

Bayer AG – Investor Relations
Conference Call:
Discussion on Glyphosate Litigation
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Welcome

Oliver Maier

Head of Investor Relations, Bayer AG

Good morning and afternoon to everyone joining us on the line today. We've invited you to join us today obviously to share our high-level perspective on the integration of Monsanto, which we officially kicked off last Tuesday; and then obviously we will take a closer look at the litigation and the recently acquired Monsanto Company, with an emphasis on the 10 August verdict in the *Johnson v Monsanto* trial.

I'm joined on the call today by Werner Baumann, our CEO; Wolfgang Nickl, our CFO; and by Liam Condon, member of our board of management, who leads our Crop Science division. We will begin the call with some prepared comments and then proceed to Q&A. For the Q&A session – housekeeping item – I would like to ask you to really please limit your questions to one to two per person to allow us to take questions from as many participants as possible in the time allotted.

As always, before we begin, I would remind you of the cautionary language, which we have shown at the beginning of the webcast and will be included in the transcript provided afterwards, just as we do in our quarterly disclosure.

[See disclaimer](#)

With that and not much further ado, I will pass the call to Werner. The floor is yours, Werner.

Opening Remarks

Werner Baumann

Chief Executive Officer, Bayer AG

Alright, so thanks, Oliver. Ladies and gentlemen, welcome to our call today and also from my side thanks for joining. As you know, the hold separate order imposed by the US Department of Justice ended last week, and this hold separate meant that we had to keep Monsanto Company separate from Bayer and had only limited access to Monsanto information. Also, our ability to publicly comment was limited but, as the hold separate has ended, we are now in a position to freely address all topics related to Bayer and Monsanto. That said, we want to reach out to you as soon as possible and provide you with our view on the recent news and legal cases related to glyphosate and dicamba.

But before we do this, allow me some remarks to frame the discussion. As Oliver already mentioned, on Tuesday we officially kicked off our joint organisation and integration efforts and I can tell you there's an awful lot of enthusiasm and excitement in the organisation to get going, finally get going, now. Actually, as a matter of fact, we are now the leading ag company in the world, with the strongest innovation capabilities, the best product portfolio, most advanced digital platform and a very strong and also experienced ag management team in place. Together, we are fully committed to shape agriculture to benefit farmers, consumers and our planet.

We are, as we speak, implementing our integration plans and look forward to sharing with you the details on our strategy, combined financials and meaningful pro forma information in our upcoming quarterly earnings call on 5 September and, of course, during our capital markets day on 5 December. Let me also clearly state that, despite the 10 August *Johnson* trial verdict and the following capital market reaction, nothing has changed concerning our strategy, attractive synergy potential, and longer-term growth and margin expectations for our combined Crop Science business. We expect strong value creation through the Monsanto acquisition, including \$1.2 billion in annual synergies targeted as of 2022 and accretion to our core EPS already in 2019. We are very optimistic for the future of the business.

Looking at the verdict in the *Johnson* trial, we think it is inconsistent with the robust science-based conclusions of regulators and health authorities worldwide, and we believe it is wrong. We are confident that our legal resources, now combined after the hold separate has ended, will help strengthen the company's ability to defend glyphosate in this litigation. We want to make sure that glyphosate will continue to be available to our key stakeholders as an excellent, safe and very important tool for modern agriculture.

So with that, let's move into the discussion on the safety profile of glyphosate and also the recent activity in the litigation. Farmers and growers have been using glyphosate safely and effectively for more than 40 years. The safety of glyphosate is substantiated by more than 800 scientific studies and reviews conducted over the course of many decades, which conclude that it can be used safely and does not cause cancer. This includes, notably, the US Agricultural Health Study. These findings are supported by the conclusions of regulators and health authorities around the globe, including the US Environmental Protection Agency, the National Institute of Health, European Chemicals Agency and the European Food Safety Authority, which have all concluded that glyphosate does not cause cancer. Today, glyphosate continues to play a critical role in helping to manage weeds and deliver crops to markets around the world.

On Friday 10 August 2018, a jury in the Superior Court of San Francisco found Monsanto liable in a lawsuit filed by Dewayne Johnson, who alleged the company's glyphosate-based herbicides, including Roundup and Ranger Pro, caused him to develop non-Hodgkin lymphoma. The jury awarded \$39 million in compensatory and \$250 million in punitive damages. Cancer is a personal tragedy and a terrible disease and, of course, we are very sympathetic to Mr Johnson and his family, but glyphosate was not the cause. A verdict by one jury in one case does not change the scientific facts and the conclusions of regulators that glyphosate does not cause cancer.

