Q1 2022 Results
Investor Conference Call

Tuesday, 10th May 2022
Introduction
Werner Baumann
CEO, Bayer AG

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Bayer’s investor & analyst conference call on the first quarter 2022 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 hearing the conference, please press the star key followed by zero on your telephone for operator assistance. I’d now like to turn the conference over to Mr Oliver Maier, Head of Investor Relations of Bayer AG. Please go ahead, sir.

Welcome
Thank you, Stewart. Good afternoon and thanks everybody for joining us today. I’d like to welcome all of you for our first quarter 2022 conference call. With me on the call today are Werner Baumann, our CEO, and Wolfgang Nickl, our CFO. The businesses are represented by the responsible Management Board members. Werner will begin today’s call as usual with an overview of the key developments in the first quarter. Wolfgang will then cover the performance of our business as well as the outlook for 2022 before we open up 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. And with that, Werner, I hand it over to you.

Q1 2022 Business Update
Werner Baumann
CEO, Bayer AG

Russian Invasion of Ukraine
Thank you, Oliver, and good afternoon, ladies and gentlemen. It’s my pleasure to welcome you to our conference call for the first quarter. Before we look into our business performance let me start with commenting on the Russian invasion in Ukraine, its implications and how we as a company deal with it. With the war in Ukraine, living up to our social and humanitarian responsibility is one of our top priorities. We continue to ensure the supply of life-saving medicines and agricultural products to the civilian population. At the request of the Ukrainian government we have donated both medical and seed products. We have delivered antibiotics for 27,000 people in Ukraine and these days we are providing more than 1,000 smallholder farmers in Ukraine with 41,000 bags of corn seed free of charge, which will hopefully contribute about 180,000 metric tonnes to the corn harvest. We have also provided monetary contributions to aid organisations and helped refugees to find shelter.

But the implications of the Russian invasion into Ukraine go far beyond. Both countries play a major role for global food supply specifically into the world’s poorest regions. Food security is already under massive threat specifically in the Middle East and Africa and prices for food are
increasing. As a global leader of agricultural products right now we work on securing supply of our products, help maintain global agricultural supply chains and build on our increasing access to smallholder farmers.

In the longer-term, our innovation power will help to make agriculture more productive and sustainable, securing global food supply with less resources. This shows that we at Bayer have a systemic relevance and distinguished responsibility for human health and nutrition - these days even more than ever.

**Litigation**

Let me now give you a brief status update on litigation. On the glyphosate litigation we continue to execute our five-point plan. As you know, the US Supreme Court asked the Solicitor General representing the US government to file a brief in the Hardeman case which we are waiting for. We are prepared for any outcome of the final Supreme Court decision.

Regarding the PCB water litigation, the US District Court of the Central California district recently granted preliminary approval of the settlement agreements we announced with the class of municipal entities in June 2020. We’ve also reached agreements to resolve cases with the Attorney Generals of several US states but still, there are trials scheduled in the upcoming weeks both in personal injury and environmental cases, including one involving the state of Oregon.

**Very Successful Start to the Year**

*Substantial Growth in Q1*

Let's now move to our operational performance in the first quarter. We have had a very successful start into the year and achieved excellent growth in sales and earnings, particularly driven by the positive market environment for our Crop Science business. In addition, Consumer Health continued its broad-based growth trajectory driven by strong demand in nutritionals and recovery of growth rates in the allergy and cold category. Our Pharma business continued to increase volumes, particularly for our blockbuster Eylea™. Our launch products also continued to perform well.

*Progress in Innovation*

Which brings me to an update on innovation. We made further important progress on our innovation agenda: For Kerendia™, we have received approval to treat adults with chronic kidney disease and type 2 diabetes in the EU and Japan. For Nubeqa™, we have submitted applications for the additional indication in patients with metastatic hormone-sensitive prostate cancer in the US, the EU, Japan and China, and we were delighted to see the US FDA granting priority review last week. With the submissions for this label extension, we have already delivered on one of our key pipeline catalysts for this year. Beginning of April, we also presented positive results for the first phase IIb trial on the safety of asundexian in patients with atrial fibrillation. In the further course of the year, we plan to decide on phase III for our Factor XI programme and expect phase III data for the Eylea 8mg dose as well as the interim analysis of our BlueRock phase I Parkinson’s programme, DA01.

**Variables for the Remainder of the Year**

Looking ahead there are certainly a few variables from a macro perspective for the remainder of the year. The COVID pandemic already led to stretched global supply chains to which we
are now seeing elevated pressure from the war in Ukraine. As for most other companies, one of our major focus areas is energy security, both - for our own operations - as well as within our supply chain. We work intensively on the supply security of our production sites and develop different scenarios and action plans for reduced gas availability and potential disruptions at supply level.

On the cost side we continue to see significant cost increases in materials and services which is a common theme across countries and industries. As outlined in our full-year guidance and the conference call, we are counteracting these effects with continued cost and pricing management.

