FY_Q4 2021
Investor Conference

Tuesday 1st March 2022
Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Bayer Investor Analyst Conference Call on the Full-year and Fourth Quarter 2021 Results. Throughout today’s recorded presentation all participants will be a listen-only mode. The presentation will be followed by a question-and-answer session. If any participants have facility during 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 of Bayer AG. Please go ahead, sir.

Welcome

Oliver Maier

Head of Investor Relations, Bayer AG

Greeting

Agenda

Great. Thank you so much, Operator. Good afternoon and thanks for joining us today. I’d like to welcome all of you to our fourth quarter/full year 2021 conference call.

With me on the call today are Werner Baumann, our CEO and Wolfgang Nickl, our CFO. The divisions are represented by the responsible management Board members.

Slightly different layout for the fiscal year. Werner will begin today’s call with the highlights of 2021 and frame the year ahead of us. We will then have Rodrigo, Stefan and Heiko comment on the respective business performance and the divisional outlook for 2022. Wolfgang will wrap it up with an overview of the Group performance and outlook before we open up for the Q&A session.

As always, I would like to draw 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.

Business Update

Werner Baumann

Chief Executive Officer, Bayer AG

Introduction

Alright, thanks, Oliver, and good afternoon, ladies and gentlemen. It’s my pleasure to welcome you to our conference call. Before we go into the business performance, let me start with what is certainly top-of-mind for all of us.

Geopolitics – Russia’s invasion of Ukraine

With the Russian invasion of Ukraine, the geopolitical order is shaken, and we are deeply shocked and concerned by what is happening to the Ukrainian people. This war is no less than
a threat to our freedom and democracy and we as Bayer condemn in the most vigorous way
this Russian attack. While we hope that concerted political action will help to improve the
situation as soon as possible, we, as a company try to step up as a reliable partner and a
good corporate citizen through our vision, “Health for all – Hunger for none.”

Of course, the safety of our employees is now our top priority, and we are taking all
appropriate measures to protect our 700 colleagues in Ukraine. At the same time, we are
doing everything we can to further ensure supply of our products to the civilian population,
including medicines and agriculture products to safeguard food supplies. And, of course, we
are prepared to step up our humanitarian help, the financial support and donations of our
medical products as we have shown during the COVID pandemic.

Now there is certainly no smooth transition but let me take a step back and comment on
some key macro factors relevant for our business last year.

**Key Macro Factors**

We saw particularly favourable agriculture market dynamics with high soft commodity prices
and tight global supply leading to increased levels of glyphosate prices. In Pharma, elective
treatments increased again, after COVID-19 restrictions in 2020 and for Consumer Health,
we saw continued growing demand for preventive health solutions.

On the downside, we noted increasing inflationary pressure and volatility of global supply
chains across industries.

*Roundup litigation – US Supreme Court, Hardeman case*

Let me also provide a very brief update on the status of the glyphosate litigation.

In December the US Supreme Court requested the views of the Solicitor-General in the
Roundup Hardeman case. Notwithstanding what the brief concludes, there are two potential
outcomes. If the Supreme Court decides to review the Hardeman case after input from the
Solicitor-General and finally rules in our favour, this will effectively end the glyphosate
litigation. If the Supreme Court denies accepting the case for review or finally rules against
us, we will activate the voluntary claims administration programme in our five-point plan to
help bring closure to the litigation.

From a financial point of view, we have incorporated this specific scenario already into our
provisions in 2021.

Now, let's move on to our business performance.

**Setting the Stage for Future Growth**

*Strong sales growth momentum*

I'm very pleased to share that we have over-achieved our updated guidance that we
communicated with our Q3 earnings release. While 2021 started as a transitional year for
Bayer, we ended 2021 with strong momentum that provides an excellent base for further
growth and earnings expansion in 2022.

*Crop Science – achieved record sales*

Overall, and supported by a positive market environment, we did much better than expected
at the beginning of the year. We substantially increased our top-line by 9% with strong
contributions from all divisions. Crop Science strengthened its market position with market
share gains specifically in Corn and continued expansion in Fungicides. We also saw strong price increases across the board, particularly for our glyphosate-based products, driven by tight global supply.

**Pharma – strong volume expansion**
Pharmaceuticals generated another year of healthy growth for our key products EYLEA and Xarelto, despite the first impacts from volume-based procurement in China for Xarelto.

We also re-entered the US market in cardiology and saw pleasing contributions from our launch products.

**Consumer Health – strong, above market growth**
Consumer Health delivered industry-leading growth across regions and categories with a focus on excellence and execution and innovation. The substantial volume growth, strong pricing performance and the contributions from our ongoing performance programmes contributed positively and more than offset inflationary pressure and cost normalisation after an exceptional 2020, while enabling us to invest in launches and innovation.

However, still reported performance in euro was held back as we faced significant foreign exchange headwinds of roughly €1 billion in top-line and approximately €500 million in bottom-line.

Now, let’s look at innovation which is key for our future growth.

**Innovation**
We have made significant progress in our innovation agenda and are looking ahead to a promising 2022.

**Key Pharma R&D developments in Q4 2021**
For Pharmaceuticals, we have achieved important approvals and are in the commercialisation stage for our new products, resulting in a very much de-risked late-stage pipeline. For our new products – Nubeqa, Kerendia and, Verquvo – we see ongoing strong launch momentum and plan further rollout in 2022. To that end, we just recently received the approval to market Kerendia in the European Union. And just a week ago, for our prostate cancer drug Nubeqa, we did raise our peak sales expectation from more than €1 billion to now more than €3 billion.

We also made great progress on our early-stage pipeline with our cell and gene therapy platform and strengthened our drug discovery capabilities with the acquisition of Vividion Therapeutics.

For our number one product Xarelto, we saw the positive patent court ruling confirming our once-daily administration patent in the EU. With that, we will now have extended exclusivity until 2026 in Europe for our most important pharma product. This complements the 2027 exclusivity extension we already achieved in the US.

**Crop Science Division – R&D pipeline**
In Crop Science, we successfully commercialised hundreds of next-generation of corn and soybean seed products and advanced short-stature corn. We also made significant progress on our digital platform including the successful launch of our carbon farming initiative.
expansion of our Orbia digital Ag marketplace in Brazil and entered into important collaboration agreements with Microsoft and other external partners.

