



Q2 2022 Aide Memoire

as of July 19, 2022

In an effort to continually improve our level of transparency and service to our investors, we are providing a quarterly Aide Memoire ahead of our quiet period and concurrent with our publication schedule. This communication is intended to provide some of the influencing macroeconomic and business factors and a summary of previously shared information impacting the respective quarter. Please note that this release and all information therein is preliminary and unaudited. Consistent with our prior practices, any necessary updates to our guidance will be provided during our quarterly or ad-hoc disclosures.

***** Please note that our Quiet Period starts on July 21, 2022. *****

Group

// Energy Cost and Supply

- // Energy costs are less material to our operations since we transformed to a Life Science Company over the years. In 2021, costs for energy and utilities accounted to approximately 2-3% of total production cost (approx. €400-450m), thereof a third occurred in Germany. Within our total energy consumption in 2021, natural gas made up less than a third.
- // As of today, we have fixed prices for significant volumes of our natural gas demand in our contracts for around the next two years.

- // In fact, the potential risk to our operations is from second-order impacts (indirect), from suppliers and contract manufacturers with high energy dependency. To mitigate this, we are engaging our entire supply chain to ensure their ability to source energy and continue operating as much as possible.
- // We also decreased dependency on fossil energy and increased the share of renewable energy to approx. 25% in our total purchased energy electricity procurement mix in 2021.
- // As a systemically relevant company, safeguarding our access to energy is one of our biggest priorities right now and preparations at our sites are already very advanced.
- // Mitigation efforts are being prepared and updates will be given as we proceed.

// **Russia / Ukraine**

- // Russia and Ukraine together make up approx. 3% of our revenue. We do not have major production facilities in either region.
- // Our FY guidance as of Q1 2022 does not include any business impacts resulting from the war.

// **Full Year Guidance (as of March 1st, 2022)**

- // For FY 2022, we guided towards ~€46bn net sales and ~26% EBITDA margin before special items, core EPS of ~€7.00 and Free Cash Flow of ~€2.0bn to €2.5bn (constant FX, i.e. at average 2021 rates).

// **Links**

- // Please find here the link to our updated [FX Simulation Tool](#) for net sales.
- // Previous quarter transcripts and Investor Call presentations can be found [HERE](#).

Crop Science

Q2 2021

- // In prior year quarter, Crop Science with strong growth momentum supported by positive market dynamics (sales grew 11% cpa to €5.0bn).
- // EBITDA before special items decreased 25% to €1.0bn (margin at 20.3%); higher prices and volumes along with contributions from ongoing efficiency programs only partly offset an increase in costs, particularly in the cost of goods sold. Earnings were also diminished by a

negative product mix, currency effects of €111 million, and the later receipt of license revenues.

Market Information

- // Commodity prices for corn and soybeans remain strong; Dec. 2022 corn contracts at ~\$6.00/bu and Nov. 2022 soybean contracts at more than \$13.00/bu.
- // Likewise, generic glyphosate pricing was substantially higher than prior year in Q2.
- // USDA July WASDE report indicates ~4m acres of corn planted, ~+1m acres of planted cotton and ~+1m acres of soybeans planted in the U.S. in 2022

Full Year Guidance (as of March 1st, 2022)

- // As shared in our previous earnings calls, pricing expected to be the primary contributor to anticipated FY 2022 ~7% cpa sales growth. Roughly half of that pricing growth expected to come from herbicides, and about half from corn seeds & traits and the remaining crop protection portfolio.
- // Our models from Q1 expected 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 influenced our total outlook with our total sales growth rate expected to be significantly above ~7% cpa for the first half and below that level for the second half of the year. Specific to Q2, Glyphosate market prices remained on a high level, and we mentioned in the Q1 earnings call that we expect the cpa sales growth rate to be about half the rate of growth we saw in Q1, which was +22% cpa.
- // We have guided to 25-26% EBITDA margin before special items for the full year 2022, despite significant cost inflation, particularly in crop protection.

Pharmaceuticals

Q2 2021

- // In prior year quarter, sales cpa increased (+16% cpa to €4.5bn), particularly driven by strong performance of Eylea and Xarelto and a significant recovery from COVID-19 impacts in IUD and Radiology:
 - // Strong performance of Eylea (+27% cpa) and Xarelto (+13% cpa)
 - // IUD franchise (+68% cpa) and Radiology (+37% cpa) up significantly following recovery from Covid-19 impact

- // Double digit sales growth in China (+22% cpa)
- // EBITDA before special items increased +3% to €1.4bn (margin at 31.4%), impacted by launch investments and currency headwinds.