On the macro variables we will certainly have a clearer picture as the year progresses and we’ll keep you updated accordingly. Overall, let me re-emphasise that we had a very, very good start into the year and we are also optimistic for full-year 2022. But of course the environment continues to be quite volatile. From today’s perspective we are very confident that we will achieve our full-year ambitions. With that, I’ll hand it over to you, Wolfgang, for more details on our business performance and the underlying assumptions for our outlook.

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**Q1 2022 Group Performance & Outlook**

Wolfgang Nickl  
*CFO, Bayer*

**Significant Expansion of Sales and Earnings**

Yeah, thank you, Werner, and hello ladies and gentlemen. I will now walk you through our business performance in the first quarter followed by our financial outlook for the full year 2022. In the first quarter we substantially grew Group sales by 14% on a currency- and portfolio-adjusted basis to €14.6 billion. The biggest contributor was our Crop Science business. Our Group EBITDA before special items reached €5.3 billion, representing a 28% increase year-over-year. The EBITDA margin before special items came in 250 basis points above prior year, at 35.9%.

Let me briefly comment on the foreign exchange effects that we saw in the quarter. Whereas sales include a material tailwind of €529 million, the impact on EBITDA is less pronounced at €67 million. The main reason is the appreciation of currencies in countries where we have a relatively higher cost footprint like the US, compared to the depreciation of currencies for countries with a lower footprint like Turkey. While positive in absolute terms, this leads to a margin dilution of 90 basis points. You will also see these effects in the divisional results, however in different magnitudes depending on the respective business footprint and FX exposure.

Core earnings per share reached €3.53 in the first quarter which is a plus of €0.94 compared to previous year, driven by the strong Crop Science and Consumer Health performances. The core financial result was roughly at previous year level with -€419 million compared to -€385 million last year. Our core tax rate came in at 22.1% versus 24.3% in the first quarter of last year due to one-time benefits from revaluation of deferred taxes in the United States. For the full year we continue to expect a core tax rate of around 23%, as guided.
Our free cash flow amounted to -€1.2 billion in the first quarter of 2022 compared with -€3.2 billion in 2021. The improvement is largely driven by lower settlement payments for glyphosate and Essure of €470 million in the first quarter this year compared to €2.2 billion last year. Increased top line, particularly from our Crop Science business, led to the related accounts receivable build-up which will be collected in the subsequent quarters. Consequently, and as expected, our net financial debt increased to €34.5 billion in the first quarter due to free cash flow seasonality as well as the strength of the US dollar.

**Crop Science: Outstanding Results**

Let’s now look into the performance of our three businesses. Our Crop division had an outstanding first quarter and achieved sales of €8.4 billion. This represents a currency- and portfolio-adjusted sales growth of 22%. Approximately three quarters of this growth is related to price and roughly one quarter is coming from higher volumes.

If we look specifically at the segments, Herbicides were the single-largest contributor with growth of 60% on a currency- and portfolio-adjusted basis. Around 75% of this growth came from strong price increases for our glyphosate-based products and the remainder came mostly from volume expansion.

Our corn seeds and traits franchise grew by 10% currency- and portfolio-adjusted with growth in all regions, mostly from price. Volumes also increased, except in North America where planted acres are expected to decrease.

Sales in soybean seeds and traits were on the prior year level at +1% currency- and portfolio-adjusted. In North America we realised stronger pricing as more growers continue to trade up to our newest XtendFlex soybeans. However, this was offset by a volume decline in Latin America following the previously announced discontinuation of our Argentinian soy business which had a minor effect on our bottom line.

Our fungicides business expanded by 19% mainly related to higher volumes in every region. Partially we saw early demand as growers seek to secure their supply in uncertain times.

From a profitability perspective the substantial pricing growth in Herbicides as well as in corn and soy led to an all-time high margin of 43.4%, an improvement of 660 basis points year-over-year. EBITDA before special items grew by 50% to €3.7 billion with improved pricing and efficiency measures more than compensating for a cost inflation impact of approximately €200 million in the first quarter. Foreign exchange effects led to a tailwind of €98 million year-over-year.

**Pharmaceuticals: Continued Volume Expansion and Growth Investments**

Currency- and portfolio-adjusted sales for our Pharma division grew by 3%, mainly driven by continued volume expansion.

Our blockbuster drug Eylea™ continued its strong trajectory with 14% currency- and portfolio-adjusted growth, particularly gaining market share in growing markets like Europe and China. Furthermore, the ongoing launch of Eylea™ prefilled syringes and the recovery from COVID-19 restrictions added to the top line growth.

For Pharma overall we see a slightly negative price trend of -1% year-over-year, particularly driven by price reductions from volume-based procurement for Xarelto™ in China. This led to
a total Xarelto™ sales decline of 5% in the first quarter on a currency- and portfolio-adjusted basis.

Our new prostate cancer drug Nubeqa™ showed continued strong rollout momentum and achieved sales of €76 million. While new patient starts and market share gains in the approved non-metastatic prostate cancer indication grew sales in the first quarter, we are already preparing for the launch in the metastatic cancer setting. Top line growth in the first quarter also benefitted from the ongoing strong performance of our radiology business that continued its recovery from COVID-19-related restrictions in the prior year.

