

Supplemental information ahead of Q3 2018 results

October 24, 2018



Ladies and Gentlemen,

In anticipation of our upcoming Q3 2018 reporting on November 13, 2018, investors and analysts should consider the following items for preparing their forecasts.

Q3 2018

Acquisition of Monsanto

Effective June 7, 2018 Bayer completed the acquisition of Monsanto, which will be fully consolidated in the Group financial statements as of that date.

Due to the seasonality of its business, Monsanto only generates approx. 20% of its EBITDA before special items in H2, of which the majority is to be expected in Q4.

Divestments

Sales and profits of the antitrust divestments associated with the acquisition of Monsanto are included in Bayer's accounts until August 1 (all BASF divestments with the exception of the vegetable seeds business) and August 16 (vegetable seeds business), respectively. In Q3 2017 these businesses generated sales of approx. €300 million.

Special items

Apart from negative special items, mainly related to the Monsanto acquisition, this position will include a gain from the businesses sold to BASF.

(Core) Tax-rate:

Guidance for FY 2018 is approx. 23%.

FX impact and key FX rates:

We continue to expect a negative impact on EBITDA before special items in FY 2018 of approx. €550 million. In H1 2018 the impact was about minus €280 million.

Exchange rates for major currencies:

€/		Q3 2017	Q3 2018
BRL	Brazil	3.71	4.58
CAD	Canada	1.47	1.52
CHF	Switzerland	1.13	1.14
CNY	China	7.84	7.92
GBP	United Kingdom	0.90	0.89
JPY	Japan	0.13	0.13
MXN	Mexico	20.92	22.08
RUB	Russia	69.28	76.10
USD	United States	1.17	1.16

FDA warning letter

We expect a negative impact on sales and EBITDA before special items in FY 2018 of approx. €300 million, of which the majority will affect Pharmaceuticals and a minor part Consumer Health. In H1 2018 we recorded roughly 1/3 of the negative impact expected for FY 2018.

Number of shares 2018 (time-weighted average):

No. of shares in million*		Sept. 30, 2018	Dec. 31, 2018
Quarter		980.2	980.2
YTD		927.5	940.8

* fully diluted

Restated Core EPS 2017/18 (restated for discounted rights issue)

in €	Q2 2017	H1 2017	Q3 2017	9M 2017	Q4 2017	FY 2017	Q1 2018
Core EPS (as disclosed)	1.54	3.86	1.47	5.33	1.41	6.74	2.28
Core EPS (restated)	1.52	3.80	1.45	5.25	1.39	6.64	2.24

Q3 2017

EBITDA before special items

Please bear in mind that the EBITDA before special items of €2,204 million in Q3 2017 included the following items that will not repeat in Q3 2018:

- Pharmaceuticals: EBITDA before special items of €1,493 million included a receivable in the mid-double-digit millions as one of our distribution partners for Kogenate did not fulfill its purchase obligation, and this had a positive impact on earnings (Q3 report 2017, page 11)
- Crop Science: EBITDA before special items of €307 million included positive effects in the mid-double-digit millions in conjunction with the accounting measures taken in the previous quarter in Brazil (Q3 report 2017, page 16). While we experienced normal growing conditions in Q3 last year, Q3 2018 was characterized by drought conditions in main production areas and a tightened regulatory environment.
- Reconciliation: EBITDA before special items was plus €49 million in Q3 2017, also due to lower provisions for the long-term incentive program. For FY 2018 we continue to expect EBITDA before special items of the Reconciliation to come in at approx. minus €200 million; in H1 2018 EBITDA before special items of the Reconciliation was minus €56 million. Thus, a negative swing in EBITDA before special items can be expected for H2 2018.

Best regards,

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Cautionary Statements Regarding Forward-Looking Information

Certain statements contained in this communication may constitute “forward-looking statements.” Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include the following: uncertainties as to the timing of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected time-frames or at all and to successfully integrate Monsanto’s operations into those of Bayer; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the announcement of the transaction; the retention of certain key employees at Monsanto; risks associated with the disruption of management’s attention from ongoing business operations due to the transaction; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the impact of the refinancing of the loans taken out for the transaction, the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on the rating of indebtedness of Bayer; the effects of the business combination of Bayer and Monsanto, including the combined company’s future financial condition, operating results, strategy and plans; other factors detailed in Monsanto’s Annual Report on Form 10-K filed with the SEC for the fiscal year ended August 31, 2017 and Monsanto’s other filings with the SEC, which are available at www.sec.gov and on Monsanto’s website at www.monsanto.com; and other factors discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.com. Bayer and Monsanto assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date.