# Q2 2024 Investor Call

Tuesday, 6th August 2024

## Introduction

Jost Reinhard

*Head of Investor Relations, Bayer*

**Introduction**

Good afternoon and good morning to everybody, and welcome to our conference call for the second quarter of 2024.

**Agenda**

Bill will start our presentation with his perspective on the business development and the progress made towards our strategic objectives. Wolfgang will then speak in more detail to the operational performance in the second quarter and comment on the full-year outlook. The presentations will then be followed by a Q&A, where Bill and Wolfgang will be joined by the presidents of our three divisions.

**Disclaimer**

Before starting, as usual, I would like to briefly draw your attention to the cautionary language included in our safe harbour statement.

And with that, over to you, Bill.

## Business Update

Bill Anderson

*Chief Executive Officer, Bayer*

**Introduction**

Thanks, Jost, and thanks to all of you for joining us. It's really a privilege to represent the work of Bayer today.

Over the next hour, my colleagues and I will highlight the progress that we've made in the past quarter, and we'll take your questions. And in that time, we hope you get a picture of what we see when we look at the company. An organisation that's focused on the biggest challenges and the opportunities ahead of us, that's committed to delivering what we promise, and is making progress in each of the areas we outlined at our Capital Markets Day at the beginning of March.

One of the central commitments we made to you on that day is that this organisation will consistently perform while simultaneously addressing the longer-term roadblocks that hold us back. The 154 days since March 5th have been pretty good evidence that we can do both.

Our business is competitive in each area. We're overhauling bureaucracy, we're ramping up our efforts on litigation, we're stepping up cash generation, we're advancing the Pharma pipeline. Particularly on the last one, you should see us making a lot of progress.

Just yesterday, we got great news on Kerendia, which I'll touch on later in my remarks. We still have a lot of work to do, but I like our momentum, and we can confidently say that team Bayer is up to the task.

Let's start by looking at our operational performance.

**Solid Group Performance**

Here, the key message is we remain on track to deliver. We're confirming our outlook for the Group. Revenues are up slightly in currency and portfolio-adjusted terms, which we'll use throughout the remarks. Core earnings per share came in at €3.76 and free cash flow improved from -€2.6 billion in Q1 to -€1.4 billion at the half-year mark. I'll touch on key highlights from the divisions, and Wolfgang will give you more detail on the numbers and what's behind them.

*Crop Science*

It's no secret that the agriculture market has been challenging. We've felt that as well, but our Crop Science business nearly offset headwinds with corn pricing as well as increased soybean and glyphosate volumes. We saw margin pressure in the first half, but our team has shown discipline in recovering costs and improving inventories to improve our cash generation throughout the first half of the year, and we'll continue to make that a priority in the second half.

*Pharmaceuticals*

Pharma posted another very solid quarter in Q2. The team has good momentum, and I'm impressed by how we're managing the LoE transition. Xarelto declined 11% in Q2, which doesn't come as a big surprise given increasing pressure from generics. On the other hand, our launch products, Nubeqa and Kerendia, are continuing their impressive momentum, with sales of each up 70% or more year-to-date.

Eylea is growing in all regions and the 8 mg launch underway in the first markets. Our base business has proven to be robust. In fact, if you exclude the Xarelto business, our Pharma sales would be up 9% in Q2, and 7% in the first half of the year. That kind of growth would position us at the upper end of the industry, and year-over-year we've managed to expand our margin in the first half of 2024, despite headwinds from an unfavourable product mix, currencies and the higher costs associated with launches.

*Consumer Health*

Consumer Health returned to growth in Q2, bringing H1 sales to a 2% increase, with most categories up. We see great growth coming from our dermatology category, thanks largely to the Bepanthen brand family. And I've heard from pharmacists in Europe first-hand that they're very happy to see supply improvements for Iberogast, which is driving growth in our Digestive health category.

Our EBITDA margin came in at 22.3%. These results put us in a good spot to confirm our full-year guidance. We still have plenty to do, but we're going to continue building on our momentum quarter by quarter. I speak for all my colleagues and all of team Bayer when I say that we know what we need to do to deliver, and that's what we plan on doing.

**Strategic Update: Advancing on Our Top Priorities**

Let's take a look at our strategic priorities.

*Growth & Innovation*

First, growth and innovation. There's a lot happening on our Pharma pipeline. We'll cover that in a minute on a dedicated slide, but I see important things happening in other divisions as well.

In Crop Science, we continue rolling out short stature corn. It's in the ground in fields in the United States, with pilots running in Italy and Spain. But that's not the only innovation we're working on in corn.

This year, we've launched a new generation of VT4PRO corn in the US. The technology helps the corn plant protect itself from one of agriculture's most perilous pests, the corn rootworm. With a demonstrated yield advantage of more than five bushels per acre, we expect it to reach up to 1 million acres in its first year in the market.

In Consumer Health, we've articulated a vision to reach billions of consumers with trusted self-care. That's a step-change from where we are today, and it will require quality growth through innovation, through expansion of new brands and the right portfolio choices. That's why we're taking brands like Iberogast, a beloved gut health treatment, and we're expanding it to the US. We're launching One-A-Day into the emerging field of cellular health.

*Litigation*

Now to litigation.

On PCBs, we had some news at the end of July that I'd like to put in context. You might remember that in 2020 we communicated a nationwide class settlement with 2,500 local governments. Some municipalities opted out. Seattle was one of them. A unique case with special circumstances, as it involved claims not present in the other opt-outs. So reaching a settlement here is significant.

Overall, there are nine environmental cases involving municipal plaintiffs that are still pending, and each case is different. If we choose to pursue settlements, we expect them to come in at lower terms. Beyond that, we've ramped up our efforts to enforce the indemnity agreements signed with Monsanto.

In the Roundup litigation, we achieved a very favourable decision from Down Under, where the Federal Court of Australia dismissed a class action. Once again, when it's really about science in the courtroom, we win.

We've also seen positive developments in the US, even the Philadelphia Court of Common Pleas, which is the most difficult court for companies as defendants in the US, they made some decisions in our favour in the most recent Roundup case, and this ultimately led the plaintiff to dismiss the case. We consider this a great success.