On the bottom line, EBITDA before special items for our Pharma division decreased by 7% to €1.4 billion, translating into a margin of 30% compared to 34.3% in the first quarter of 2021. Key drivers for this development were our continued investments into innovation and future growth, specifically for the Kerendia™ launch, and the ongoing rollout of Nubeqa™ and Verquvo™. In addition, higher R&D expenses related to the termination of pipeline projects, as well as the non-recurring €52 million proceeds in Q1 2021 linked to the sale of a priority review voucher. Due to the regional setup and foreign exchange exposure of our Pharma business, FX changes resulted in the headwind of €34 million or a 160-basis point margin dilution year-on-year, mainly driven by the US dollar.

**Consumer Health: Strong Growth Across Regions and Categories**

We’ll close out the divisional updates with our Consumer Health business. Sales there increased 17% on a currency- and portfolio-adjusted basis with continued growth across regions and categories and cycling over a soft prior year quarter.

Our allergy and cold category showed a 39% rebound after very low demand for cough and cold products due to COVID-19 restrictions in the first quarter of last year. Nutritionals continued the strong growth trajectory backed by the general preventative health trends and achieved 15% growth. Our product line extension Bepanthen Dry Skin contributed to dermatology growth of 12%. Partially we also saw a demand shift into the first quarter driven by price-induced buying behaviours across categories and COVID-19-related insecurity on future supply.

Our EBITDA before special items for Consumer Health increased by 33% to €388 million with a substantial margin expansion of 240 basis points to 25.7%. Strong topline growth, continued spending discipline and price management could offset inflationary cost pressures. The first quarter also included a divestment income for the sale of a small non-strategic brand. Year-over-year foreign exchange effects led to a marginal tailwind in earnings but a 30-basis point margin dilution.

**FY 2022: Outlook Confirmed**

Let’s now look at our guidance for the full year. As already mentioned by Werner, we are off to a strong start with very good growth and earnings progression and we are optimistic for the year. Still there is a lot of uncertainty and volatility we’ll have to deal with, be it the Ukraine war or COVID-19 or the supply and energy-related challenges we might face. Against that backdrop we maintain our full-year operational guidance at this point in time and will review it once we have more visibility.
Therefore, the update today is limited to exchange rates. In the light blue column on the right, you see the latest estimate on the currency impact based on month-end exchange rates for March 2022 versus the constant currency scenario. Please also note that our currency-adjusted guidance still assumes the divestment by mid-year of the Environmental Science Professional business as a going concern. With that Oliver, I hand back over to you to start us on the Q&A.

**Q&A**

**Oliver Maier:** Great, thanks Wolfgang, thanks Werner for your overview. And I think Stewart we can start right away with the Q&A and open up the lines.

**Operator:** Thank you Oliver. Ladies and gentlemen, at this time we will 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 star followed by the two. Using speaker equipment today, please lift the handset before making your selections. One moment for the first question please. 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, if I could ask you, you know, obviously glyphosate pricing was a big feature as expected. When we last spoke at 4Q results you talked about anticipating probably some correction in pricing in the back half if supply improves and – [inaudible] supply. And I assume that meant from China. That was going to be the big wild card. So, could you give us an update on what you’re seeing in terms of competitors’ production and what your sort of anticipation is for glyphosate pricing trajectory in the back half of the year?

**Rodrigo Santos (President of Crop Science Division, Bayer AG):** Thank you Vincent. Yeah, you were very precise on that question that we had on the guidance. So, 50% of our growth of the first quarter comes from glyphosate. 75% of our Herbicides is coming from glyphosate. We see the second quarter is still having a good price as we anticipate. But the second half of the year we’re going to see a normalization, right. So, we see an increase of inventory in China. This is what we have in the plan. Of course, we are ready to capture the opportunity that may happen depending on how we monitor that one. So, we’re keeping our plans in place in the market and hopefully we can capture more opportunities on the second half. But we plan for a more normalization price for the second half of the year.

**Vincent Andrews:** Okay. And as a follow-up for the second half of the year as well in the seed business in South America and I guess in particular in Brazil where the currency has moved a fair amount, have you already priced the seed for the second-half in line with the sort of expectation that you already gave us? Or has anything changed on your pricing expectations for LATAM for the second-half in seeds?

**Rodrigo Santos:** No, it’s already priced and it’s in line to what we shared here, Vincent. And just to share with the others here, we planned for this year around 6-7% price increase on our Corn business as on our fungicides, insecticides and that’s what we are executing on the market.

**Vincent Andrews:** Okay. Thanks very much.
Rodrigo Santos: Thank you.

Operator: Next question is from the line of Pete Verdult from Citigroup. Please go ahead.