*Consumer Health Division – accelerating growth with innovation*

In Consumer Health, we saw successful launches of Bepanthen dry skin and AleveX topical pain as well as regulatory clearance for the 2022 Rx-to-OTC switch of Astepro in the US, the first and only steroid-free nasal decongestant in the market.

We also made significant progress regarding our sustainability goals and the sustainable development of our businesses.

In Crop Science, we are advancing carbon farming, a completely novel field of business which financially rewards farmers for adopting practices that improve carbon sequestration into the soil. In Pharmaceuticals, we enable access to modern contraceptives by investing more than €400 million into facilities in Costa Rica and Finland. In Consumer Health, we are investing €100 million to make our products more sustainable. We intend to make the packaging for all our consumer products recyclable or reusable by 2030.

Looking ahead, we are focussed on carrying the strong business momentum to 2022, translating into growth and earnings expansion. We expect that momentum to be significantly skewed towards the first half of the year.

On the downside, we anticipate inflationary cost pressures to persist and supply chains to remain stretched resulting in a very volatile price situation across industries. Also, our plan assumed a stable geopolitical environment in Eastern Europe, which meanwhile changed dramatically. We will closely monitor and mitigate these risks to the extent possible.

For our innovation activities, we expect further important news flow across divisions in our Leaps entity in 2022, including the news we shared with you ten days ago, on the ARASENS data for Nubeqa. Looking forward to keeping you updated. Stefan will also outline the major pipeline in Pharma and the catalysts we are seeing for the coming year.

I would also take the opportunity to welcome Rodrigo Santos for his first earnings call. It's great to have Rodrigo on the team as a successor to Liam, and the business is off to a good start and a bright future under his leadership.

And now, over to you, Rodrigo.

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**Crop Science Division**

Rodrigo Santos

*President, Crop Science Division, Bayer AG*

**Division Overview**

Thank you, Werner, and thanks to all of you joining us today. I'm really excited to begin by sharing some excellent results from this past year.
We saw great progress in our pipeline, and in our digital farming solutions, well aligned with our objective to transform agriculture for a more sustainable future. At the same time, we clearly demonstrated the performance of a market leader with share gain in corn seeds and traits in key markets, such as Brazil and Argentina, and taking the number one ranked position in the US. This was supported by the launch of new hybrids and our next-generation and industry-first RNAi-based corn rootworm trait as part of the VTPRO4 offering in Brazil.

In soybeans, we launched Intacta 2 Xtend with more than 800,000 acres in the first year in Brazil and expect it to grow to 6 million acres in the next season. Meanwhile, in North America, we reached ~16 million acres with XtendFlex in its first year of commercialisation, successfully defending our position as the number one soybean weed control system in North America.

Continued innovation resulted in record sales

So, I’m pleased to share that the combination of innovation and disciplined execution resulted in record sales for Crop Science in 2021 with growth across all regions and all business units. The 11.1% sales growth was driven by higher prices for our herbicides coupled with continued expansion in fungicides as well as by market share gains in corn and stronger pricing and volume gains in soybean seed and traits.

This performance combined with our ongoing efficiency measures more than offset cost inflation as well as negative currency effects of €387 million. This led to a 4% overall increase in EBITDA before special items, with a margin of 23.2% or 24.3% at prior year currency rates – consistent with our guidance for the year.

As we move to 2022, we have two primary objectives: to continue to perform and transform at the same time. With these results and this innovation at our back, combined with high commodity prices, we see strong momentum moving into 2022.

Outlook

As a result, we are guiding to a 7% sales growth and an EBITDA before special items margin of 25-26%. Overall, earnings growth is expected to come from stronger prices, share gains and new efficiency measures which are expected to more than offset continued inflationary cost pressures, particularly in crop protection where we, like the rest of the industry, are experiencing unprecedented supply chain challenges.

Given these cost pressures and the value our high-performance products create, we expect pricing to be the primary contributor to our sales growth for the year. Roughly half of that pricing growth is expected to come from herbicides, and about half from corn seeds & traits and the rest of our crop protection portfolio. The annual refresh of our corn seed portfolio and upgrades to the next-generation technologies in fungicides like Fox Xpro, enable that growth with 6-7% price increases globally. While volume is not expected to be as significant as pricing, we do expect share gains in corn and a strong demand for fungicides to contribute to our overall growth. In our models, we expect herbicide prices to be higher in the first half of
2022, and lower in the second half with possible improvements of the global supply of glyphosate.

This trend influences our total outlook with our total sales growth rate expected to be above 7% for the first half and below that level for the second half of the year. Similarly, our EBITDA before special items margin is expected to expand strongly in the first half and compress in the second half on the path to 25-26% for the full-year.

This year, however, is not expected to be without challenges. Our growth outlook in this plan is constrained by potential competitive dynamics and some regulatory uncertainty, plus some potential supply challenges across all our crop protection portfolio. Agriculture has always had challenges and always will. But as the market-leader in this business, our organisation will focus on maximising the opportunities that innovation provides while working to minimise the risks.

I look forward to updating you on our performance against this plan – and our ongoing efforts to transform agriculture in the year ahead.

With that, I’ll hand over to Stefan to share an update on the Pharma business.

**Pharmaceuticals Division**

Stefan Oelrich

*President, Pharmaceuticals Division, Bayer AG*

**Pharmaceuticals**

*Strong volume expansion*

Thank you, Rodrigo, I’m more than happy to do that, and good afternoon, everyone. Bayer Pharmaceuticals’ topline saw a strong recovery in 2021 after COVID-19 limited our patients’ ability to get their medications in the prior year. Sales grew 7%, slightly above our upgraded guidance from August, driven by higher volumes that were up by 9%.

Around 60% of this increase came from our two flagship products. EYLEA sales improved by 19%, driven by a double-digit increase across all regions, which was also supported by continuously growing adoption and higher shipments of the pre-filled syringes that were launched in 2020. Also, our biggest single sales contributor Xarelto showed a strong performance in 2021, growing 6% year-on-year. A healthy volume trend more than offset lower prices from volume-based procurement reductions in China, which started to take effect in September 2021 and were implemented in all provinces by October.