Outside of the courts, we continue to explore measures to contain litigation risk. This involves partnering with American farmers who understand glyphosate's great importance for their livelihoods and for global food security. We continue to focus on legislation at both the state and the federal level, including advocating for the passage of a farm bill in Congress as early as possible.

We want to see a bill pass that gives American farmers the reliability and the science-based regulation they deserve. We will continue to champion their voices. Further, we continue to evaluate every appropriate measure to bring closure to the situation, both for our company and for US farmers because we need our revenues to go to funding the company's mission, not the litigation industry.

*Cash & Deleveraging*

Third, cash. We're advancing toward our target of €2-3 billion in free cash flow this year. We saw effects from lower incentive payouts in Q2. We're also putting a strong focus on managing inventories and optimising working capital. Expect more progress here in the second half.

*Dynamic Shared Ownership*

Finally, dynamic shared ownership. Two weeks ago, Julio and his team announced the architecture of our Consumer Health division. They're combining roles and removing multiple layers for more focus, bigger impact and stronger integration of the consumer in the way we work.

We've expanded the scope of leadership roles. For example, combining our head of R&D and Head of Marketing. We've consolidated regions. We're extending the span of coaching. These are bold decisions. We're going to continue making them.

All three of our businesses now have an organisational blueprint that's leaner, less hierarchical, more focused on customers and products. And we'll continually improve toward that standard with the goal of orienting everything around the mission. We're systematically installing a new way of operating across the whole company, and it's proceeding apace.

We have 3,200 fewer jobs in the company than we did to start the year, and we've stood up 900 teams working on some of our most important missions. Our Nubeqa team is fully schooled in the new model, and the business is growing in all regions ahead of expectations, quarter-over-quarter and year-to-date.

Our Crop Science team plans to roll out ten blockbusters over the next ten years. And those ten teams are among the 50 product teams that we've activated in Crop Science, each with the sole goal of improving the solutions we develop for the world's farmers.

**Growth & Innovation: Revised Pharma R&D Strategy With Achievements in Earlier Stages And Late-Stage Assets**

Well, I just hinted at the progress in our Pharma pipeline. Let's take a closer look at it.

In just the past 90 days, we've taken big steps toward filling the mid-stage pipeline, expanding labels and advancing late-stage assets. I'll start with our most recent piece of news on Kerendia.

Just yesterday, we released positive top-line results from the Phase III trial FINEARTS Heart Failure. That's important news, especially in a high-stakes, innovation-driven business like ours. And we're happy to be able to say that each of our past five Phase III clinical trials has yielded successful results.

This trial evaluates the medicine in patients with heart failure with left ventricular ejection fraction of 40% or greater. Let me put that in context. Heart failure is the leading cause of hospitalisation for people over 65. Mortality rates are comparable or even worse than most common cancers.

Of the 60 million people who suffer from heart failure worldwide, approximately half meet the parameters that this study evaluated. We look forward to sharing the detailed data from this study in less than four weeks at the upcoming Congress of the European Society of Cardiology on September 1st, and we're hopeful that these results can lead to a significant expansion of the patient population we reach with Kerendia.

We're also making progress in the fight against Parkinson's, a devastating disease that hasn't seen significant advancements in the standard of care for far too long.

The FDA gave fast-track designation to AB-1005, a gene therapy, to treat the disease. The therapy was also awarded the Innovation Passport, the UK MHRA's innovative medicine designation. A Phase II trial, including 87 patients, is underway, and this is already the second investigational gene therapy from AskBio to reach mid-stage clinical development.

In addition, the FDA also gave a regenerative medicine advanced therapy designation to Bemdaneprocel. Bemdaneprocel is the most clinically advanced investigational cell therapy in the US for treating Parkinson's disease. It has the potential to help patients living with Parkinson's regain functions that they've lost to this terrible disease.

Finally, we're working on an investigational tyrosine kinase inhibitor in order to treat patients with non-small-cell lung cancer whose tumours have HER2 mutations. This work was recently backed by FDA's breakthrough therapy designation. Our Phase I results were so promising that we were able to advance the programme directly to late-stage, and enrolment of the first patient in a Phase III trial is just around the corner.

Beyond these pipeline advancements, we're also seeing good momentum in commercialising our portfolio. We got positive top-line results out of the ARANOTE study in mid-July, and with that, we further advanced the data package of Nubeqa's clinical profile. We expect the data to pave the way for a broader label in the metastatic hormone-sensitive setting of prostate cancer, now including the use of the medicine without concomitant chemotherapy.

Looking ahead to 2025, we're preparing to launch both elinzanetant, a potential novel non-hormonal solution for women suffering from vasomotor symptoms associated with menopause, and acoramidis, a cardiology drug that we have exclusive marketing rights for in Europe. We recently submitted the regulatory filing of elinzanetant in the US, and acoramidis was already filed in Europe in January of this year. Since then, new data from the ATTRibute-CM trial, presented in May, confirm this medicine's potential for a best-in-class clinical profile.

Our Pharma pipeline is one of our biggest levers for value creation. There's certainly much more to do here, but it's been a very productive 2024, and we can be optimistic about what's ahead.

**Delivering 2024: Operational Priorities in HY2**

Well, before handing it over to Wolfgang, I want to close my remarks by looking at the remainder of the year.

As I said earlier, we have some work to do to hit our targets. Let me assure you that we're keeping our eye on the ball, and we're going to deliver. Here are a few priorities that we're focused on across each business.

In Pharma, we're going to make the most out of our growth opportunities. Expect us to keep writing the Eylea growth story, powered in part by the continued rollout of the 8 mgs, and we'll keep growing our Nubeqa and Kerendia franchises.

In Crop Science, we expect to see strong growth in our core, particularly from our core crop protection business, including innovative products like the Fox family and Curbix in Latin America.

In addition, we're stewarding our costs very carefully, and we're assessing how to respond to increasing generic crop protection pricing pressure. We believe this is going to require a tailored approach, similar to how we manage glyphosate today. We continue to explore options to mitigate price pressures that we see in crop protection.

Further, we want to expand our margins in the second half of the year, leaning on dynamic shared ownership.

In Consumer Health, we're going to drive demand and accelerate growth through effective launches and science-based innovation. We're going to go after each of these priorities in the near term, while continuing to address our longer-term challenges. If we want to earn back trust, we have to do both, and I know that we have what it takes.