Full Year Guidance (as of March 1st, 2022)

- // FY 2022 sales expected to grow 3-4% cpa with new launches increasingly contributing to topline
- // Eylea™ to grow mid-single-digit percent
- // Xarelto™ to see a slight decrease, VBP pricing headwinds in China started to impact sales in Sep. 2021 and expected to be washed out in Q3 2022,
- // China VBP impact on Adalat™ expected to kick in in H2 2022, leading to flat sales in FY 2022 due to a strong performance in H1 2022
- // FY 2022 EBITDA margin before special items expected to be around ~32% at prior year rates despite ongoing investments into technologies, early- to late-stage pipeline as well as launches and rollouts.

Newsflow (until July 15th)

- // May 19: **Verquvo™** (vericiguat) approved in China to treat patients with chronic heart failure and reduced ejection fraction
- // May 31: **BlueRock Therapeutics** announces completion of enrollment of phase 1 trial in patients with Parkinson's disease
- // June 8: **Bayer's BlueRock Therapeutics** establishes European site for cell therapy innovation
- // June 28: Bayer expands **Radiology** business into AI market with Calantic™ digital solutions
- // June 29: Bayer opens new **research & innovation** center in Boston-Cambridge demonstrating its commitment to precision oncology
- // June 30: **Kerendia™** (finerenone) approved in China for the treatment of adults with chronic kidney disease associated with type 2 diabetes

Consumer Health

Q2 2021

- // In prior year quarter, sales cpa grew (+13% cpa to €1.3bn) across regions and categories, driven by strong spring allergy season (Allergy and Cold +16%) and high Nutritionals demand (Nutritionals +16%)
- // EBITDA before special items increased +9% to €278m (margin at 21.6%), supported by sales growth and disciplined cost management despite launch investments and negative currency effects

Full Year Guidance (as of March 1st, 2022)

- // FY 2022 sales growth expected at 4-5% cpa with a further step-up in innovation.
- // Growth is likely to be front-loaded to the first half of the year 2022 with an easier comp versus 2021, especially in Cough and Cold (PY: Allergy & Cold with -30% cpa in Q1)
- // FY 2022 EBITDA before special items margin expected to be within the 22-23% range. Efficiency measures as well as a focus on pricing are put in place to compensate rising input costs. Higher investment in the brands behind our launches as well as in research and development foreseen to step up in innovation.

Other Information

// Glyphosate:

- // On June 21st, 2022, the U.S. Supreme Court communicated that it does not accept the Hardeman case for review.
- // On June 27th, 2022, the U.S. Supreme Court communicated that it does not accept the Pilliod case for review. We respectfully disagree with the Supreme Court's decisions and believe that the decisions undermine the ability of companies to rely on official actions taken by expert regulatory agencies, as it permits every U.S. state to require a different product label, which conflicts with the clear intent of the "uniformity clause" adopted by the U.S. Congress in FIFRA and similar statutes.
- // On July 12th, 2022, the 11th Circuit rejected Bayer's argument that federal law shielded it from state law claims like the one brought by John Carson. We respectfully disagree with the decision, as a cancer warning would deviate from Roundup™'s EPA-approved labeling, render the product misbranded, and require the company to make a label

change that would be contrary to the consistent conclusions of EPA's scientific assessments for more than four decades. The Court's determination that the FIFRA's statutory registration process is not sufficiently formal to trigger preemption is inconsistent with Supreme Court precedent, and the company will review its legal options regarding further proceedings.

// With our five-point plan, we are fully prepared to manage the litigation risk associated with potential future claims in the U.S. as previously communicated in July 2021.

// **PCB:**

// On July 11th, A Delaware Superior Court judge dismissed a lawsuit filed by the Delaware state's Democratic attorney general over environmental damage from now-banned toxic chemicals known as PCBs. We are pleased with the court's decision to grant our motion to dismiss the case, finding that the State of Delaware failed to meet its burden at this early stage of the case to demonstrate that the company should be responsible for PCB-related environmental impairments in the state.

// The US District Court of the Central California district 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 ongoing both in personal injury and environmental cases, including one involving the state of Oregon.

// **Environmental Science**

// As announced on March 10th, 2022, Bayer to sell its Environmental Science Professional business to Cinven for \$2.6bn.

// Shown as continued operations; transaction expected to close HY2 of 2022, subject to the satisfaction of customary closing conditions. Net proceeds are to be used to reduce net financial debt.

Forward-Looking Statements

This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer

website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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