Concluding my comments on last year’s key top-line drivers, Adalat and Adempas, both achieved around 20% growth in 2021. For Adempas this included a one-time milestone payment of €190 million that came in the fourth quarter driven by its strong market momentum that led to more than $1 billion in market sales in 2021. With this, we have reached the final sales threshold that triggers milestone payments related to this product.
Kerendia – successfully launched
Looking at our late-stage assets, we successfully launched Kerendia in the United States last September. Despite limited ability to reach healthcare providers during the COVID-19 pandemic, we are excited to report a launch uptake that is in line with other successful cardiovascular medicines that have been introduced in the US market, and we do expect this trend to continue.

Only recently, the American Diabetes Association updated their guidelines with an ‘A’ recommendation for the use of Kerendia for patients with chronic kidney disease who are at an increased risk for cardiovascular events or chronic kidney disease progression.

Verquvo – continued successful rollout
We also continue to make good progress on the rollout of Verquvo in the treatment of heart failure with reduced ejection fraction, following last year’s approval in the US, Japan and the EU.

Nubeqa – continued rollout
The continued rollout of our prostate cancer drug Nubeqa was particularly successful, generating sales of €219 million in 2021. In the second year after market launch it is already one of our top 15 products. This strong performance is the result of Nubeqa's unique clinical profile which was impressively confirmed by a consistent set of strong efficacy and tolerability data from Nubeqa's second successful phase III ARASENS trial released two weeks ago.

Strong EBITDA of €5.8 billion
With an EBITDA before special items of €5.8 billion, equivalent to a margin of 31.5%, we also delivered on our earnings guidance in 2021. As already stressed last year, 2020 margin was a tough comparison in the first place, as it benefited significantly from cost containment we had initiated in the face of the evolving COVID-19 pandemic. Also, higher investment into innovation and marketing of new products weighed on profitability in 2021.

Outlook
For 2022, we expect to grow divisional sales by 3-4%. We see new launches increasingly contributing to top-line and expect EYLEA to continue playing out its market-leading position with mid-single-digit percent growth this year. Overall, sales growth in the division is expected to exceed by far the VBP pricing headwinds we are facing in China for Xarelto and Adalat this year. Please be reminded that Xarelto sales in 2021 only included four months of adverse impact from China VBP but they will fully materialise in this year. Going forward, while Xarelto is expected to continue growing in our largest region, Europe, we are facing a more heterogeneous development in other regions, mainly due to softer pricing as well as ending exclusivity.

Closing my comments on VBP in China, Adalat is likely to see first impact by the second half of this year.
**Pipeline News**

In terms of late-stage pipeline news flow, we've kicked-off the year strongly with a second set of very positive clinical phase III data from Nubeqa's ARASENS trial and the EU approval for Kerendia. Continuing the loss dynamics of our late-stage pipeline assets and getting Nubeqa submitted for the indication extension in metastatic hormone-sensitive prostate cancer is one of our key priorities this year.

For EYLEA, we are currently running two phase III studies with an 8 mg formulation with the objective to potentially prolong injection interval and improve patient convenience while keeping superior efficacy. Data from these studies are expected to deliver results in the second half of this year. On top of this, our Factor XI programme will be phase III decision-ready this year with a highly competitive profile that could eventually be leading in the class. Targeting factor XI in the anticoagulation pathway promises a novel and disruptive route to decouple prevention from cardiovascular risks from bleeding risks. In addition, it could offer options to patients for which treatments are not available at all today.

In the early phase of our pipeline, we may see news this year that have the potential to be transformative in fighting Parkinson's disease, an area of utmost clinical need. With BlueRock's stem cell-based therapy candidate DA01, we're developing a treatment that uses authentic dopaminergic neurons to re-enervate the affected regions of the human brain and reverse the degenerative process. We have included a total of seven patients in this potentially ground-breaking procedure and expect interim data from this study in this year's second half.

The ongoing investment into technologies as well as our progress in advancing our pipeline from early- to late-stage to launches and rollouts reflect a consistent execution of our strategy to generate sustainable long-term growth. At the same time, our ambition is to maintain attractive returns. With an EBITDA margin goal of around 32% before special items for this year, we're committed to deliver on both ends, supported by a stringent cost management and a reallocation of resources.

And now, it's Heiko's turn to update you on Consumer Health.

**Consumer Health Division**

Heiko Schipper

*President, Consumer Health Division, Bayer AG*

**Consumer Health**

*Strong, above market growth*

Alright. Thank you, Stefan, and good afternoon, everybody. It's a pleasure for me to go into Consumer Health performance in 2021 and also share you our outlook for 2022.
Starting in 2021, we delivered strong broad-based growth of 6.5% across all our regions and nearly all our categories. We are consistently performing at the high-end of our industry which is really a demonstration of the quality of our Consumer Health business, our brands, and our people. In short, our results prove our ability to execute on our strategy and outperform in an increasingly competitive environment.

The standout category performance was again Nutritionals. We have now seen strong double-digit growth in this category for the past two years, within particular our power brands One A Day and Redoxon performing very well. In addition, our growth was supported by successful launches behind brands like Bepanthen and Aleve demonstrating our ability to strengthen iconic brands with innovation that win with customers and with consumers.

Cough and Cold was a tale of two halves. The first half of the year was negative due to a historically weak flu season. But for the second half of 2021 we saw robust growth, following the opening-up of many countries. However, the category finished 2021 slightly below prior year. All our other categories delivered mid- to high-single-digit growth. These broad-based contributions positioned us again ahead of the overall market in 2021 which grew around 4%.

Moving to the bottom-line. Continued disciplined operational execution of our strategy once again led to margin expansion. In 2021, we improved our profitability by 50 basis points to 22.5%, or in absolute terms earnings before special items amounted to €1.2 billion. This margin expansion was driven by disciplined spending and pricing measures compensating for the inflationary cost increases and still enabling us to invest in marketing and innovation behind our brands.

Now, let's look ahead and move to the outlook.

**Outlook**

Consumer Health remains fully on track to successfully deliver on our growth strategy. In 2022, we expect to grow 4-5% with a further step-up in innovation. Growth is likely to be front-loaded to the first half of the year with an easier comp versus 2021, especially in Cough and Cold. We expect earnings before special items margin to be within the 22-23% range. We do everything we can to compensate rising input costs with efficiency measures as well as a focus on pricing. At the same time, we plan higher investment in the brands behind our launches as well as in research and development.