So, thanks for your attention, and I'll turn it over to Wolfgang.

## Financial Update

Wolfgang Nickl

*Chief Financial Officer, Bayer*

**Introduction**

Thank you, Bill, and hello also from my side. I'd like to provide a bit more colour on the drivers of our second quarter results, before I turn to our outlook for the full year.

Well, let's look first at our Group results.

**Q2 2024: Resilient Group Performance**

Q2 sales increased by 3% on a currency and portfolio-adjusted basis to €11.1 billion. We faced a €240 million foreign exchange headwind. Therefore, as reported, sales growth was about 1%.

Our EBITDA before special items came in at €2.1 billion, which is a 16%, or about €420 million below the prior year quarter. This was largely driven by an unfavourable mix effect in Crop Science and a higher provision for short-term incentives compared to a significant reversal in the prior year quarter. We also saw about €130 million of FX headwinds in our EBITDA before special items. Altogether, margin before special items at the EBITDA level came in at 18.9% for the quarter.

The lower EBITDA before special items translated into core earnings per share of €0.94 in Q2, which is €0.28 or about 23% below the prior year period. Our core financial result came in at -€0.5 billion and was in line with the prior year quarter.

Despite lower earnings, our free cash flow came in at €1.3 billion, compared to a negative €0.5 billion in last year's Q2. Two major effects drove the improvement.

Due to active working capital management, we improved our earnings conversion into cash. Our Q2 free cash flow, for instance, includes positive results from our inventory optimization efforts. In addition, we had lower incentive payouts versus prior year of about €1 billion.

The positive cash contribution in the quarter reduced our net financial debt to €36.8 billion by the end of Q2.

Let me now comment on the divisional performance on behalf of my colleagues.

**Crop Science**

*Q2 2024: Higher Glyphosate Volumes Offset Headwinds in Core Crop Protection*

In a market where overall growth is considerably softer than anticipated at the beginning of the year, Crop Science sales came in at €5 billion in Q2, up 1% versus the prior year. Our core business declined by 3%, driven mostly by a decline in corn acres, adverse weather and generic pricing pressure in core crop protection. However, we were able to mitigate some of this by the growth in our Soybean business, which benefited from higher volumes on the back of acreage expansion in North America.

In addition, our Insecticide franchise showed strong volume growth, driven mostly by our Movento product in EMEA. For Corn, we continue to see strong pricing globally, driven by the excellent performance our portfolio offers.

Our glyphosate business recorded a 42% sales growth as volumes increased due to normalised shipping patterns, with prices largely within range of historical averages. As a reminder, the prior year quarter was impacted by channel inventory destocking, drought conditions and volatile prices in the market, postponing purchases into the second half of 2023.

In terms of profitability, EBITDA before special items came in at €524 million and a margin of 10.5%. The significant decline versus the prior year was equally driven by an unfavourable product mix and higher short-term incentive provisions. The latter was driven by a significant reversal of provisions in Q2 of last year that I already mentioned. Main drivers of the mix effect were much higher volumes of glyphosate coupled with lower corn and fungicide volumes. To the positive, we are starting to see some COGS recovery in the quarter, led by lower crop protection raw material costs. Positive currency effects also helped to offset some of the headwinds.

**Pharmaceuticals**

*Q2 2024: Growth of Launch Assets Overcompensates Xarelto Decline; Tight Cost Management Supports Margin Resilience*

Let's now move on to our Pharma business, which again grew 4%.

Prices were up 3% and volumes were up 1%. Strong performance of our launch assets and Eylea compensated – overcompensated, actually – increased pressure on Xarelto. In addition, our base business contributed positively. It includes, for example, the radiology and women's health businesses and showed a robust performance despite persistent headwinds that we have in China related to the volume-based procurement over there.

Our launch assets, Nubeqa and Kerendia, demonstrated ongoing strong growth momentum. Nubeqa almost doubled sales again and reached blockbuster status when looking at the moving annual total. Kerendia crossed the €100 million per quarter mark for the first time, primarily driven by higher volumes in both the United States and also China. In addition, Eylea contributed to the overall increase due to gains in all regions.

While this dynamic was still largely driven by the solid performance of the 2 mg formulation in Japan and Canada, the 8 mg launch gained further momentum.

Allow me to comment on Xarelto in a bit more detail.

We registered sales declines of 11% as expected. The expiration of patent protection in Canada and of the compound patent in Europe triggered generic pressure. In Europe, we are facing legal disputes on the once-daily intake patent as generic producers are challenging our IP position on an individual country level. We've prevailed in all first instance rulings on the patent's validity so far, except the United Kingdom and France, triggered generic at-risk launches in both of these markets in the second quarter.Although first instance disputes are still ongoing in the majority of the European countries, this didn't prevent generic players from launching at-risk, neither. We saw that, for instance, in Switzerland and Poland.

We have baked in generic headwinds into our 2024 guidance for Xarelto, but will, of course, continue to take vigorous action against any infringement of our IP rights.

On the profitability side, EBITDA before special items came in at €1.3 billion, which is a 4% decline versus the prior year quarter. We also here saw higher incentive provisions following the already mentioned reversal in the prior year.

In addition, we recorded a 220-basis-point FX headwind and unfavourable changes in product mix, driven by Xarelto's sales decline. These effects could be largely balanced by stringent OPEX management and resource shifts.

**Consumer Health**

*Q2 2024: Return to Growth After Soft Start in Q1*

Now for Consumer Health, the sales performance in Q2 returned back to growth as expected. Sales increased by 5% versus the prior year. We expanded sales in almost all categories, continuing to bring superior innovation to the market.

Combined with an improved supply situation, we achieved 15% growth in Digestive Health, our strongest category this quarter. Our Allergy & Cold business declined largely due to a weak allergy season.

In addition, we faced ongoing headwinds from lower volumes, since retailers in the United States continued to optimise their inventories across the industry. Still, we were able to mitigate the downsides due to targeted price management.

On the bottom line, EBITDA before special items came in at €314 million, and a margin of 21.5%. Continued focus on cost and price management could partly offset the higher investment in our innovative products and launches.

**Outlook 2024: Divisions**

Moving now on to the divisional full-year outlook.

With the first six months behind us, we have better visibility for the full year. So let me talk a little bit about the business drivers for each one of the divisions, and I'll start with Crop Science.