Pete Verdult (Citigroup): I’m Pete Verdult, Citi. Two questions. Firstly, Werner or Wolfgang, you’ve effectively delivered most of the 2022 guidance in Q1 alone. You’ve made some comments about being very optimistic to meeting guidance but the lack of change is that simply due to being so early in the year and an abundance of caution? Or have you seen any worrying signs in terms of volume price trends during Q2? Second question is on asundexian for Stefan. Realise you can’t go into the details or quantitively talk about specific stroke and AMI data that you’ve got inhouse but just following and building onto the AF data we all saw at ACC, can you make any qualitative comments on your enthusiasm for the programme and how that’s changed. And then how your ambitions going to phase III have potentially moulded as you see more data? Thank you.

Werner Baumann: Alright Pete, good morning. I’ll answer the first question on guidance and quarter one before I hand it over to Stefan. So, in brief of course we have seen a very, very strong quarter one and you rightfully point out that quite a bit of the earnings progression for the year has already materialised in quarter one. But that was also planned, yeah. We said that we are going to have a very, very strong first half of the year based on the assumptions taken, and in particular in Crop, with a first half of the year that is going to see strong glyphosate pricing with the points that Rodrigo just touched on. And then we assumed for our planning a normalisation in the second half of the year. It goes without saying that to the extent that these assumptions would be conservative there would be upside. But at the same time, and you heard it from me and you also heard it from Wolfgang, there’s quite a bit of volatility out there that we see. And hence we have decided to stay with the guidance that is out there for the time being and we’ll review it as we move further into the year. So let me now hand it over to Stefan.

Stefan Oelrich (President of Pharmaceuticals Division, Bayer AG): Hi Pete and thanks for the question. Of course, we’re excited with the results from the PACIFIC-AF trial. Just as a reminder to everyone two-thirds of bleeding reduction is something that we feel obviously very, very good about. And also, what we’ve seen from a mode of action the strong inhibition of factor XIA activity that goes above 90% in the high dose and 80-90% in the low dose in our dosing studies. So, you’re right or I guess you know we can’t conclude efficacy from that but bleeding is seen in AF patients as today one of the most important side effects, if not the most important side effect that is seen by physicians. So, we think this is – this is very significant. And I want to leave it at that. We’re currently analysing the data inhouse of the stroke and the AMI data. And we’re crunching the numbers right now. We’ll be producing – we’ll be presenting this at a scientific meeting after the summer. And then we will have clarity on how we are going to drive the phase III programme.

Pete Verdult: Thank you.

Operator: Next question is from Sachin Jain from Bank of America. Please go ahead.

Sachin Jain (Bank of America): Hi there, Sachin Jain, Bank of America, two topics, both actually just clarifications of prior. So just Werner on the macro factors and the volatility you’ve referenced, just to get a bit more colour, just checking if the current macro factors that you see continue we should think of guide as conservative and macro factors have to
worsen not to see guide upgrade later in the year. Just – you know, just to clarify the
volatility you referenced. And then Stefan, apologies some further on asundexian if I may.
Just firstly how are you thinking about should you make a phase III decision partnering this
asset versus progressing it on your own? And then you’ve referenced making a phase III
decision in the back-end of the year. I just want to be super clear on this. So, the NEJM paper
on PACIFIC-AF pretty much said a phase III in SPAF was warranted. So, is the debate you’re
having whether you go broader than SPAF into non-embolic/ACS which is the data you have
inhouse? Or is SPAF still a debate? Thank you.

Werner Baumann: Let me start again with the first question before I hand it over to Stefan
again. So, on macro what we’ve seen in quarter one, assuming that that would be stable,
would of course provide upside, yeah. So, there’s no limits that we have seen in our ability to
manage that volatility in quarter one and you’ve seen us take strong action on pricing.
Rodrigo referred to it earlier and you also see it in the reported numbers. We have coped well
with the supply chain stress that we see across our businesses. So, we are managing our
product supply organisation and our people, you know, go out of their way and jump through
fire rings in order to make the stuff that we can sell because, you know, demand is really
very, very strong. And my comments and also Wolfgang’s comments were related to the
volatility that is out there without us knowing what’s going to materialise. So, if we see a
relatively stable environment the way it is right now things would be actually I think very,
very good. But as a matter of caution due to the fact that we don’t now what’s going to
happen in the next months to come, we have stayed with the guidance. And just let me
repeat what Wolfgang said, for the time being.

Stefan Oelrich: So again, on asundexian whether we can go broader than AFIB that is
precisely what we’re looking into right now based on the other two studies. This is a very
broad study programme that we did in terms of patients that we enrolled. So, lots of data to
look at, both in stroke and AMI. And yes, we’re encouraged by the results from the AFIB trial,
as I said, and we see ourselves phase III ready in – for decision-making in the second half.

So, in terms of partnering, you know, we have full global rights to asundexian. It’s ours and
we have been building a US footprint for the Kerendia™ launch and we’re also supporting
Merck in their Verquvo™ launch in the US. So, we have a good presence that we can build on.
We have not currently made any determination whether to partner or not but that is
obviously always an option that we have. But we feel also strong enough if need be to go
alone.

