Virtual Capital Markets Day 2021

Thursday, 11th March 2021

Q&A

Ariane de Hoog: Welcome back, everyone. Thanks so much for submitting your questions throughout the day. And I'd say let's get started with our Q & A now. The first question that we have goes to Christian. It's from Falko Friedrichs, Deutsche Bank. And the question is when do you plan to move your P2X3 compound into phase III trials? And can this drug become a blockbuster candidate if it successfully launches to the market?

Christian Rommel: Yes, thanks for the question. We expect the first phase IIb data for the program by the end of the year. And then I mentioned that we are committed in multiple areas. So, the next round of data will come in the first half of next year, and we generate the data to make data driven decisions. We see a lot of value in this program, and we are very committed. And I get from the question that you share the excitement and the team and I, so we do.

Ariane de Hoog: Fantastic. The next question I have is for Wolfram, it's from Michael Leuchten, UBS. And the question is AskBio, if we would move to other vectors away from AAV, what would that mean for the business model and contract manufacturing setup?

Wolfram Carius: Yeah, thanks a lot for that question. I would say first AAV obviously is a safe platform for delivery which is proven to be on the market and will be within the market for quite a time. But the gene augmentation has three components: the capsid, the AAV, the part of the promoters and also the genetic material. And of course, we are also working on this technology, the available technology platform on different alternatives for the delivery for the long-term. So, this would not burden any value of this outstanding platform and experience we have, be it on the doggy bone part on the genetic materials, the excellence on the promoter side. So, it would not harm the CDMO business because of course we would also be able to support that with new delivery methods, if they are coming up and being really requested and being safe.

Ariane de Hoog: Great. Thank you. The next question I have is for you, Bob. It's from Falko Fiedrichs, Deutsche Bank. When is your herbicide with the new mode of action expected to launch to the market and how many years of a head start do you have with your product versus your competition?

Bob Reiter: [Answer in live session related to HT4. See below for response related to new herbicide molecule]
Bayer's new mode of action herbicide advanced to Phase 3 in 2020, after advancing to Phase 2 in 2019. We're very excited about this first new mode of action post-emergence herbicide in 30 years. It demonstrates excellent control of grasses, including some that are glyphosate resistant, as well as some control of broad-leafed plants. In addition, we've started a discovery program for a biotech trait, which would open new opportunities for herbicide tolerance systems in major crops. We're currently anticipating launch near the end of the decade.

Ariane de Hoog: Next question I have is for you, Robert. It's from Michael Leuchten, UBS. A Vitrakvi competitor has entered the market at a much lower price. What impact has that had on the market?

Robert LaCaze: So, thanks for the question. And, you know, when you think about TRK fusion, the biggest driver here is patient efficacy. This is a rare tumour and price has not really been a key factor for the treatment of these patients. We've even found that when you actually take the compound and you look at the clinical data, the really important part is not just the response rates but look at how long these patients respond. They respond for a long period of time. Vitrakvi is actually the only TRK inhibitor that's a specific TRK inhibitor on the market. Some of the other compounds are multi-targeted kinase inhibitors, so they hit different pathways and not just TRK. The other thing that makes Vitrakvi different is it's the only one that has a paediatric indication and a paediatric formulation.

So, when price has come up and we've been able to have the right discussions with the medical departments at the different payers, they understand the true value that Vitrakvi brings to the patients and we've been there to maintain the value proposition of the compound.

Ariane de Hoog: Okay. I have a question here for Christian, from Jo Walton at Credit Suisse. How to price a drug, which has possible indications that range from chronic cough to diabetic neuropathy? Should we think that other possible indications will be prioritised to move to phase three?

Christian Rommel: I appreciate the question, but I think it's too early to get into the details here. We really want to first further build momentum on the data and, you know, bring the evidence and the mechanism of the molecule and then, although, as you know, working in R&D, I will work with my colleagues from commercial. But I know we know how to do this, and we hope we can get there and give you the answer anytime soon, but not yet.

Ariane de Hoog: I have one more question for you from Richard Vosser, JP Morgan. What differentiation do you see from your exon-20 inhibitor compared to Johnson and Johnson's development product?

Christian Rommel: I'll take that question differently. I think what an opportunity first, right? We all know the value of oncogenic drivers and when providing treatment options for patients that have these kinds of molecular drivers, that was resistant to current standard of care. So, I think we have to work on that. We see an opportunity here to provide a molecule specific solution to what really drives the tumour. And if you have a receptor tyrosine kinase inhibitor, you hit the target that matters most. In the activity of this oncogene. So, and that is what we signed up for. Something I think our chemists are very good at, and we think that we will not sit still until we have a quality, like Vitrakvi that Robert just mentioned. And we are very confident to provide the data that this is doable. And I really go here with the opportunity and the unmet need. And hitting again, hitting the tumour where it matters most on a resistant oncogenic driver is exactly what it's supposed to do, and we are doing that.