*Crop Science*

Given the market-driven headwinds, we now expect our Crop Science division to come in at the lower end of our sales growth and margin guidance. For the second half of the year, we expect strong growth in our core business to be muted by significant volume declines in glyphosate following the phasing patterns we saw in 2023.

On the profitability side, growth in the core business, COGS recovery, DSO and other efficiency savings are expected to mitigate inflation and merit increases. This will lead to expanded margins compared to the second half of the prior year.

In addition, we updated our FX estimation based on June-end spot rates. Compared to the March-end spot rates, we now anticipate for Crop Science an increased currency headwind, and that's on sales, and that's about two percentage points compared to about one percentage points previously.

*Pharmaceuticals*

Moving on to Pharma, based on the good performance in half-year one, we foresee year-on-year sales growth between 0% and 3% for the full year. As a reminder, this is up from the previous -4% to 0%. For the remainder of the year, we anticipate increasing pressure on Xarelto. This headwind is expected to be partially compensated by ongoing strong performance of our launch assets and Eylea. For the latter, we expect a low-single-digit percentage sales growth for the full year.

Our guidance on EBITDA margin before special items remains unchanged, illustrating a sequential margin decline in half-year two versus half-year one. That is largely driven by an unfavourable product mix and continued investments in launches as well as R&D investments in our pipeline.

*Consumer Health*

In Consumer Health, we confirm our full-year guidance at constant currencies. We expect to accelerate growth in the second half, driven by innovation and targeted pricing, coupled with further improvements of our supply situation. We see continued cost pressure which is weighing on our profitability. Together with enhanced operational efficiencies, targeted price management and speedy implementation of DSO, we are actively offsetting these effects.

Let's now finally look at the group outlook.

**FY 2024 Group Outlook Confirmed**

We reaffirm our full-year guidance for the Group. FX Group estimates based on June-end spot rates remain unchanged compared to the March-end spot rates used previously. Our Other modelling considerations also stay as previously guided, as you can see in the appendix to our presentation.

And with that, we would like to close our prepared remarks. And Jost, over back to you to moderate the Q&A, please.

## Q&A

**Jost Reinhard:** Thank you very much, Wolfgang and Bill, for your presentations. And with that, we move to the Q&A session, to which I also welcome Stefan here with us in the room, and Rodrigo and Julio, who join us via their screens from the headquarters.

Before we begin, just a few housekeeping comments. If you have a question, please raise your hand and follow the instructions in the chat. Please unmute yourself before asking the questions. And please limit your contribution to two questions, so we can accommodate more participants in the session.

And the first question today comes from Vincent Andrews from Morgan Stanley. Vincent?

**Vincent Andrews (Morgan Stanley):** Thank you. Good morning, everyone.

Rodrigo, could you help me with two things? One, what do you think US planted corn acreage wound up being this year, and within that, do you think you gained or lost share? And then secondly, as you look to the back half, can you just talk about how you expect corn acres to play out, both in Argentina with the corn stunt issues, as well as in Brazil, with maybe some challenges from lower corn prices? Thank you.

**Rodrigo Santos:** Thank you, Vincent. Let me start with the US.

So the US, again, we saw another good performance of our corn this year. We are coming from a very strong performance last year. Globally, we are seeing another strong performance of our Corn business again.

We saw, of course, the reduction of the corn acreage in US, in the 3-4 million acres. We're going to see how this will finish this season. We – it's important to say that we start our sales in North America, as you know, in the Q4 of last year, then plus Q1 and Q2.

We are confident on our share. We did a lot of research with farmers, and we're going to continue to see our genetic market share above 50%, and our trade share in corn in US above 80%. So, a great performance on corn that we're seeing here.

When you go to the South America, right now, you're seeing the impact of the corn stunt, as you said, in Argentina, a little bit more challenging in Argentina. Brazil, the commodity price has an impact, but also the currency is helping the farmers a little bit right now. And we see a higher area of corn, not a significant one, but we see a higher area of corn in the composition of summer and suffering for Brazil, Vincent.

So overall, I would say that our corn performance globally is extremely strong. We see the same in North America. I want to highlight that one because of the opportunity that you gave me. We're going to be above 50% genetic share in US, above 80% trade share. And Bill mentioned we launched this year, VT4PRO, and we're going to have almost 1 million acre in the first year of launch. So very happy with the seed performance and especially on the corn, as you asked me here. Thank you.

**Jost Reinhard:** Thanks, Rodrigo. And the next two in line are Pete Verdult from Citigroup and Sachin Jain from Bank of America.

Firstly, over to you, Pete.

**Pete Verdult (Citigroup):** Yeah, thank you. Pete Verdult, Citi. Two questions, please.

Stefan, great to see FINEARTS hit the primary endpoint. Realise you can't talk to the data specifics, but could you at least help us provide some context, given the market's seen other positive heart failures datasets recently from the likes of numerous GLP-1 agonists, SGLT2s. Just anything you can help us gauge your confidence when you put that FINEARTS data in context of what we're seeing elsewhere in heart failure would be useful. Please don't just tell me to be patient and wait till the ESC.

Secondly, Rodrigo, now this is a question from a farmer analyst. It feels like you're increasingly reliant on a strong Q4 performance from LATAM to hit the guide. So just a two-part question.

Is the guide being lowered primarily because of what you're seeing in corn and fungicide dynamics? If not, what else is there? And just what is giving you confidence that you're going to see these strong volumes coming through going into '25? Thank you.

**Stefan Oelrich:** So thanks for the question, Pete, and let me join you in your excitement about this because this is an area where we've seen more studies failed than succeed. So we're really very excited about meeting the primary endpoint and some secondaries here in this setting.

So when it comes to comparing this to others like SGLT2s or GLP-1s, please bear in mind also the type of population that we're studying. So a lot of people are put on these medicines in hospital. So maybe GLP-1 is not necessarily the right comparator, but we've obviously seen in the study also a portion, and I think you know this, from a baseline of patients that have been put on SGLT2s before. So we will be able to compare to some degree the effect of product on top of SGLT2 and product in a single setting.

And again, let me recall you, a very sick patient population. Also, be reminded that this is just the first of many studies that we've put up in heart failure. We have our so-called MOONRAKER programme, which will inform somewhere next year. So we're really excited about creating a great new option for patients in heart failure.