Sachin Jain: Thank you, very clear.

Operator: Next question is from the line of Michael Leuchten for UBS. Please go ahead.

Michael Leuchten (UBS): Thank you very much, two questions please. One for Rodrigo, just
going back to the beginning of the year where you made it very clear that the guidance for
this year was mostly based on price. Now you had almost 6% volume growth in the first
quarter. Was that ahead of the expectations or was that volume contribution in line with how
you thought the year was going to progress? And then a question for Stefan. I think it’s been
a while since we’ve seen some pipeline pruning at Bayer in Pharma. Just wondering if you
could talk to the timing of the discontinuations, the decisions and what would have been the
underlying Pharma EBITDA margin in the first quarter had there not been the R&D charge for the quarter. Thank you.

**Rodrigo Santos:** Thank you for the questions. Let me start on the Crop Science here. So, we saw 75% of our growth driven by price and 25% by volume. We are pleased to see some of the volume increase, especially in Corn as was mentioned by Wolfgang, that we have almost globally with exception of US because of our acreage reduction that we are seeing, a shift into soybean to be more precise. But also, we saw some anticipation of volume for the fungicide. As an example, we could see a little bit of that, and that's why we still see some growth on the second quarter, but probably half of what we saw in the first quarter. So that's a little bit of the plan that we have. And then second quarter, second half of the year, as we mentioned.

So again, I think that for the full year, price will be the major contribution of growth that we're going to have for the Crop Science division. And I'm glad to see the execution and the discipline that we're putting in all the markets, in all the business lines for that one.

With that, let me pass the ball to Stefan here.

**Stefan Oelrich:** So, thanks, Michael. Yeah, bad data from clinical research is never a good thing to have. Thank God we don't have much of that lately, but the effect on the first quarter is not that much. If you look at our margin, it's mostly currency headwinds that we've been getting and then also that we had on the bright side, the PRV last year in the first quarter that we don't have this quarter and then pipeline is relatively minor. But we should be on our target margin for the year.

**Michael Leuchten:** Thank you.

**Operator:** Next question is from the line of James Quigley from Morgan Stanley. Please go ahead.

**James Quigley (Morgan Stanley):** Hi, there. Thanks for taking my question. A couple product question and a provision question. So Nubeqa™ got fast-track designation in the metastatic setting. What's the feedback been from the Arasens trial data so far and how has – based on the feedback, how are you thinking about the pace of the launch, and what are the key areas or issues that you need to overcome with potential prescribers in terms of using chemo combined with Nubeqa™?

Then on the broader Factor XI portfolio so [inaudible], the trials completed in end-stage renal disease per clinicaltrials.gov back in the last year or early this year. What's the latest with these two assets and when can we potentially see the data and are there any particular advantages of using the antibody or mRNA approaches in end-stage renal diseases?

And then just a clarification on potential data timing for asundexian, you said medical conference after the summer, ESC's right at the end of the summer. Are you expecting to miss the ESC or potentially get into ESC?

And very quick final on provision. So, on the glyphosate provision at the end of last year, you said there was $7.5 billion left and you're going to be paying out 2.5 billion euros in provisions this year. What proportion of that 2.5 billion relates to the glyphosate liability, just so we can get an idea of where the freezing could be at the end of the year?

Thank you.
**Stefan Oelrich:** Okay. Thank you, James. So those were quite a number of questions. I hope I got everything of what you asked there. So, the sound quality was not ideal. So please, feel free to complete my answer with more questions. So, on Nubeqa™, your question on how we see the feedback that we're getting on the ARAMIS trial from regulators, obviously positive because we got a priority review from the FDA. So, we should get very soon approval to commercialize this in the United States.

And what we're hearing from the KOL community on ARAMIS is extremely positive and encouraging because we sort of like now cover the two bookends of prostate cancer from the non-metastatic castrate resistant patient to the metastatic that is also treated with chemo. So very encouraging from a data perspective and you know that's what counts in oncology, and we believe that this will further boost our already positive launch trajectory on Nubeqa™.

Factor XI, so yeah, you asked me a really good question. When does the summer end? So let's say that the summer ends somewhere in the month of July and August in our neck of the woods. So that may include some congress in Europe. So, I think, let's say that summer ends before, then we'll be in some congress from thereafter. I can't give you the name of the scientific meeting because I'm not allowed to. And yeah, there was a part of your question that I couldn't really hear in terms of other things on asundexian. And so, you may want to ask that again, please.

**James Quigley:** It was more just an update on the Factor XI antibody and the RNA therapy. When could we see some data on those two?

**Rodrigo Santos:** Yeah, well look – it's just like asundexian, we're crunching through the data and we expect to take one decision in the second half in terms of what we do with all three of them. We have an antibody and antisense and an oral and we'll take it from there.