One major growth driver in 2022 and beyond will be the launch in the US of a new brand called Astepro. It is the first and only steroid-free antihistamine nasal spray for allergies approved as an over-the-counter product. This Rx-to-OTC switch represents a significant milestone for our business as it strengthens our leading allergy portfolio and offers a differentiated solution to the 50 million Americans who suffer from allergies.

In conclusion, we look forward to another exciting year for our Consumer Health business at Bayer. Over the past three years, we have delivered growth at the forefront of our industry.
and improved margins at the same time. We are well-placed to win in this market with our leading brands, broad geographic footprint, and a proven track record to win with consumers.

With that, I will hand it over to Wolfgang, who will guide you through our financials.

**Financial Update**

**Wolfgang Nickl**

*Chief Financial Officer, Bayer AG*

**2021 Financial Overview**

*Strong business performance in a challenging environment*

Thank you, Heiko. I will now walk you through the Group financials for 2021 and combine what you have heard from my colleagues in the Group outlook for fiscal year 2022.

Group net sales came in at €44 billion and 9% growth over the prior year. This is €1 billion above our updated guidance and includes a significant but anticipated currency headwind of €1.1 billion. The weakness of the US dollar and the Brazilian real against the euro had the biggest effect, but the Japanese yen, Turkish lira, and Russian rubel also contributed.

Earnings before special items of €11.2 billion declined by 3%, resulting in a margin of 25.4%, in line with our latest guidance. Negative currency effects of about €500 million weighed on Group EBITDA, representing a 50-basis points margin decline versus the prior year.

For our underlying operations, we were by and large able to compensate inflationary pressure on input cost with adjusted pricing and efficiency gains, while increasing investments into innovation and product launches.

Inflation particularly impacted our cost for energy, active ingredients, freight and labour. As an example, the global container freight cost for a 40-foot container increased from roughly $2,000 in 2020 to roughly $10,000 in 2021. Furthermore, as communicated last year, we restored our cost profile on the short-term incentives in a year-over-year comparison cycling over 50% pay-out in 2020.

Core EPS grew by 2% to €6.51 and are roughly €0.20 above the upper end of our latest guidance, including currency impact. After the contribution from Crop Science and Consumer Health compensated for lower Pharma and reconciliation results as well as higher core tax rate better financial result contributed more than €0.30, thanks to lower interest rate for new financing and favourable currency effects as well as a positive re-measurement for our two of our LEAPS investments.

The largest difference between core EPS of €6.51 and EPS of €1.02 relates to increased provisions by the glyphosate litigation and expenses related to our restructuring programme as shown in the back up of the slide deck.
Our free cash flow came in at €1.4 billion. This represents a 5% increase over the prior year, despite €400 million higher net settlements and increased tax payments. The strong cash performance was mainly driven by disciplined working capital management, particularly in Crop Science. Compared to our updated guidance, we saw lower than anticipated net settlement payments, which came in at €4.3 billion for the full-year. These factors are also the reason why our net financial debt came in €2 billion better than our latest guidance. The increase of net financial debt year-over-year from roughly €30 billion to €33 billion was mainly driven by the financing of the Vividion acquisition of €1.2 billion, negative foreign exchange effect of €900 million, and dividend pay-out of €2 billion, which more than consumed the free cash flow.

I would like to close our presentation with our Group guidance for 2022.

**Group Guidance 2022**

Let me start by pointing out that our guidance reflects our current business and does not include any impact of planned sale of professional part of our Environmental Sciences business. Please also note that an arbitration with BASF as regularly reported in the risk section of the annual report will likely be concluded towards mid-2022, but possibly even sooner. We have strong arguments in defense of our case and therefore have not taken any provisions. As in previous years, we focus on the guidance at constant currency, or in other words, the actual 2021 exchange rate.

The estimated FX impact, if we would use month-end December 2021 spot rate, is reflected in the right column and shows a tailwind for net sales of roughly €1 billion and €0.10 on core EPS.

We estimate Bayer Group sales to be at approximately €46 billion, an increase of around 5%. While we significantly invest into future growth, particularly in Pharma and Consumer Health, we expect to see margin expansion through strong top-line growth and further contributions from our efficiency programmes.

Our EBITDA margin before special items is anticipated to increase to approximately 26%, bringing absolute EBITDA before special items to around €12 billion. Based on the divisional projections, we expect a strong phasing of top-line and profitability towards the first half of the year, with an anticipated normalisation in the second half.

For core EPS, we lift our guidance to approximately €7.00 at constant currency.

For the core tax rate, we continue with our guidance of approximately 23% for the time being. In case we see the proposed introduction of minimum taxes, or attempted tax rate raises by governments facing high pressure to refinance COVID-19-related expenditures this level would become increasingly challenging.

Our reconciliation result is anticipated with minus €500-600 million. The reflected increase versus the prior year is mainly driven by the planned start of an upgrade of our system.
infrastructure. We keep our strong focus on cash generation and expect free cash flow to increase to a range between €2.0-2.5 billion. This includes total anticipated net pay-out for litigation settlement of approximately €2.5 billion, consisting of phased pay-outs for glyphosate-related settlements agreed to prior to the Supreme Court requesting the opinion of the US government on the Hardeman case. Excluding settlements, we target an underlying free cash flow of around €4.5-5.0 billion.

Our net financial debt is forecasted to be in the range of €33-34 billion. Please note that that we have listed other major KPIs in the appendix of our investor presentation.

For the fiscal year 2021, we propose a dividend payment of €2.00 per share which is subject to approval by the AGM. The payout ratio of approximately 31% remains within the target corridor of 30-40% of our core EPS.

And with that, Oliver, I will hand the call back over to you, to start us on the Q&A.

Q&A

Oliver Maier: Thank you so much, Wolfgang. Thank you all for the comments and for the insight. Before we begin, I would remind you to please keep your questions to, hopefully, about two per person, so that we are able to take as many questions from as many participants as possible. And with that, Nairobi, I think you may open-up the lines for questions.

Operator: Ladies and gentlemen, at this time we’ll begin the question-and-answer session. If you have a question, please press the star followed by one on your telephone. If you wish to cancel your request, please press the star followed by two. If you’re using speaker equipment today, please lift the handset before making your selections. One moment for the first question, please. The first question is from the line of Vincent Andrews from Morgan Stanley. Please go ahead.