And then it's only three weeks or so or four weeks until we have the data presented at ESC. So go on a summary vacation and then by the time you're back, you'll see the results. We're also expecting to publish this in a top-tier journal. And for the rest, yes, we're really excited about this.

**Rodrigo Santos:** Thank you, Pete, for the question on the Crop Science here. So let me share a little bit on data for you.

On the second half of the year, mainly driven by LATAM, by Asia, and also the beginning of the season for the next year for North America as well. We start on Q4 already for North America. When we combine that one, similar to last year, I remember on this call last year, we were saying that we would deliver a 7% growth on our core business, and we deliver 6.7% growth in our core business. Similar to that one, we are expecting, yes, a strong performance in LATAM.

Several elements, and we've been very – we've been performing very well in LATAM over the last years compared to the industry.

Key reasons for that, a lot of the launches that we had. Bill mentioned some of that, the Fox family. We are leading fungicide in the market. Curbix, we are growing a lot on the insecticide market as well. And our strong position in both soybean and corn, and the growth that we have. A lot of the innovation and also the new operating model already operating there to drive our results that we have.

So, a strong performance on the core for the second half of the year. Just allow me to use your question to also share a little bit of the dynamics.

We're going to have Q3 and Q4. Q3. We're expecting a more low decline in terms of sales because of the dynamics of the volume of glyphosate that was mentioned by Wolfgang. We are seeing a modest growth in the core on the Q3, and a stronger growth on Q4 because of the markets that we have. But thank you for your question.

**Jost Reinhard:** Great. So, Sachin, you're up next. Please go ahead.

**Sachin Jain (Bank of America):** Hi there. Thanks to my question. Sachin Jain, Bank of America. Two for Stefan, if I may, on financial.

So, on the Pharmaceuticals guide upgrade, the only product guide I think you've explicitly called out in the introductory comments was Eylea. So I'm just after some more colour on how you're thinking about Xarelto expectations for H2. Some of the commentary earlier in the year was that you would clarify on the rate of decline, H2 related to H1, and then the sustainability of Nubeqa growth that we've seen very strong in the second quarter.

And then the second question is on H2 Pharma margins. Is the H2 margin, which is sort of mid-20s, a better proxy for how to think about full-year '25? We're just trying to get a better sense of the sustainability of the launch costs, R&D costs that you're putting in the back end of this year and continuation into next year. Thank you.

**Stefan Oelrich:** Yeah, so I counted a number of questions there.

So for Eylea, we're seeing a strong first half, both volume and also some price uptick. This is also given by the 8 mg launch, which is coming strong out of the gate. We expect this not to change. So we'll have some probably low-single digits growth overall for Eylea in the year.

Xarelto second half, obviously now impacted by some of the generic launches you heard, UK and France. These are going to be more compounded, if you like, if you count the full-year impact. So we're expecting more decline in the second half compared to the first half.

As to the Nubeqa sustainability, be mindful that with ARANOTE, we added another proof point. So we now in principle have data that covers the full spectrum of prostate cancer. And I think this is another testament to Nubeqa more and more becoming a standard of care, and we're seeing it in the numbers. So we have a broader prescriber base and also higher repeats in the existing prescriber base. So this is really something that wasn't just one quarter.

As to the overall sales, maybe let me also reiterate some of the guidance that I gave at Capital Markets Day for our launch products that would be able to compensate for what we see as losses in Xarelto until the whole LoE basically comes to a standstill. And we're seeing now significant proof points that confirm actually that outlook of our top-line.

On our margins for '25, you're absolutely right. So we have a number of launches ahead. We continue to, obviously, invest into Kerendia now with the expected additional indication for next year. We will continue to invest in Eylea with the 8 mg launch, and prostate cancer the same. And add to that elinzanetant, which we submitted and will be launched in the second half of next year. So it's a lot of launches coming together, which puts some burden on our SG&A. We're trying to manage this with very tight cost control.

I think you can see it in the first half that we've been really good at managing our costs despite a number of headwinds, and we continue to do so. But obviously, when Xarelto is stronger, that has an impact on our overall gross margin. And so we expect, in the second half, somewhat deteriorating margins. At Capital Markets Day, we had guided for the midterm that our margins in Pharma is targeted at constant exchange rate in the mid-20s. I have no reason to change this at this point, unless we continue to see such a positive performance by our launch brands. But that's not for this quarter. Thank you.

**Jost Reinhard:** Great. Thank you. So, next in line are Christian Faitz from Kepler Cheuvreux and Emily Field from Barclays. Christian, please go ahead first.

**Christian Faitz (Kepler Cheuvreux):** Yes, thanks, Jost. Thanks for taking my two questions, please.

First of all, on Consumer Health, why does North America continue to show a chronically weak growth momentum? You're talking about customer destocking in your report. Is this wholesale, retail, or the end consumer, or all three of them?

And then second, in corn, please. Corn is in the middle of production for next year. So what is your acreage expectation for short stature corn in '25? Thanks very much.

**Bill Anderson:** Okay, Julio, do you want to take the first one?

**Julio Triana:** Yes, of course. And thank you, Christian, for the question.

Yes, you are right. It's all three of them. But the primary impact we're seeing is the adjustment of the inventories in our retail partners. And we see that was very strong in Q1, to a lesser extent, or, you know, is starting to normalise in Q2. But we do expect that correction to continue to take place across the entire year.

The – in terms of volume that has affected our business in the US. The other impact had to do with an allergy season that was much weaker than we were expecting. And the same thing with the cough & cold season.

So that's basically the main drivers there.

**Bill Anderson:** Great. Rodrigo?

**Rodrigo Santos:** Yeah, sure. On the short statue corn, we are very excited. I recently was in Spain with farmers, and we are seeing also the impact of that in Europe. But coming back to the North America, a great experience from the farmers. It's still for '25, Christian. It's not a material financial impact because we're expanding based on breeding short statue corn. One of the key elements for us, is the launch of the biotech version that will be with what we call the ten blockbusters that we are launching in '27 and beyond. And then we can expand a lot the offers to the farmers and can be really material.

So it's still '25. It's a lot about expanding thousands of acres of farmers using short stature corn. But financially, impact is not a major because we are expecting that expansion with the biotech version in the future.