**James Quigley:** Great.

**Wolfgang Nickl:** Yeah. James, I'll take the provision question. You may recall at the end of the year, we had about 9 billion on the books in total for provisions on the legal complexes. You saw us paying out about a half a billion in Q1. And just as a reminder, these are not new settlements. These are just agreements that we reached last year and they're just coming to a payout.

That leaves us somewhere in the eight and a half range. In general, it includes of course, glyphosate, but also PCB and a little bit of Essure and Dicamba, but you can walk under the assumption that the vast majority is glyphosate, think somewhere around 80% of that.

And then you heard that we just got the preliminary approval on PCB for the class settlement. So, you can assume that once that gets finalized, there are also payouts from there. And it's still our assumption based on the pre-agreements that we had for the year that we'll have total in our cash flow and in our net debt forecast around two and a half billion euro. So some to come for the remainder of the year.

**James Quigley:** Great. Thank you.

**Stefan Oelrich:** You're welcome.

**Operator:** Next question is from Keyur Parekh, Goldman Sachs. Please go ahead.
Keyur Parekh (Goldman Sachs): Hi. Thank you for taking my questions, two if I may please. One, kind of given the growth in crop and given you're expecting about 11% growth in the second quarter for the crop business. Wondering how much glyphosate pricing needs to decline in the second half of the year for you to achieve that 7% guidance for the full year because kind of on my mind glyphosate pricing would have to be down kind of north of 25% for that, to be real. So just wondering if that is indeed the correct math. And do you have visibility on the reopening of Chinese production then? That's kind of question number one.

Secondly, wondering if you're able to provide any update on the situation with SCOTUS. I know that there's nothing kind of publicly available, but just any how confident you are that you will hear back from the Solicitor General during the middle of 2022. Thank you.

Rodrigo Santos: So, thank you for the question. Let me start on the pricing of glyphosate and the plan that we have. So, when we guide and Vincent was referring to that right on the beginning of the call here, when we guide for the year, we plan the year that we would have a very strong first six months and we would have a weaker second half of the year, that was part of the plan. And by the way, consistent to that that's the execution that we are doing probably a little bit better than that.

So, what we planned for that, and again, working 25 years in this industry and with glyphosate, we saw those scenarios before, right? So, what we planned for the second half of the year is more on normal price of glyphosate as we compared to the historical level with some additional costs that happened to all of the industry. So that's why we have on the plan. As Werner referred, we're going to continue executing and hopefully, we can do better than that, but that what the plan that we put in place to the second half of the year.

With that, I'll over to Werner on the second part of the question.

Werner Baumann: Yeah, thanks, Rodrigo. Okay. So, on SCOTUS, the delivery of the government's opinion through the Solicitor General is not time-bound. So, there is no deadline that we can put our heads on and hence, we are just waiting for that opinion to be released. So, for the time being, there's really no further update that we can give because there are no deadlines yet.

Operator: Mr. Parekh, are you finished with your questions?

Keyur Parekh: Yes. Thank you.

Operator: Next question is from the line of Falko Friedrichs from Deutsche Bank. Please go ahead.

Falko Friedrichs (Deutsche Bank): Thank you. Two questions, please. My first one is Xarelto™, right it declined 5% in the first quarter. How much of this was really driven by China, or putting it differently, how would it have performed in Q1 without this China headwind?

And then my second question is on your soybean business and whether you feel that you're catching up in the market again and gaining market share again, or whether that is still too early. Thank you.

Stefan Oelrich: Hi, Falko. So let me try to give you an answer. So, we've seen positive growth across all of our regions and Xarelto™ in the first quarter except for China. So, China
was basically a 50% reduction of our sales, which is a combination of price and volume in the first quarter, as a consequence of VBP. Europe, still strong growth. Japan about at previous year. So that was where we stand.

**Rodrigo Santos:** So, let me go to the second part of the question on the market share in Crop Science here. So normally working on this market for so many years, I’m very cautious about market share on first quarters, especially because in US, we are just about initial planting.

Just to give you a data I was looking on Sunday, the planting is very late in the US, we have 22% planting in corn. By the weekend, normally five years average would be 50% or in soybean, it's 12% when normally five years average is 24%. So we are late. It's hard to make a precise number of market share. What I can tell you is that we see and we projected for this year that we’re going to be the leading platform in soybean. And I think we’re going to be the leading platform in the industry in US and that's what we're seeing on our numbers as well.

So, I'll give you more details on market share on Q2 as we get more the planting and the data real, but that's – we're still very aligned with the plans that we set for the year for soybean.

**Falko Friedrichs:** Okay. Thank you. And are there any specific reasons why the planting is a little bit delayed this year?

**Rodrigo Santos:** It's weather-related. So, you have cold weather in some regions, some dry weather as well. So that's a delay and that's about the shift that we are seeing in terms of soy and corn that was announced. Two to four million acres from corn to soy is related to that as well that we'll be to see in the end of the day. Thank you.