Ariane de Hoog: Great. Thank you. I have a question now for you, again, Robert, from Jo Walton, Credit Suisse. For Nubeqa, you have highlighted the biggest patient opportunity and adjuvant with a 2028 study completion. How much of your €1 billion peak is dependent on success in this indication?

Robert LaCaze: So, let me just maybe frame up the prostate market itself so we can get an understanding of how the drugs may flow through the marketplace from a patient standpoint. So,

if you think about the non-metastatic castrate resistant prostate cancer area, that's where Nubeqa is currently approved. These men are, they have cancer, that's actually beginning to progress. And typically, when you look at the clinical trials the men stay on these therapies for three, maybe four years. So, a fairly long period of time. When you go into the adjuvant setting, these are most of the time newly diagnosed patients who have not necessarily seen the drug therapies yet, but they're getting their first drug treatment. Oftentimes, they're using a drug regimen of ADT, maybe for some radiation surgery. And so, what we're looking at in this population, and this is normally a very, very fit population, of healthy men.

And so, with Nubeqa, what we're looking at is adding it to their current treatment. Now, normally, in this setting, the treatments are only for a short period of time, maybe eight months or twelve months. So, they're not on it until progression. So, it's a much shorter period of time. So, overall, even though there's a bigger number in the adjuvant setting as we think about the opportunity and the adjuvant setting, it's not as large as what it would be in the later lines, shorter duration of therapy. So, a lot of the, so as we think about the overall contribution to the upside on the cells, it's really more in the non-metastatic and the metastatic setting. Now, with that said, the reason why this is an important therapy is if you think about these men and if you can actually prolong progression-free survival, or even metastatic free survival, or maybe even overall survival, you need to do this in such way where you're not adding burdensome side effects, and that's what makes Nubeqa, so such an important treatment option or therapy, assuming that the data is positive in order to give a much earlier line of treatment what they profile that can be that's needed for this patient population.

And Ariane, one last thing that I wanted to just mention, you asked me about Vitrakvi earlier on, I was speaking more for the U S market in terms of the price. I just wanted to transition back to that question, because I forgot to answer the other question from a European standpoint. In Europe, as we know, the price is driven mostly by HTAs and there is a whole different dynamic that occurs in Europe as we think about the price. And so, I just wanted to make sure that I clarified the early answer was more specific to the U S and then we go through the appropriate HTA type of negotiations from a European standpoint.

Ariane de Hoog: Super, thanks for that clarification. All right, moving on now back to you, Bob. Christian Faitz from Kepler Cheuvreux has a question. Will there ever be replacement for glyphosate in terms of trade herbicide combination that does away with the current weed resistance issues?

Bob Reiter: Yeah. You know, we often get asked the question about glyphosate and what, you know, when's the next glyphosate coming? And the reality is, you know, I would say glyphosate was a once in a lifetime discovery. It's a reflection of today why it's still such a popular herbicide with farmers and continues to be really, I would say the pillar of their weed control systems. What I would say instead is that what we're probably going to see is how do we better leverage all of the data and insights we have around weed control and help growers think about weed control differently? Because today, what we do is we provide growers with, you know, a jug of different chemistry options. We try to describe to them how to best use those, but we don't really help them, I would say, think about holistically weed control management over a multi-year period, and

in a way that really both fosters weed control for them on an annual basis, which is what they're trying to get done, but also more importantly, weed resistance.

I don't care what the chemistry is. And glyphosate is a perfect example. You know, mother nature will survive and it will figure out a way to overcome solutions that we try to bring to the market that farmers try to use. So, I think the opportunity really here is, how do we provide growers with very integrated systems and also offer them solutions that are more outcome-based? And I think that's one of the exciting things, as I think about our tools, where we're going to provide, you know, multiple modes of action for flexibility, and we provide data insights and to think about what are the right solutions you want to use before you ever plant, and what are you going to use after you plant? How can we do that more precisely and more environmentally friendly, and how do we do it in a way that manages weeds, thinking about the long-term, all that is really complex stuff. And I think it's really, I would say where the frontiers are going to be in terms of weed control. It's really going to be about bringing holistic solutions as opposed to trying to invent one new solution that we think is going to be the saviour for us in the future. It's really about a systems approach in my view.