Vincent Andrews (Morgan Stanley): Thank you and good morning, everyone. Rodrigo, wondering if I could ask you to speak a little bit more about glyphosate pricing, and I’ll do my two questions in one. The first would be if you could just talk about how you’re thinking about how you’re pricing your product versus where the Chinese prices have gone, given just, sort of, the parabolic nature of the Chinese price increase. Historically, you tended to try to price a dollar to a gallon above the Chinese, but I think if you were actually going to do that your price would be a lot higher than what it seems to be embedded in the guidance. So what’s the strategy?

And then, I guess the second part of my question is you talked about the back half of the year you’re expecting prices to be down sequentially. Is that also, sort of, implying that, as we get into 2023, on a year-over-year basis prices will probably be lower than 2022 but probably still higher than 2021, or how should we be thinking about that in our models?

Rodrigo Santos: Thank you, Vincent. So, let me talk a little bit about glyphosate. If you take a look at our outlook of 2021, we end up with our herbicides with around 15% growth. That’s basically driven by price. As you’ll remember, we had the volume impact because of the Hurricane Ida. If you think about 2022, we see the same scenario, right, so in the opposite direction that we had in 2021, when we had a lower price in the first six months and a higher
price on the second half of the year. This year we are expecting the opposite; we are going to have a higher price on the first six months and a lower price for the remaining of the year, at least this is what we see today. Of course, we’re going to continue working very close to see if we can capture any additional opportunities on that one.

I just want to also reinforce the opportunities, Vincent: We’re guiding for 2022 half of our price increase coming from the Herbicides and half of our price increase coming from Corn Seed & Traits, Fungicides and Insecticides; so we’re taking advantage of that market opportunity with the discipline and execution to drive that price increase for the year. So, overall, we see a strong first six months and we are projecting a lower for the remaining of the year, but we’re going to try to capture any opportunity that we see in the market.

Operator: The next question is from the line of Peter Verdult. Please go ahead.

Peter Verdult: Given we’re seeing consumer businesses valued at five times sales in the market, how does Heiko or Werner think about ensuring that the Bayer consumer business is properly valued, given the current share price and how well the consumer business is performing?

Werner Baumann: Hi Peter. Let me take the first question. There’s no doubt that our stock is not appropriately valued; and you’ve heard us say that several times, which is not limited to the consumer business but cuts across the board. And against the strong performance that we’ve seen in 2021 and also the prospective of 2022, let alone the fact that, you know, we are looking at a glyphosate scenario that we have fully provided for, you know, for the case that we see, we hope and expect that the value comes back into our stock and, you know, that includes all businesses.

We’ve also seen that, relative to the consolidation in the markets, not everything that was announced did finally materialise. Our performance in Consumer Health speaks for itself; Heiko will now touch on it again. So, we don’t have any issue holding our ground and we continue to believe that, you know, we are best owner and operator of that business.

Heiko Schipper: Yeah, maybe just to add a couple of words to Werner. I think it shows that Consumer Health is just an extremely attractive business and that’s why we’re in it. And, obviously, if you combine that then with the performance that’s at the forefront of the industry, then it’s obvious that we have a very, very strong Consumer Health business with very good brands, with a very good geographic performance and also a very solid performance. All in all, I think it just confirms that this is the right industry to be in and that’s why we’re in it.

Oliver Maier: Pete, I think that covers the Consumer Health. Can you, actually, ask your second question again because that was also hard to understand?

Peter Verdult: Second question was to Rodrigo, just following on from Vincent’s question. You talked about some potential headwinds in terms of competitive and supply and regulatory. You had similar headwinds last year. I think you quantified them – I think you lost a corn license, you had a regulatory withdrawal in Europe, and you had the plant closure in Louisiana. I think you quantified that at about 3%. Just wanted to get a sense, Rodrigo, if some of those headwinds come to pass, what sort of quantification are we thinking about in terms of those headwinds? Thank you.

Rodrigo Santos: Thank you on that one. Let me say this upfront. When we look to the market, similar to what I heard from the entire industry, I think the key risk that we foresee
is global supply. I think that’s the one that we are looking very closely. We had one that we share with you about glyphosate, was a margin one to the full year, but that’s the one that I think that we are looking very close, we are monitoring. It’s very hard to anticipate when it comes from a supplier of ours, but that’s one – the one that we are watching closely, right? So that’s probably the key one that I would say that the entire industry will be facing this year, not even considering the geopolitical situation that we are talking a little bit earlier today.

On the regulatory and competitive dynamics, we’re going to have that competitive dynamics, especially in soybean, and some of that impact also in terms of global regulatory that we have, we may see something there. But I would say that – if I would highlight the one that we are looking closely at, the global supply that I just mentioned.

Peter Verdult: Thank you.

Oliver Maier: Thanks Pete.

Operator: The next question is from the line of Michael Leuchten from UBS. Please go ahead.

Michael Leuchten (UBS): Thank you very much. Two questions, please. One clarification question for Rodrigo. You were saying you expect most of the growth coming from pricing, as you outlined a few times now. How much of this price have you taken already and how much is to come in the year? And then when you say you are expecting to take market share, but you don’t say – you don’t expect volume uptake, how does that work? Is that minor share gains that you’re expecting and volume uptake not being that significant?

And then a question for Werner. Looking at the annual report, the outstanding glyphosate cases are 138,000. When we started this process, it was 125,000; clearly, a very small uptick since then. I was just wondering whether you could speak to the dynamic of new cases coming in, sort of the cadence? That would be helpful, thank you.

Rodrigo Santos: Let me go to the second part of your question about Crop Science that is very straightforward. The main driver of growth for 2022 is pricing, but we also see some volume gains in terms of market share for corn and some fungicide expansion that we are seeing, particularly in LATAM as Fox Xpro and the new launch that we have. But in the main, driver is pricing.

Let me go to the first part of your question. We are taking, like, an average of 6% to 7% global average price increase for our crop protection products, excluding glyphosate, and also our Corn Seed & Traits. When you think about the Northern Hemisphere, North America and Europe, that’s the pricing that we are running the campaigns and we are implementing as well. For the tropical areas, Latin America and APAC, that will come on the second part of the year. But I would say that considering all the innovation that we are bringing to the market, all the 500 seed deployments that we are putting in the market this year, I’m confident that this price for value that we are putting in the market, we’re going to be able to implement and execute for the full year.