**Falko Friedrichs:** Okay. Thank you.

**Operator:** Next question is from the line of Joel Jackson from BMO Capital Markets. Please go ahead.

**Alex Chen (BMO Capital Markets):** Hi, this is Alex Chen on for Joel Jackson. Thanks for taking my questions. For my first question, could you maybe talk a bit about the challenges, if any, pushing through inflation into crop chemicals pricing and how this might differ for glyphosate and non-glyphosate products?

And for my second question, maybe you could provide us a bit of color on sales to Ukraine so far and how, or what is your projections or how much of Ukraine’s acreage has been or will be planted. Thank you.

**Rodrigo Santos:** Let me share what we projected for the year overall as we mentioned for the corn, fungicide, insecticides a price increase of 6%, 7% and we are executing that one above the inflation. So, we are able to drive the growth that we planted. So I’ll reinforce some of the numbers that was mentioned by Wolfgang. And on the first quarter we saw a 19% increase in fungicide, 12% insecticides, 10% in corn majorly driven by pricing, and we are able to capture that one based on the value of the technology innovation that we are bringing here. This is the main driver of the value here, is the innovation and the technologies that we are launching in the market.
And we are seeing that one. And that’s also when I look to the plans for the next years, the reach of the pipeline that we have, we just announced this year, this is the year that we announced the most prolific pipeline that we’ve seen in many years. So, we are seeing that a lot of the precision breeding that we are doing on soybean, corn, cotton as well we are seeing new launches of biotech as well.

So that’s a little bit about that. And just one information about Ukraine and then I’ll pass to Werner to complement. We are seeing around 75% of the crop in Ukraine, in the crop science to see planted by the farmers. Werner.

Werner Baumann: Yeah. Thanks, Rodrigo. Just let me add maybe a couple of points. So, beyond crop, you’ve also seen probably in consumer that we have taken strong price. Yeah. So to the extent possible we are passing on inflation with pricing that we are taking. And on top of that, for quarter one, we haven’t seen any impact that would be material in our numbers from Ukraine and actually, as a matter of fact, also from Russia.

And the Ukrainian business is mostly as Rodrigo mentioned is mostly an ag business with two thirds plus being ag and we’ve been I think not only us, but all companies that operate in the ag inputs area have gone out of their way in order to make sure that they can supply and quite a bit of planting has actually happened here, which is I think given the circumstances is good news.

Operator: Mr. Jackson, are you finished with your questions?

Alex Chen: Yes. Thank you.

Operator: Next question is from the line of Christian Faitz from Kepler Chevreux. Please go ahead.

Christian Faitz (Kepler Chevreux): Yes. Thank you. Good afternoon, gentlemen. Congrats on the results. Question for Wolfgang, you mentioned the 200 million cost inflation in crop science in Q1. What was the cost inflation in the other two segments, roughly? And is it fair to assume similar cost effects for Q2, but that decreasing your year-on-year effect into Q3 and Q4 at current input prices?

And then my second question is any impact from the current China lockdowns on your activities as you can touch from here on? Thank you.

Wolfgang Nickl: Thanks. Let me be rather generic here because we don’t want to break it out everywhere. We did it in Crop Science because it has by far the biggest COGS portion. As Werner said, we have inflation everywhere. It’s one of the macro trends. It’s on energy, freight, active ingredient. It’s also on labor and the job is really to pass that on to the market. And that is working pretty well in Crop and Consumer Health, is a bit more difficult on Pharma, where most of it is pre-negotiated. I’ll let my colleagues comment on China probably because it’s, or Werner, if you take a first step at it and the effects there.

Werner Baumann: Yeah. Hi, Christian. So, on China, quarter one virtually no impact but more in the making. China is clearly impacted by the lockdowns. We see it in our consumer also in our pharma business. To which extent this is going to have a bearing on our number, way too early to tell because there’s no clear perspective on how long and how severe the lockdowns will continue to be. So, for the time being I think everything is said in terms of our perspective on the year.
**Christian Faitz:** Okay, great. Thank you. Very helpful.

**Operator:** Next question is from Steve Byrne of Bank of America. Please go ahead.

**Steve Byrne (Bank of America):** Yeah, thank you. Rodrigo, we heard from a couple of ag channel checks that you were selling some Enlist soybeans this year. Might you shift in that direction or is this just certain geographies or would you characterize this as kind of testing the waters ahead of your own next generation herbicide tolerance stack, that's going to have 2,4-D tolerance in it and when might that happen?

**Oliver Maier:** Very hard to understand, are you using a headset or anything? Any chance to improve that because we had a hard time to get that question.

**Steve Byrne:** Maybe this would help?

**Oliver Maier:** Yeah, a little bit better. Yeah, let's try that.

**Steve Byrne:** All right. My question was to Rodrigo about some channel check comments that said that Bayer was selling some Enlist soybeans this year. I don't know if that's just kind of a testing the waters ahead of your next generation soybeans stack that's going to have 2,4-D tolerance in it. When do you think that might be available?

**Rodrigo Santos:** Yeah. So there is two – let me talk a little bit about the platforms here in soybean. That's a great question about our soybeans. So, we are seeing a great transition and that's the price impact that we saw on Q1 for XtendFlex that's the first migration that we're seeing.