We are also advancing for South America, that one. And we're expecting short stature corn to be a global impact also in Asia. And this will change how the farmers will grow corn in the future.

So very excited about that one.

**Sachin Jain:** Thanks very much.

**Jost Reinhard:** Fantastic. Emily, you're up next.

**Emily Field (Barclays):** Hi, thanks for taking my questions, one on Pharma and one on Crop.

On Pharma, I was just wondering if you could comment on how your business is performing on an underlying basis in China. I know you've seen some rebounds from the COVID impact from

last year, but obviously some competitors, particularly in vaccines, have talked about perhaps demand softness in the region. So just thoughts on business performance there in general.

And then on Crop, I know it's a bit early, but now we're on the other side of the glyphosate pricing reset. And then this year obviously has had some pretty strong weather impacts weighing on growth, guiding towards the low end, which would be a decline on top-line. But, at this stage, do you have much visibility into thinking of this business returning to growth from a top-line perspective in 2025? Thank you.

**Stefan Oelrich:** So, Emily, thanks for your question on China. China has been obviously a headache over the past years with, with VBP. We're seeing that effect now wash out largely for overall Pharma business.

So I'm seeing now first couple of months with slight growth. So it's – but it's pretty much for the first two quarters at prior year. And if no additional VBP hits by end of year, we could even see a slight positive for China.

**Rodrigo Santos:** And Emily on the glyphosate. Thanks for the question.

We include on the slide 24 of the deck on the appendix, there is a great slide on glyphosate that shows a little bit of the performance of glyphosate from 2019 to 2024 forecast. And you see there that glyphosate this year is returning to the historical level in terms of pricing, in terms of volumes and in terms of our performance as well in terms of sales. As you said, it's early to say about '25, but we are not expecting a major shift in terms of that.

What we are planning to use is the historical pricing that we have for the reference on PRC that we call in China. So probably a glyphosate for next year, we don't expect a major shift until maybe something that happens, but this is a little bit what we have in our plans.

But slide 24 gives a little bit of more detail on that one. Thank you.

**Jost Reinhard:** Thanks. So the next ones in line are James Quigley from Goldman Sachs and Richard Vosser from JP Morgan. James, please go ahead first.

**James Quigley (Goldman Sachs):** Excellent. Thank you for taking my questions. James Quigley from Goldman Sachs. So first, let's start with a big picture one for 2025 for Stefan.

You've talked about margin moderation in the second half of this year, but as we head into 2025, how are you thinking about the performance of the business? You talked about the launch brands offsetting Xarelto, but how about the base business? Can the strength in brands like Mirena and the radiology portfolio, offset some of the headwinds to other parts of the base business when thinking about the growth outlook for 2025?

And then a second one and another one for Stefan, digging into Nubeqa sales, which are obviously super, super strong this quarter, what are the key drivers here? Is it the label expansion in the US into the hormone-sensitive setting? Is there a change in marketing message, or are positions getting just more and more comfortable with the profile of Nubeqa relative to the other androgen receptor inhibitors in the space? And again, just sort of rounding off that question, just to confirm from Sachin's question, was there any bolus? Was there any sort of launch or geographic expansion that led to the strong results this quarter and then annualizing we get to €1.5 billion for Nubeqa alone, is that possible this year?

**Stefan Oelrich:** So thanks for those questions.

So, James, you will understand that I'm not going to guide for '25 after the second quarter, but I think you made a couple of good points that perfectly resonate with me. We are seeing the women's healthcare business in the first half rebound in the US, which comes on the heels of, I would say, still COVID-related downturn that we've seen. And to me, Mirena is just one of those contraceptive options that are just evidenced to be the most effective out there. So to me, it's not a surprise that's coming back, and we should see continued resilience from this business.

For radiology, we've seen continued growth in the first half here. We're really benefiting, I think, from strong demographics overall in the world that support this type of business. And as the market leader, we disproportionately benefit from this. So also no reason why that would change. So to your point, I see quite a resilient base business moving forward for Bayer Pharma.

Nubeqa, thank you for your excitement around this. Believe me, we share this fully. So no bolus that I'm aware of, or no special launch that I'm aware of. But we're seeing a dynamic development across almost all regions. I think it's largely linked to the fact that physicians are getting comfortable with using Nubeqa. And obviously now that we're in the – with ARASENS first, and now with ARANOTE, we're also going away from just the urologists prescribing the product, but also into the oncologist setting.

So broader prescriber base, people getting more comfortable. I'm really seeing a very positive trend, and we're obviously hoping that this continues in the quarters to come.

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

**Jost Reinhard:** Richard, please go ahead.

**Richard Vosser (JP Morgan):** Thanks very much for taking my questions. Two, please.

Firstly, on Pharma, just, could we dig a little bit more, Stefan, into Eylea and just the 8 mg launch and what you're seeing, and how you think that will develop in terms of maybe percentage share going forward in the coming quarters?

And then the second question for Rodrigo, just pricing dynamics into the second half, I hope you can hear me, just how are those going to play out, particularly for crop protection? That would be helpful, and maybe if you can, I know it's early, into '25? Thanks very much.

**Stefan Oelrich:** So, Richard, as I look at Eylea, so we're seeing, obviously, we only have a limited sample of countries where we've launched this so successful introduction. Germany, Japan, Switzerland, which are our classic first-to-launch markets, I would say within what I would expect. It just supports the overall dynamic that we're seeing, where Eylea is confirmed to be the standard of care in this area. And despite other entrants in the class, we haven't seen our volumes go down at any point in time, which I think shows you that there is room in this marketplace or that they're taking it from someone else than from us.

And 8 mg, I would expect, given the strong data that we have, is going to be another reason to both improve price, but also maintain positive volume development with Eylea. So we're feeling quite good about this for the coming years.

**Rodrigo Santos:** On the crop protection, specifically, we are expecting more volume growth on the second half of the year. We're still foreseeing the pressure coming from the generic,

and we are seeing, as we plan it for the year, we have more volumes, especially in LATAM. We have what I said about the soybean fungicide franchise that is very important for us in the insecticide with Curbix. So major volume-driven, that one.