Werner Baumann: All right, thanks Rodrigo. So, Michael, to your question on glyphosate cases, yes, as of February 1st we have about 138,000 cases. The case count increases very, very slowly. You will have probably seen that advertising activity has come down substantially, and with the 138,000 in mind we have settled 107,000, which also includes the cases that are not eligible because they don’t meet the criteria. So, there’s a remainder of roughly 30,000, so not a big difference compared to the number before. And, you know, just
to make sure that everybody understands what the dynamic on the 30,000 is, we decided to
not entertain any further settlement discussions for the time being as we wait for the
recommendation of the Solicitor General and then how the SCOTUS review further unfolds.
There’s no settlement activity at this point in time.

**Michael Leuchten:** Thank you.

**Oliver Maier:** Thank you, Michael.

**Operator:** The next question is from the line of Sachin Jain from Bank of America. Please go
ahead.

**Sachin Jain (Bank of America Merrill Lynch):** Hi there, Sachin Jain, Bank of America. I’ve
got two Pharma questions, if I may, both fairly straightforward, I think. Firstly, on Kerendia,
obviously pointing to a strong launch Stefan, do you think it will be a top 15 product in 2022,
or any colour you can give on sales trajectory for this year?

And then, secondly, you, in your introductory comments, cited the Factor XI phase III decision
by mid-year, and I just had a couple of clarification questions around this, if I may? Firstly,
given you got multiple assets could you progress more than one? You mentioned a potential
differentiation on achieving efficacy without bleeding. Do you have any data in-house that
supports that as yet? And then you mentioned the potential for this to be best-in-class, why
do you think that’s the case? Thank you.

**Stefan Oelrich:** Okay. Thank you, Sachin. That’s a long two questions. So Kerendia,
unfortunately I have a shorter answer. So, it’s a little early to tell you more for this year.
We’re very confident with the uptake. A lot is obviously holding in the – and standing in the
balance of increased access and really giving everyone an opportunity beyond our
programmes that support patients to actually be fully reimbursed by payers. This is an
ongoing effort and will very much shape the – our sales curve for this year. But besides that,
we’re very optimistic about Kerendia. Whether it makes it into the top 15 this year or next
year remains to be seen for the time being.

On Factor XI, so I don’t know if I caught all of the gist of your question but let me try to – if I
heard you right. First one was whether we’re looking into progressing multiple Factor XI
opportunities during the year, because we have three different medicines that are currently
in phase II. So, this is still something that we’re discussing because we’re very happy with
what we’re seeing, especially of our oral programme. So, obviously, we’re only going to be
launching a phase III into the injectable if the profile of our oral cannot reach certain patients
that would also benefit from an injectable. But we’re very pleased with what we’re seeing.
You know that I can’t give you much more before we publish this at a scientific meeting,
which is foreseen in the – at the American College of Cardiology that’s upcoming. And we’ve
obviously taken a look at some of what our competitors have shown, and so we have our data
on file and that makes us quite optimistic across the different indications that we intend to
pursue and what we’ve seen so far. I think we have a strong contender which speaks to the
experience of our organisation in developing anticoagulants. I mean, let’s not forget that we
designed those programmes that made Xarelto what it is today.

**Sachin Jain:** Thank you very much.

**Oliver Maier:** Next question.

**Operation:** The next question is from the line of James Quigley from Morgan Stanley. Please
go ahead.
James Quigley (Morgan Stanley): Hello, thanks for taking my question. It’s just one of the guidance of the pharma margins.

So, on the guidance, when I went through on a divisional basis, it makes the group margin look a little bit conservative. So, working through on the divisions, it suggests around about a 26.5% margin – a 26% margin for the group. Is that taking a little bit of conservatism, or is there something that I’m missing when – when I’ve been doing that calculation?

On the pharma margin, it’s about 50 basis points or so, increasing in 2022 as you continue to invest for growth. But how long are you – or how far along are you with that investment? Should we expect the margin to start to slowly increase from here, or is a lot of the cost already in the base giving potential from 2023 onwards to – to show greater – greater margin expansion? Thanks.

Wolfgang Nickl: Hi, James. This is Wolfgang. Let me do the group one, and then Stefan will do the pharma one. You’re right. I mean, we’re talking about rounding here. I mean, we said 12 – 12 billion EBITDA and 46 billion. If you do the exact maths, it’s 26.1. We said around 26, so it could be a bit left, could be a little bit right. And if you would go exactly to the midpoint of everything and that appears to be the maths that you have just done, you would be above the 26.1. So, we’ll find out at the end of the year whether it was conservative or not – but at this point, we believe it’s around 26%.

Stefan Oelrich: On the pharma margin, so first of all, I know that you – you probably know this, but there are a lot of moving parts here in terms of our full-year accounting of launch investments, plus also in a shift of resources towards R&D. Just be reminded of some of the acquisitions that we did that need to be all digested inside of our R&D line. So, despite of all of this, with some of the savings’ programmes that we have and tightening our belt, we’re getting to the 32% guidance. This is what we had also given in our mid-term guidance, and we stand by that.

Operator: Mr Quigley, have you finished your question?

James Quigley: Yes, thank you.

Operator: The next question is from the line of Tony Jones from Redburn. Please go ahead.

Tony Jones (Redburn): Good afternoon, everybody. Thanks for taking my questions. I’ve got two, both for Wolfgang, I think. Could you quantify the EBITDA impact from supply chain disruption and cost inflation last year and maybe give any indication, whether you think that will be recurring at a similar level in this current year?

And then the higher reconciliation charge. The $500 to $600 million. Is that a recurring new level, or is that just a one-off higher charge in the current year? Thank you.

Wolfgang Nickl: Yeah. Thanks a lot. So, on the EBITDA margin for last year, you will recall there were several effects. One was to catch up on STI. One was currency. One was indeed the investments that Stefan just mentioned into growth in R&D, and then there were inflationary trends.