And we have [HT4] that you're mentioning that we're planning to launch by 2026, 2027, depending on the regulatory scheme. So, we are following that one. So, what we have today is the migration for XtendFlex. Xtend will continue to be our main platform. As we talk also previously, we're going to have, at least in some specific situations in markets, but we are planning the full launch of [HT4] that we're going to have our own 2,4-D resistance in the future, and that's a very good platform and that will be a major breakthrough in the market as well.

**Steve Byrne:** And then one follow-up for you, Rodrigo on the Intacta 2 launch in South America. I know the harvest is still underway, but any comments on how your Intacta 2 compared to Intacta 1 with respect to yield and maybe more importantly, the requirements for insect protection applications, how did those compare, any changes to your expectations on that ramp?

**Rodrigo Santos:** Well, thank you for that question. That's a great question and we are very excited about the Intacta 2 Xtend. I was in Brazil three weeks ago in Mato Grosso visiting some farmers and it was really amazing to see some of the performance there, and you nailed it, right? So, we are seeing great yield results. We are seeing an yield improvement. That's the main driver for the farmers to select the technology and we also seeing a broader expectorant of control of worms there as well.

So, it's a little bit above what we were expecting and we are seeing a great shift from Intacta to Intacta 2 Xtend in Brazil. So, it's going extremely well so far. Of course, we're still harvesting time and we're going to see more of that, but it's going very well.
Steve Byrne: And how do you prevent those seeds from being transferred to Argentina illegally?

Rodrigo Santos: Well, there is several actions here. So first of all, there is no regulatory in Argentina. So, you don't have an approval different from the past that you'd have an approval in the country to plant. There is no regulatory approval in Argentina. Also, there is other actions that you can take legally actions and also in terms of agreements in place.

But the major one is that there is a regulatory and there is no breeding effort in Argentina. So there is no varieties that are being developed for Argentina as well. So there are several elements of that, but I would say that we are confident that different from what we saw probably on the first generation many, many years ago, this case now here we have all the patent protection. There is no breeding efforts for Argentina today and there is no regulatory approvals as well.

Steve Byrne: Thank you.

Rodrigo Santos: Thank you.

Operator: Next question is from Richard Vosser of JP Morgan. Please go ahead.

Richard Vosser (JPMorgan): Hi. Sorry. Excuse me. Hi. Thanks for taking my question. Just to follow up on Sachin’s question first of all, just, it seems to me that one of the strategic things that you mentioned lacking in Pharma was a credible strong US business and building that up. You've been doing that with Kerendia™. So just a clarification on the comments on the Factor XI because that would seem to really bring you to the first rank in terms of having a US business and the comments on partnering leaving that open. It seems that would address some of the strategic issues. So just your thoughts there.

And then just, secondly on ag probably a little early, but should we be anticipating current environments? You mentioned that the weather leading to late planting, but pricing for next year in terms of the North American season, we've obviously had increasing price cards this year and in August, you will have a chance to think about that again. Should we anticipate with input costs rising pricing being raised again for 2023? Thanks very much.

Stefan Oelrich: Hi, Richard, and thank you for sharing our enthusiasm around asundexian and around our strengthened US position. So yes, we are building for success in the US, and yes, we're ready to do this on our own. I just said that I want to never exclude an option as we have it. So let's stay tuned for our phase three program, but we are ready to do this ourselves.

Rodrigo Santos: And Richard, let me tackle the second one. Also, thank you very much for the question. So let me share a little bit of perspective here. It's a great question. I've been working in this innovation industry for 25 years. So let me share one thing when we are planning prices. The first thing that we see when we take a deep look on an innovation, like our engine here is our performance.

Performance of our technology, our innovation and I’m very excited what I'm seeing and that’s something that it's important. We announced that we launched 500 new varieties and hybrids coming from the precision breeding that we set up. We are launching SmartStax Pro in US, VTPro4 in South America. We just talked about Intacta 2 Xtend and XtendFlex and we have ThryvOn launching in cotton.
So long story short, when I see our plans for 2023, I'm confident. It's early to say what would be the price cards for next year. But of course, that's a very important element, when we see the guidance that we set for the EBITDA margin for the next years will be the pricing. I think we have a good engine in terms of innovation. We have a good discipline on pricing. So, I feel confident about the plans that we're going to probably launch by June, July, as you mentioned. So, I see today it's too early to talk about 2023 and 2024, but the fundamentals are very strong. Let me say like that. Thank you very much.

**Operator:** Mr. Vosser, are you finished with your questions?

**Richard Vosser:** I am indeed. Thank you very much, that's very kind.

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

**Oliver Maier:** Great. Thank you very much, Stewart. Thanks to all of you for your time and attention today. And for the great questions. Greatly appreciated. So this closes our call for Q1 and talk soon. Thank you. Stay safe.

**Operator:** Ladies and gentlemen, this concludes the first quarter 2022 investor and analyst conference call of Bayer AG. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]

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