Ariane de Hoog: Next question goes to Christian from Jo Walton, Credit Suisse. You acquired KaNDy with a phase III ready asset with €1 billion peak sales for only $425 million. In such a competitive market for pharma M&A, why do you think others were not interested in this blockbuster?

Christian Rommel: I think here we see the opportunity when you are a leader in an area. So, Bayer Pharmaceuticals is a leader in women's health, and with this comes not only a track record of important medicines and a portfolio. It comes also with a standing that you have your network of investigators, you have physicians, you know, there's so much that makes us magnetically attractive to assets and opportunities for partners. I think I can share that has been a competitive process if it didn't come for free but I thought we were most compelling for the science we represent, our values and our leadership, and we are now proceeding as a full commitment. And I think that was the reason why the team from KaNDy thought, you know, to work with us and give us the baby in our family was the best idea. And I agree with them.

Ariane de Hoog: Great. Next question is for you, Wolfram. James Quigley from Morgan Stanley asks, how large is the Virogen CDMO business within AskBio? Who would you say the key competitors are? And could you give us an idea of the market share of Virogen and its key markets?

Wolfram Carius: Sure. I mean I think it's known through all of us that the capability and also the capacities to develop and manufacture the products in the cell and gene therapy area is absolutely key. And the CDMO market is really growing in high double-digit percentages. So, the differentiator in this market is clearly the track record on part of quality and safety and on time to market. And I think with Virogen we have a world-class position there integrated very deep supply chain being able to really assist and help people to bring product to the market. We strive for around 82 up to a 100 million sales, but that is the very beginning of the journey in a super dynamic market. We already started to quadruple, for example, our capacities in this CDMO business.

Main competitors I think are widely known. It is Thermo Fisher being very active through various acquisitions in the last years. It's Lonza with a second attempt to bring that to the market. Those are the main two, I would mention.

Ariane de Hoog: Great. Thank you. Back to Christian, a question from Michael Leuchten, UBS. There's always been good science at Bayer Pharma, but the organisation has managed to pick immense commercial battles in markets that required building them from scratch. What can be improved from this perspective? Does it need to be improved?

Christian Rommel: Yeah, thanks for mentioning the quality of our science or the innovation we do. Again, I agree, I'm now with the company since few weeks, and that's what I found, a good quality science and innovation. You know, I think with the story and track record of Xarelto or Eylea we have shown and proven that we can take on those opportunities. We see the opportunity and the challenge when going into these larger indication market. And I can tell you if you see another opportunity that is built on great science, and addresses an unmet need, we'll do this again. We can do this on our own or we can do it in a partnership but we will not miss an opportunity to make an impact for patient and then on buyer.

Ariane de Hoog: A question for you, Bob, from Christian Faitz, Kepler Cheuvreux. Nitrogen fixation. What is the market potential in your view?

Bob Reiter: Yeah, so you know, obviously, fertility, particularly in a crop like corn, is super important. Wheat would be another example of that. So, we're talking, you know, the potential for potentially hundreds of millions of acres. If you look at just those two crops alone, worldwide, the question of course is going to be is how much do they help? Right? So, and microbes that have nitrogen fixation and are going to help the crop in terms of capturing nitrogen from the air and then providing it directly to the plant. It'll be dependent on how much of the nitrogen offset that they're creating versus providing synthetic fertilisers and the price of that fertility. There could be some synergistic effect candidly between fertility that's applied and the nitrogen fixation and the nitrogen that gets applied through the nitrogen fixation process.

And then, I think the third element, which I think is maybe even more important in this whole opportunity space is, is nitrogen is a very big to the overall climate change impact space, as we think about agricultural production. And so, how do we better optimise nitrogen use? And I think these kinds of tools I think are going to be really critical as we think about some of our sustainability goals at Bayer and how we want to help our farmer customers be more environmentally sustainable. If we can leverage these tools together with how fertility is applied, which I think is how I ultimately see these things working together you know, I think huge farmer interest and hundreds of millions of acres that the space of the application is available. So, big idea, lots of excitement, lots of big opportunity, but still obviously, a long way to go, technically.

Ariane de Hoog: Christian, back to you. Question from Jo Walton, Credit Suisse, you are excited about your ATR drug, how is it differentiated versus others?

Christian Rommel: So, why are we excited? DNA repair is amongst the most important hallmarks of tumour biology. The cancer is able to deal with two major surveillance mechanisms, immune surveillance, and DNA integrity surveillance. And we see an opportunity to, again, hurt the tumour where it matters most, you know, we want to block the, this escape mechanism and

block DNA repair. So, in addition to this, is that understanding the molecular genetic networking relationship, these synthetic so-called relationships give us two opportunities. One is to identify the patient population to tumour type, but most important here, that patient population that is most likely to be sensitive and respond best to such a therapy. And that is part of how we design and pursue our phase I development.