We have not spelt them out, and I don’t think we will spell them out. But I can tell you if I look on the example of ocean freight. I mean, active ingredients in energy would be other elements. But I can probably give you this much in a division like Cropscience with high costs. We’re talking several hundred million euros. So, it’s quite substantial. And of course,
Rodrigo, just as Stefan, just as Heiko will do their utmost to see what they can factor into the pricing and offset with other efficiencies. That’s very clear.

As it relates to the supply chain issues we had last year, you will probably see by our growth numbers that they have not held us back super-significantly. But in the CropScience case, I think that’s probably the most prominent. We could have sold significantly more, had we not had the IDA effect in Luling.

Reconciliation, we are at 488 million last year, and as a reminder for everybody, that’s kind of the central cost that we don’t really have an appropriate key to allocate to the divisions. It’s a bit volatile because there are also STI and LTI normalisations in there, but the fact that we are a little bit up in 2022 stems from two main reasons. Number one, we are starting the upgrade of our ERP systems, and this is very general work, so it’s not specific to a division. So, we put it in reconciliation.

The second thing is you can imagine that a company of our size pays quite a bit in insurance premiums, and we have seen that market, much like every other company going up in prices quite significantly, and that would be the second one.

So, for now again, there are a couple of moving parts in there. I would hope that we would keep it lower than that going forward. But right now, we’ll play with 22, and we’ll update you on the time after that in due course. I hope that’s helpful.

**Tony Jones:** Thank you. That’s very helpful. Yeah, thank you.

**Stefan Oelrich:** Thank you, Tony.

**Operator:** The next question is from the line of Richard Vosser from JPMorgan. Please go ahead.

**Richard Vosser (JP Morgan):** Hi. Thanks for taking my question. Just a question on those inflationary cost pressures. Obviously, we can see energy prices going up, and there’s geopolitical uncertainty. Could you just talk about what access you have to long-term contracts? How long they are? And how you have thought about this or – and the changes to those in your guidance?

Second question, just to come back to those Glyphosate numbers in terms of the case increases. Obviously, a very low case increase. Is that in line with the expectations you have for provisioning? And do you continue to see the case volume going down? So just some thoughts about that provisioning and just give us some idea there. Thanks very much.

**Wolfgang Nickl:** That’s actually very difficult to answer in general, but we have a number of long-term contracts. Actually, something that is, you know, coming in very handy when you look at that massive inflation that we see in cost pressure on the energy supplies. You know the fact that by now, we have long-term contracts for roughly 25% of our energy bills in renewables helps substantially to kind of curb the cost increases.

Secondly, if we talk about – generally about our energy footprint and with that, you know, that significant cost increase that you see a lot of other people talk about, at our end, we are not that energy-intensive business anymore, and overall, our energy costs here, which includes steam and a few other things, already is about half a billion.

So, on a 44-46 billion top line, we will see increases, of course, but we assume that we will be able to absorb and as Rodrigo and Heiko have already talked about, we are also in a strong
position when it comes to pricing due to the inflationary tendencies that we see all over the place, and we will roll that over very aggressively.

Now there are other areas where, you know, let’s say the task at hand is different. Even with higher cost that is coming to us, the name of the game is securing supply. Rodrigo talked about it earlier. We see ultra-stressed supply chains with very, very high risk of default, and that is what we are managing in order to make sure that we can produce and supply, which you know, is currently the focus, and that’s what our procurement organisation is working on.

The second thing on the case increases. Well, you know, we’ve just closed the books. The books have been audited, and the provisions have passed the test of being appropriate. So, there’s no significant move one way or the other that would inform our view on the appropriateness or non-appropriateness for this argument of the status of our provisions. So, we are very preserved for, you know, the set of you know, futures but also the currents that have entered our cake there. So, no change.

Richard Fosa: Thanks then.

Stefan Oelrich: Thank you, Richard.

Operator: The next question is from the line of Sebastian Bray from Berenberg. Please go ahead.

Sebastian Bray (Berenberg): Hello and thank you for taking my questions. I would have two, please.

The first is just on the driving forces behind the guidance within CropScience, and I’m particularly thinking about what has happened since Monsanto was bought. Am I right in saying that negative FX effects have removed roughly one billion of EBITDA in euro terms since late 2018 from CropScience?

And to the earlier points about the competitive dynamic in soybean, if we were to return to an FX environment that was similar to 2018, does all of this come back or some being sacrificed to drive market share gains?

My second question is on working capital. Can you just give a reminder of what typically you carry as a percentage of sales growth for CropScience in Pharma? Is it about 20-25%? Thank you.

Werner Baumann: All right, Sebastian, the first piece is going to be answered by Rodrigo, and then Wolfgang will take his second question on working capital.

Rodrigo Santos: So, let me address the first piece. So, I think that we are taking advantage of all of our full portfolio to the market. We just announced recently our pipeline review when we advanced like 500 seed deployments, but at the same time, more than 300 product registrations and crop protection.

That’s important to mention when you think about crop protection; we have a price increase similar to what we have in corn seeds and trades around 6-7% as an average, globally. There are places where we have double-digit price increase and in some other regions different, but we are taking full advantage of our entire portfolio to drive the growth that we are seeing this year. I think that’s one piece.

On soybeans, let me divide the soybean. One is in South America and Brazil. We just launched, Intacta 2 Xtend with 800,000 acres. We are looking to an increase to a six million
acres. We have a 5% price increase. So, we are seeing great dynamics again in Brazil. In the US, it’s more a competitive market, and we’re going to be competing in the market as we had last year.

I think that the launch of Xtend Flex with 16 million acres was very important for us. We defend our number one position on the weed control in North America. We are going to continue to do that for – for this year. So overall, when I think about the growth that we have for 2022, I think we are taking advantage of our full portfolio. We are maximising the opportunities where we see the opportunities and minimising the risks that we were talking before. So that’s a little bit of my overview on the CropScience. I hope that answers your question.

Wolfgang Nickl: Now, Sebastian, I’ll go into the working capital, thinking a bit more from a corporate perspective. First of all, we were quite pleased with what all the teams have done last year. Our free cash flow was significantly better than what we had forecasted.

For the total company, the working capital to sales ratio came somewhere from 37 to like 34%. I think it’s important when you look at this for Crop in particular that you also take the pre-pays in consideration because your traditional receivables inventory and payables won’t do the trick because we always have very significant pre-pays there. And if you take that into consideration, it’s around the corporate average. I hope that helps you with your question, Sebastian.

