North America in fourth quarter of last year. So we've missed the season from a seed-and-traits point of view. The ongoing season where we have a new opportunity is, of course, now when we go into the new season at the end of this year, and we can sell – typically anything up to 20% of our seeds might go in Q4. So, there's an opportunity there and what that opportunity is, we'll be fleshing out in Q2. And again, that's another reason why we're saying we should wait with our guidance and only look at it again in Q2 when we have more data points.

But they're there for sure; there is an opportunity. There is clearly an opportunity on the crop protection side, because with those high commodity prices, farmers will want to protect their crops. So the propensity to use more fungicides, more herbicides is high because the relative benefit of doing that versus losing a piece of the harvest is very high.

So there is a potential there for upgrades. Again, we will only know this a little bit later in the season as the crop has fully emerged. So they're the biggest opportunities. Whereas on the

digital side, clearly our main goal is market penetration right now. And this isn't something where we're trying to squeeze out the last dollar out of the system. This is a typical digital platform play where the highest penetration usually can reap the most benefits in the long-term. So that's why I differentiate between what we can achieve in seeds and traits and crop protection, and then on the digital side from, from the higher commodity prices.

Werner Baumann: Yeah. Thanks, Liam. So Gunther, on your second question, we've added the cases that did not qualify so that you know how many cases are off the table. And you should assume that the number of cases that didn't qualify are not that material in the grand scheme of things. The most important thing for you to take away is that 96,000 have been solved one way or the other.

Gunther Zechmann: Okay. That's been very helpful. Thank you.

Operator: The next question comes from the line of Mr Bray, please state your name, company name, followed by your question.

Sebastian Bray (Berenberg Bank): Yes. Hello. Good afternoon. Sebastian Bray of Berenberg Bank speaking. I would have a few questions primarily focused on agriculture, please. The first is on Environmental Sciences. This business has grown quite nicely. Am I right in saying that Bayer is not divesting all of it? So, I read in the reports that only €600 million of the €1 billion – slightly more – sales are up for sale. Where will these remaining €400-and-a-bit million be reallocated? And what are they?

A second question is on cotton. This is another commodity whose prices have really shot up recently. How is that portfolio performing on the seed side?

And the last one is on glyphosate holdouts. Is there any indication if the 30,000 or so – I don't know how many holdouts there are; an update would be welcome – do push cases to trial, when would the earliest date be that one could happen? Thank you.

Werner Baumann: All right. So let me start with your last question. And then Liam will answer your first question on the Environmental Science business on the size of the business that is up for sale. And also on your question on the cotton business since the pricing has been up there and what it does to our seeds portfolio.

So on the holdouts, yes, there are a number of holdouts. We are negotiating with each and every lawyer that represents plaintiffs. And in some cases, these are even lawyers that only have a few cases; there are, of course, some that have bigger inventories. And our approach is that we maintain our discipline in line with the quality of the portfolios that are represented by the plaintiff lawyers. And that discipline, and us being very, very straightforward about it, has actually helped a lot and we will continue to stay on that path.

There are two cases that might come up for trial in July. Whether they are going to come up or not depends a little bit on – maybe some of them – there's two, to be exact, that will come up in July. And maybe one or the other might be settled, as we've done in the past. And/or the question, whether the courthouses are really then back up and running again, for, let's say, bigger multi-week trials. So that's something that we don't know.

So with that, over to Liam.

Liam Condon: Yeah. Thanks Sebastian. So, on Environmental Science, overall, it's about two-thirds of the business is what we'd call the classical Environmental Science, the professional business, which is the business that we are planning to divest. And roughly one-third is lawn and garden business, which is run as through Scotts as a distributor. So, we're only divesting this professional business, and that's the difference in the two – let's say, in the sizes of the two businesses.

Overall, for Environmental Science, we had a very strong start to the year with almost 10% growth. And this is driven both by Roundup, where there's high demand, but also vegetation management. So overall, I think a very, very strong start to the year.

On cotton, this year we're expecting more or less flat acres. It's still pretty hard to call, but probably flattish acres in the US. We are expecting to gain market share, particularly because we'll be launching our latest biotech traits, ThryvOn, which is a very effective trait for managing thrips and aphids, so sucking pests. So we clearly expect – we already have, of course, a very strong leading market share position, but we expect to further gain market share here. And overall, I think, again, looking at where commodity prices are, there is possibly an opportunity that there might be a little bit more acreage planned than we're currently expecting. But that we'll see in Q2.

Sebastian Bray: That is helpful. Thank you for taking my questions.

Operator: Excuse me, Mr Maier, there are no further questions at this time. Please continue with any other points you wish to raise.

Oliver Maier: Thank you so much, Emma. Thanks everybody for your time and your attention today. It's greatly appreciated. So this closes our call for the day, and we're looking forward to talking to you guys soon. Thank you so much. Bye-Bye.

Operator: Ladies and gentlemen, the conference is now concluded. Thank you for joining and have a pleasant day. Goodbye.

[END OF TRANSCRIPT]



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