

# Supplemental financial information with regard to Bayer including Monsanto ahead of Q2 2018 results

August 08, 2018



Ladies and Gentlemen,

In anticipation of our upcoming Q2 2018 reporting on September 5, 2018, please find enclosed selected unaudited financial information for Bayer, including Monsanto.

## General accounting and reporting treatment of the acquired business

Effective June 7, 2018 Bayer successfully completed the acquisition of Monsanto, which will be fully consolidated in the Group financial statements as of that date. The assets and liabilities of the acquired business as well as the related financing activities will be fully recognized in the Q2 2018 financial statements. The profit and loss account and the cash flow statement will include the acquired business for the period between June 7 and June 30, 2018. As a result of the acquisition, Bayer will also recognize additional cost of goods sold from the step-up of inventories (recorded as special item), depreciation of the step-up of fixed assets, as well as amortization of intangible assets on a pro-rata basis for this period (the latter adjusted for in Core EPS calculation).

## Crop Science Reporting Structure

After the acquisition of Monsanto the following Crop Science sales reporting structure is planned. Prior period figures will be restated accordingly.

Current reporting structure	Reporting structure as of Q2*
	Corn Seed & Traits
Herbicides	Herbicides
Fungicides	Fungicides
	Soybean Seed & Traits
Insecticides	Insecticides
SeedGrowth	
Environmental Science	Environmental Science
Vegetable Seeds	Vegetable Seeds
Other (Seeds & Traits)	Other
<b>Crop Science total</b>	<b>Crop Science total</b>

\* as planned

Due to the relative importance of Monsanto's "Corn seed and traits" and "Soybean seed and traits" businesses, the corresponding strategic business entities will be reported separately moving forward. The "Agricultural Productivity" business of Monsanto will be allocated to "Herbicides", "Environmental Science" and "Other", the "Cotton seed and traits" and "All other crops seeds and traits" businesses will be assigned to "Other" and the "Vegetable seeds" business to "Vegetable Seeds". The strategic business entity "SeedGrowth" will be allocated to the category "Other" and no longer be disclosed separately anymore due to its relative size.

The regional sales reporting structure for Crop Science remains unchanged.

Earnings figures will be reported for the total Crop Science segment, as before.

## Additional financial data

**Cost Synergies:** USD1.0bn (in addition we expect sales synergies of USD0.2bn):

// Indicative phasing of cost synergies of USD1.0bn

// 2019: 20-35%

// 2020: 55-65%

// 2021: 80-90%

// 2022: 100%

// Indicative phasing of one-time cost of USD1.5bn (recognized as EBITDA special items):

// 2018: 15-25%

// 2019: 30-40%

// 2020: 25-35%

// 2021: 10-15%

**Interest expense:** Net debt of c. €39bn expected at year-end 2018, with an average interest rate of c. 4%

Projected **effective Tax-rate:** 23-25% (mid-term)

### US-GAAP to IFRS conversion:

The estimated financial impact related to the IFRS adjustments is not material for net sales and EBIT for the period covering June 7, 2018 to June 30, 2018 and does not affect cash flows.

### Number of shares 2018 (time-weighted average):

The recent capital increases have affected the weighted average number of shares in 2018:

In April 2018, as part of a capital increase excluding the subscription rights of existing Bayer shareholders, the investment company Temasek, Singapore, subscribed to 31 million new shares of Bayer at an at-market price, corresponding to around 3.6% of the increased capital stock, for total gross proceeds of €3 billion.

In June 2018, Bayer executed a capital increase with subscription rights for existing shareholders and issued 74.6 million new shares.

The following table reflects these capital increases and shows the quarterly and YTD number of shares outstanding to be used for (Core) EPS calculation going forward.

No. of shares in million*	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018
Quarter	915.7	980.2	980.2
YTD	900.7	927.5	940.8

\* fully diluted

Minor changes to the weighted average number of shares are expected for 2019 due to the mandatory convertible notes adjustment for dividends (in May 2018 the dividend adjustment was 1.3 million shares).

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

According to IAS 33, the core earnings per share numbers prior to June 2018 have been restated for the bonus element in the context of the discounted rights issue in June 2018.

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

## Divestments

Consistent with the Q1 2018 interim report, the antitrust divestments associated with the acquisition of Monsanto are disclosed as “assets held for sale” (i.e. all assets and liabilities of the businesses subject to divestment are condensed and presented in the lines “assets held for sales” and “liabilities directly related to assets held for sale”, respectively). The income and expenses of those businesses will be included in our Group Consolidated Income Statements in the Q2 2018 reporting.

In 2017 these businesses generated sales of €2.2bn.

**An updated outlook for Bayer including Monsanto and the related Purchase Price Allocation will be provided with the Q2 2018 interim report on September 5, 2018.**

Best regards,

Your [Bayer Investor Relations Team](#)

Bayer AG  
Investor Relations  
51368 Leverkusen, Germany  
E-mail: [ir@bayer.com](mailto:ir@bayer.com)  
Internet: <https://www.investor.bayer.com>

## 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](http://www.sec.gov) and on Monsanto’s website at [www.monsanto.com](http://www.monsanto.com); and other factors discussed in Bayer’s public reports which are available on the Bayer website at [www.bayer.com](http://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.