Sebastian Bray: Yes, indeed. Thank you for taking my question.

Wolfgang Nickl: You’re welcome.

Rodrigo Santos: Thank you, Sebastian.

Operator: The next question is from the line of Jo Walton from Credit Suisse. Please go ahead.

Jo Walton (Credit Suisse): Thank you. Two questions.

Firstly, I wonder if you could tell us a little bit more about the impact of your business in Russia and Ukraine. If the situation stays as it is, and it’s obviously very difficult to get things in and out of Ukraine and Russia’s with sanctions. Could you just give us some sense of what the impact could be on your business?

And on a Pharma question, EYLEA is obviously doing extremely well, and you’re telling us that part of this is the launch of the prefilled syringes. We’ve recently had the two-year data in from faricimab. I wonder if you could tell us how you feel EYLEA, particularly perhaps the 8mg EYLEA, would compete with that to two-year data on faricimab and therefore how long we can expect to see EYLEA continue to grow, ignoring anything to do with patent expiries. Many thanks.

Operator: Hello, Mr Maier. Can you hear us?

Werne Baumann: The most fundamental needs all of us have is access to food and access to your health and health supplies. So, with that, currently, there are no limitations when it comes to sanctions.

We, of course, will be subjected to your mandate of politics, and we will adhere and cater to those. But as we speak, you know, I think all of the sanctions are designed to hit those in power and to protect those who suffer from the situation most. And this is actually the civil
population, and our products are the ones that we have to continue to make available to these people because a lot of them are kind of, you know, on our medicines and they need to have access to it. And we’ll go out of our way in order to provide it.

Secondly, the overall situation in Ukraine and Russia, of course, continues to change by the hour. We have strong crisis management resources and teams that report to the board on the topic when it comes to supply when it comes to you know, ensuring that we have logistics and transport. It’s one of the bigger challenges right now.

And then your first things first; first things are that we take care of our own people in these countries and there are some very, very basic needs people have right now. One is access to safe housing, which means shelter that we are organising and providing, also with a lot of private initiatives of our people on the ground. And secondly, as you have seen the pictures in the news that people can’t get a hold of cash. We are providing our people in Ukraine with advanced cash payments so that they get by with, let’s say, the most urgent needs that they have locally, yeah? The rest of it, we have to play it by the hour, really,

Stefan Oelrich: Hi, Jo. Stefan here. So, thanks for your question on EYLEA. Glad to see that you’re following this closely and especially the very positive growth momentum that we’re seeing.

So yeah, we’re following up obviously also on what’s happening in terms of clinical data from faricimab. I think this looks good, and they’re catching up to us. I mean, we already at the given doses have a four-month dosing interval with our treatment treat and extend. So, they’re catching up to that now with – with what they have. I think we’re always one step ahead up to now.

So, in terms of growth, that’s indeed a topic we will have to address in terms of also peak sales that we can achieve with – with EYLEA moving forward because we’re impressed by how solid EYLEA is. And so, I would think that we can expect continued growth in the coming years only impeded by loss of exclusivity that will occur around 2025.

Operator: The next question is from the line of Falko Friedrich. Please go ahead.

Falko Friedrich (Deutsche Bank): Hello, it’s Falko Friedrich from Deutsche Bank. Thanks for taking my questions. I also have two please.

The first one is going back to your CropScience guidance. So, taking the 7% organic growth that you are pointing out, you mentioned it several times on this call that the majority of this should be price. So, is it fair for us to assume that the split is roughly 5% price and 2% volume in 2022? And if that is correct, I still don’t fully understand why the volume growth shouldn’t be bigger this year. That’s my first question.

And then the second one is on Pharma. You mentioned that the volume growth for Xarelto should largely offset the VDP impact. So, is it a fair assumption to assume low single-digit growth for the drug in 2022? Thank you.

Rodrigo Santos: So, let me address first the question here on that. Yeah, you’re fair to say that you reinforce the point that I made it. Yes, the main driver of our growth is pricing that we see that. Some of the volume gain that we have in corn that I mentioned, especially in gaining market share and also the expansion of fungicides. You also have some of the downsides included in the plan, in terms of the cost increase in some other elements of that equation. But overall, I would say that the far majority of that price of the growth that we
have for 22 is pricing. Half of that coming from the herbicide line, and half of that coming from mainly all the other crop protection products in the corn. That’s right. That’s right.

**Stefan Oelrich:** Yes, thank you for your question on Xarelto, Falko. I think it’s important that I give you more colour on this one.

So, we did manage to compensate in ’21, the price decreases by increased volumes. For ’22, given that we have a full year of VDP impact in China, this is going to be much, much harder. So, what we do expect, given the importance of China – and for this year, we may be facing a slight decrease even in Xarelto in ’22.

We’re obviously following this closely because Europe continues to be strong, but we’re now seeing the first impact, especially through China. So, ’22 is a tough year for us.

**Falko Friedrich:** Okay, thank you, and a brief follow up for Rodrigo, if I may? Does your guidance assume that you’re winning market share in corn but losing market share in soya in ’22?

**Rodrigo Santos:** So, we are gaining market share in corn. We are not assuming that in soybeans. I think that we are not considering a significant expansion in soybean. That’s fair to say when we think about the volumes that we plan and especially for North America, different from what I mentioned about South America, right? So, we always talk about soybeans. I want to split that equation.

In South America, we are seeing a significant expansion of INTACTA 2 XTEND platform. We are seeing great momentum, and we’re going to continue seeing momentum. On the US market, we are a more competitive environment that we are not planning a significant expansion on the plans.

**Falko Friedrich:** Okay, thank you.

**Operator:** Ladies and gentlemen, we kindly ask you for your understanding that we have to close this call now due to time contracts. Excuse me, Mr Maier, please continue with any other points you wish to raise.

**Oliver Maier:** Right. Thank you so much, Nairobi. Much appreciated. And thanks to all for your time today and the attention. Greatly appreciated. And this closes our call for today. Stay safe, and we talk soon. Thank you so much.

**Operator:** Ladies and gentlemen, this concludes the full year and fourth quarter 2021 investor and analyst conference call of Bayer AG.

Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]
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