But that allows me just to address one aspect that I think is very important. We said at the Capital Markets Day for Crop Science, the importance of the operational excellence, and we are seeing that for this year. You saw the numbers from Wolfgang as well. And this is just a good opportunity for me to reinforce that we are working this year to deliver the fourth consecutive year of the growth of the core.

On the core business, we guide from 1-4%. We are expecting on the lower end of that guidance, but again, the fourth consecutive year of the growth on the core. And that comes with a composition of a very strong performance on the seed business, including soybean. Our numbers and our market research indicates we're going to be above 40% share in US.

And also we're going to see on the second half, to your question, LATAM, performance on soybean is always very strong. But again, a very important element of the Crop Science performance this year, again. And we hope that we can continue to deliver that while we prepare the major launches, that are coming with the ten blockbusters in the next ten years. So, thank you.

**Jost Reinhard:** Fantastic. So next in line are Falko Friedrichs from Deutsche Bank and Jo Walton from UBS. Falko, please go ahead.

**Falko Friedrichs (Deutsche Bank):** Thank you. Can you hear me, okay?

**Jost Reinhard:** Yes.

**Falko Friedrichs:** Perfect. Thank you. My first question is for Rodrigo, sort of following onto the previous questions.

At a high level, about 2025, putting glyphosate to the side, can you speak a little bit about the major volume drivers for 2025 across the different product groups, and what gives you confidence that we should be looking at a year with decent volume growth next year?

And then my second question is for Wolfgang on FX. As we sit here today, how much FX risk do you see to this year's guidance? And maybe you can remind us how good of a natural hedge you have in Brazil? Thank you.

**Rodrigo Santos:** That's a difficult question, to be very honest with you. 2025 is too early. We're going to have on Q3, when we come back on Q3, we're going to have great information about '25 season. You probably saw some of the reports recently in terms of yields in US are coming strong, has an impact on the overall stock, and in the end of the season for the commodities price. So there is a little bit of still pressure on the commodity price for '25, as we see.

We're going to need to see this ratio between corn and soybean. This year in '24 was favourable to soybean. Unfavourable for corn, but it's not good for our portfolio.

It's too early to say in 25. We're going to come back with more information on Q3, of course, but that will be highly dependent on the supply and demand and the commodity price. But some we foresee today some still challenges for the farmers in the commodity price for next year.

What requires again, that we keep the engine that we have in terms of launching new hybrids, new formulations, counting on our innovation, being able to price for value as we are doing this year, we are getting almost 5% price increase in corn globally. And this is the drives of the operational excellence that we need to have on these years, that we have a more challenging market environment for farmers. But we're going to come back with much more information on Q3.

Wolfgang?

**Wolfgang Nickl:** And Falko, thanks for your question on FX.

I mentioned during the call that our assumptions are unchanged versus what we said after Q1, which is a pretty significant headwind. If you do the maths, it's like between €1-1.5 billion on the top-line, about €0.5 billion at the EBITDA level, and €0.30 on the EPS level.

In general, you have to understand that we do 80% of our revenue outside of the eurozone, and we have only 60% of our cost outside of the eurozone. So we don't have a really good natural hedge. And Brazil is certainly not one of the countries where we have a good natural hedge.

Brazilian real is probably, if you go to the revenue level, the biggest impact that's included in the numbers that I quoted, followed by Japan, Russia and still Argentina. But I'm rather confident in the hedging policy that we have deployed so far. And absent any radical movements, we're confident enough to reconfirm our FX guidance.

One last word that's always also important, when it comes to the balance sheet. We obviously watch the strengths of the US dollar because that's impacting our net financial debt. But based on everything we see, we are confident to keep it at the Q1 level.

**Jost Reinhard:** Okay, Jo, you're up next. Please go ahead.

**Jo Walton (UBS):** Thank you. One Pharma, one clarification, and a litigation question for Bill.

Firstly, on Nubeqa, are you seeing any benefit from the changes in co-pay, which are now lower for this somewhat expensive drug? Are you seeing patients staying on the drug for longer? Is that part of the increase in the sales?

On Kerendia, if I could also just check, FINEARTS wasn't on top of standard of care. So, just to be clear, what proportion of patients might have taken an SGLT2, so we can see whether this is going to be a better drug than what would probably be the first cheap option for a doctor to go for?

And on the – and for Bill, you mentioned trying to get a bill through Congress, a farm bill. I just want to understand if you can help us on the level of sort of bipartisan support, you know, the degree to which you've got this as something that people think is important at congressional level. And if you did get that through, what protection would that provide you from a broad litigation point of view? Thank you.

**Stefan Oelrich:** So, Jo, glad that you continue to see positives in Nubeqa. So I have no evidence to suggest that the co-pay is the reason for the bump in the second quarter that we're seeing. I think it's – but it's an intriguing question, so I'll follow up; and if that was so, I will let you know. But I'm not aware of that. I think it's rather what I had said before, that

physicians are just getting more comfortable, and we're seeing a much broader use. And if this was to become truly a standard of care, then I think these numbers make perfect sense.

On Kerendia, so we'll take a look at all the subgroups, but that we will do with ESC. I think the distribution, you've seen the baseline numbers. I think the number of patients that have SGLT2 pre-treatment in our trial is perfectly in line with this type of patient group, and we'll take a good look at the effect on top of SGLT2. So I think that's going to be very interesting to everyone, but I don't want to spoil our scientific presentation at this point, so let's stay tuned and wait another three, four weeks until we have all the details.

**Bill Anderson:** Great. And Jo, you asked about the farm bill.

First off, let me just say the language that pertains to pesticides is something that is supported by Republicans and Democrats, which is obviously important in a divided Congress. It's not to say that we don't continue with the modern Ag alliance, the numerous farmers groups that are supporting this effort, to communicate the merits of this with members on both Republicans and Democrats. But this is, yeah, it's very important for the future of farming in America that there's regulatory certainty and clarity and that it's science-based. And so this kind of language would basically say that if a product has been marketed, distributed in concordance with the EPA-approved language, that the sponsor has done what they're required to do in terms of health and safety warnings, which is very reasonable, and it would be obvious. And we don't even have this kind of question, for example, with a Pharmaceutical product. But the waters have been muddied by various state court rulings, and that's why we're in the situation of nearing to clarify that.