And that's the kind of science we need to do in the clinic. So, if we can build confidence, can get data and make decisions whether we go all in and go forward, or maybe not. And here we believe that this is the opportunity. Second is the DNA repair mechanism ATR by itself offers opportunities for combination therapies and we are pursuing that. How will it be different? And better? I think we have a very fine molecule. I think I mentioned in my presentation that I'm very impressed about the quality and the track record, there is almost an historic knowledge in Bayer on small molecule drug discovery. And I now see a high quality. So, we, in this program, we can focus really on the target, on target mechanism, on target safety, so that will enable us. And then we have to of course bring the evidence and the data, but we are now committed to do that.

Ariane de Hoog: Thank you. Bob, back to you, a question from Vincent Andrews, Morgan Stanley. With one of your competitors planning to launch an insect trait in Brazil, what's different about the Brazil soy market versus the US soy market that we need to not worry about increased competition, like we've seen in the US with Xtend and Enlist?

Bob Reiter: Yeah. Thanks for the question, Vincent. So, they are very different kinds of markets. And so, here's some of the main differences. So, first of all, the soybean market, as we think about traits in Brazil, it's really about insect control. That is the thing that drives some of the decision-making and what the grower really values in the Intacta platform and our franchise down there today, which is very well established. So, that's the first piece. Insect control is number one, weed control would be number two.

The second piece is the weed control dynamics in the two geographies are quite different. So, in the North American market the attractiveness of additional systems that complement the Roundup ready system, were really driven by some broadleaf weeds, which do not have the same presence in South America. So, some of the, as we launch our Xtend platform, or we see competitor platforms being launched, the core still for the grower down there is going to be glyphosate and using Roundup over the top they will have the opportunity to use the Xtend platform to do some minor clean-up, but the key they're really, they worry about grasses more than they worry about broadleaf weeds.

So, they have a different weed spectrum. And then the third piece for me is that given that we have such a well-established Intacta platform, and we have such a good seed footprint together with our partners there, we're very well established in driving the genetic performance that goes behind as we launch Intacta 2 Xtend and given the support we have of the key genetic partners and our own footprint there in South America. And the fact that our insect protection has three modes of action, which is really compelling for the grower in terms not only of excellent insect control, but broader insect control spectrums than they've experienced with the first-generation Intacta. We feel that we're in an excellent competitive position. So, very different dynamics. We feel really strong about our position. We're obviously launching later this year, given that we have

all the regulatory approvals as well. And we've got terrific genetics. So, we're really excited by that. And I think our customers are going to be really pleased.

Ariane de Hoog: I come to the final question of this Q & A, and it's for you, Christian. It's from Peter Verdult of Citi. What has happened to the Dimensions Therapeutics haemophilia gene therapy project?

Christian Rommel: I think only good things so far. Ultragenyx acquired the asset form Dimensions, so the program is active. It's in phase II, and we'll provide update. It's an active program and we are working with Ultragenyx.

Ariane de Hoog: Thank you very much. Well, on that note, our 30 minutes are already over. I want to thank you so much for your time and your insights. We didn't get to all the questions. So, absolutely the investor relations colleagues will follow up on any questions that were not answered during this event. Big, thanks to you again. This concludes our second and final day of Capital Markets Day 2021. And with this, I'd like to hand over to Oliver for some closing remarks.

Oliver Maier: Thank you so much, Ariane. I hope that you all enjoyed our Capital Markets Day. As you have seen during the past two afternoons, Bayer is accelerating its transformation to create sustainable value towards 2024 and beyond. I hope that you share our excitement about the future prospects of Bayer, and I hope to see you all soon in person again. I would like to thank you all for your time and attention during those days. And Ariane, it was an absolute pleasure to have you here with us. Thank you so much. And I'd like to thank you for your very professional moderation actually today. Thank you.

Ariane de Hoog: The pleasure was truly all mine. As we mentioned before, you can now access all of the presentations, materials, videos in our resource centre. For those of you who registered for a coffee break, we will continue that after a short break at 17:30 CET. And so, just use your individually shared Teams invite for that. All of the others are of course, invited to explore a platform, exchange in the chat lounge, or also take a look at the Leaps exhibition and our Leaps experts are going to be available for you again in the chat lounge from 17:00 until 19:00 CET to answer any leaps related questions that you may have.

Oliver Maier: We now say goodbye from the communication centre here in Leverkusen. And we wish you guys all the best, have a good rest of the day and stay healthy and safe. Bye-bye.

[END OF TRANSCRIPT]

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