So that's the goal of it. Obviously, the impact of that would have to play out in the courts. But we think that's an important step, given that in most cases where we've had verdicts unfavourable, it's been on failure to warn. And we think it's an important principle that, hey, we've always marketed this product in accordance with the EPA-approved label, in accordance with the scientific consensus from around the world, from every regulatory authority.

So we think it's an important step forward. It's not just a factor for glyphosate, for example, but it also impacts the ability of companies to develop new products in the future. Because if you can't have regulatory certainty, that makes for a very difficult proposition to invest in fundamentally new chemistry. So we think this is important for farmers, it's important for the whole industry. And for that reason, we think that we have a good chance at being able, again with the farmers' groups, to convince legislators of its reasonableness.

Thanks, Jo.

**Jost Reinhard:** Great. So before we close the call, we have two more interested parties in line. First is Thibault Boutherin from Morgan Stanley, followed by Steve Byrne from Bank of America. Thibault, please go ahead.

**Thibault Boutherin (Morgan Stanley):** Yes, thank you. First question on the indemnification recovery efforts for PCB and the litigation associated.

So I understand there is a limit to what you can say here, but if you could just give us some colour on the process and if you have even a very approximate timeline for an update. Could it be, you know, relatively short-term, like this year, next year, or are we talking several years to get any kind of outcome?

Second question on the HER2 EGFR TKi for HER2-mutated lung cancer, moving straight from Phase I to Phase III. If you could give us some insight on the elements, giving you confidence on the Phase III design and choice of the dosing regimen? And also, very quickly, if you could talk about the potential of this asset, could this be a blockbuster like we've seen in the ALK inhibitors, for example, where the eligible population seems comparable, at least in terms of size?

**Bill Anderson:** Wolfgang, you want to talk about the indemnification?

**Wolfgang Nickl:** Yeah, I can briefly talk about this. I assume this concerns the indemnification we received from the customers that bought the PCB product from us.

We've been very clear that we will pursue that indemnification. And going back and forth between the different court sites in Missouri, and elsewhere. Right now, there's a decision pending at what court it will play out. And you've probably also seen that we have hired support to go after this with all vigour.

I think, I wouldn't – you ask about the timeline – be in a position to give you any prediction how long that will take. But this is not a one quarter to another quarter. This will take some time.

And probably the other two things while we're on PCB, before I hand it over to Stefan. During the quarter, we had the Ericsson decision of the Court of Appeals, which was very important. And also, I think we are starting to settling with some of the municipalities, and I think that's also important to, over time, bring closure to this topic.

Stefan?

**Stefan Oelrich:** Yeah. So thank you for highlighting one of our really exciting oncology assets that's advancing fast now through development.

So whether this is going to be a comparable blockbuster, I think it's a little bit too early to say, so I'd not go that far yet. We're going to go forward with a 20 mg dose, following what we saw in Phase I, which we think gives the best balance between side effect profile and efficacy. And then we'll have to take it from there to see what potential this can has. This is targeted oncology, so this is not going to be a a billion product typically. So let's wait for the data and then reassess.

**Jost Reinhard:** Excellent. Steve, you are the last one in line here. Steve, can you hear us?

**Steve Byrne (Bank of America):** Can you hear me?

**Jost Reinhard:** Yes, we can hear you now, Steve.

**Steve Byrne:** Sorry about that. I have two for Rodrigo. First one would be on the short stature corn.

Was it in any areas where there were tornadoes this year, and any impact on lodging? As we speak, are any chemistry being applied over the top because of the short stature and anything you can call out there as being a benefit from that, and then is any impact on ear counts. Do you have a view on whether there might be a yield benefit of this product?

And then just briefly on soybean feed, what drove the double-digit increase? It doesn't seem like that was related to acres. Maybe it was, in fact, the two. Just any thoughts on that?

**Rodrigo Santos:** Steve, nice to hear from you. Let me start with the soybean piece, and then I come back on the short stature corn.

On the soybean, as I was mentioning, right, we are excited about the performance of our seed business, Seeds & Trait business. We came soybean last year, you remember we closed with a 6% growth, was the highest growth in the industry. We start very strong this year again.

There's specific dynamics on quarter two that is excessive sales. But we are confident that we're going to be above 40% trait share in US. Our numbers, our sales, our market research indicates that one. So that's something that we feel very good about that. And on the second half of the year comes Brazil. We have a very strong, we have about 80% trait share there. We're going to continue to develop our next generation of trait that we launched in Brazil, and we are advancing with that one, while we prepare the next generations as we have.

So soybean, corn, as I mentioned before to Vincent, was strong performance, and I'm happy with that, with the organisation keeping the discipline on executing our plans.

On short statue corn, we had the group of farmers, the groundbreakers, with us in Marana, in our site recently, and we had a great opportunity to talk with them on the experience they are having this year. And you basically nailed the core elements of the experiences that we are seeing. So one, starting with a very important one, we saw higher yields with a higher density and optimised density according to the field's prescription that we had.

So a lot of the farmers, we were having higher yields because of the potential that that technology brings to the farmers to optimise their density on the field. So that's something that we are continuing to work with the farmers field by field. This is a very customer-driven technology, very aligned to our new operating model, by the way. And this is the product team and the customer-facing teams working with the farmers on that one.

We also saw what you said about the opportunity to apply late-stage fungicide in some of the fields, in corn, and also in terms of fertiliser application as well. And besides what you also mentioned in terms of lodging, this is probably the strongest visual impact for some of the farmers that had the issue with the wind again this year, that they could see the short stature corn standing there.

So the combination of the benefits that I just described, and again, the beauty is that for different farmers, different benefits, but the combination of that one is really what is exciting the farmers. The willingness to plant for the next season is very high, and we are working with our breeding engine, but as I mentioned, very anxious to come with a biotech version, to be able to expand this on millions of acres in North America. This will be a transformation.

If you think about US alone, we are planning to launch a short stature of corn biotech version, HT4 in soybean, new launches in crop protection as well, new herbicides and all the digital tools as well. So very exciting timing for us in the future, not only, of course, in North America that we are highlighting here, but globally as well. Thank you, Steve.

**Jost Reinhard:** Fantastic. Thank you very much, Rodrigo, and thank you very much for everyone for your questions and interest. And with that, we conclude the call for today. And I wish you all a great day.

[END OF TRANSCRIPT]