We will seek reversal of this jury verdict by the judge who tried the case and, if necessary, from the judges of California appellate courts. We recognise that there will be challenges in this effort, but we are committed to vigorously defending these lawsuits and the products. Glyphosate is a valuable tool for growers around the world who count on us to continue to protect these tools for them and future generations. We are confident that our combined legal resources will help strengthen the company's ability to defend glyphosate in this litigation.

Of course, because the *Johnson* case is still pending, there are legal and also strategic boundaries as to how much we are able to say; however, I would like to share our views on the recent verdict. Let

me cut right to the chase here. This verdict is inconsistent with the robust science-based conclusions of regulators and health authorities worldwide, and we believe it is wrong. We stand behind the product and the science backing it up. Customers and growers continue to tell us that glyphosate is an invaluable tool and they remain confident that it can be used safely. Recent statements from grower groups following the verdict serve as ongoing indications of this support.

Glyphosate has been on the market for over 40 years and it is the most widely used herbicide in the world. The more than 800 scientific studies are a reflection of the longevity, the popularity and the reach of our product. Countless researchers have studied glyphosate for regulatory submission and approval, and much of the scientific data on glyphosate comes from independent researchers with no connection to Monsanto. In particular, I point out the federally funded 2017 US Ag Health Study publication, which followed more than 50,000 farm workers and their spouses for more than 20 years and found no association between glyphosate-based herbicides and cancer.

The benefits of this well established product for farmers and consumers around the world are widely recognised and have been for many decades. This litigation only started when trial attorneys in the US began running advertisements to recruit plaintiffs for lawsuits after the IARC incorrectly classified glyphosate in 2015 as a – I quote – ‘probable carcinogen’ based on a very limited review of incomplete data. In fact, the review omitted the US Ag Health Study. In the *Johnson* case, unfortunately, the jury’s verdict is in conflict with the weight of the scientific research that supports glyphosate. We are looking at the trial proceedings very closely, and Bayer and the joint litigation team are working to ensure that, going forward, this overwhelming science will get the full consideration it deserves. As a science and innovation company, we are committed to defending glyphosate and the benefits it brings to farming, and to protecting the health and safety of the people using our products.

Let me now come to the obvious question: what is next? First of all, it’s important to reiterate that, at the outset, the jury’s verdict is not a final decision in the *Johnson* case; nor does it have any direct impact on other glyphosate cases. Those in the audience who have dealt with US litigation know that, while far from certainty, liability decisions and high jury awards have been reversed or reduced by trial judges or on appeal. Our next steps will be to file post-trial motions with the trial courts and, in some, we will be arguing to this court that the evidence and the law do not support the liability finding nor the damage awards. We will await a ruling on this motion before filing an appeal with the California courts of appeal, if needed. The litigation team has started to work on the respective documents and, for obvious reasons, we are not able to discuss this strategy or details related to that strategy at this time. Our expectation is that the motions will take months to be completed; an appeal would likely take a year or longer.

It is also important to point out that *Johnson* was an expedited case in the state court in California, which is separate from the federal cases that the Judicial Panel on Multidistrict Litigation transferred to the northern district of California. The next trial is currently scheduled for late October in St Louis in Missouri state court. The joint litigation team is fully engaged and expects to be well prepared for this next trial. In total, the number of plaintiffs across both state and federal litigation is approximately 8,000 as of the end of July. These numbers may rise or fall over time, but our view is that the number is not indicative of the merits of the plaintiffs’ cases.

There have also been questions on the assessment of the litigation risk prior to Bayer and Monsanto signing the merger agreement. As the acquisition structure was a takeover of a publicly listed company, access to information was limited, as is usual in such scenarios. Bayer, through counsel, undertook appropriate due diligence of litigation and regulatory issues throughout the process leading to the finalisation of the merger.

To conclude my initial statements on glyphosate, I would like to also quickly put into perspective the separate matter of the glyphosate lawsuit in Brazil. This suit in Brazil is completely unrelated to the glyphosate litigation in the US. First, the company is not a party to this suit. There's not been a final ruling; nor is it a ruling on glyphosate safety. To be clear, no ban is currently in place. Customers and growers continue to sell and use glyphosate-based herbicides in Brazil, so what happened?

A federal judge in Brazil granted an injunction against Brazil's health agency ANVISA to suspend the use of three pesticides, including glyphosate, within 30 days of the court's 3 August order. This was mainly based on the allegation that the agency had not re-reviewed the registration of these products in a timely manner. Subsequent to the order, several key stakeholders in Brazil have expressed their intent to appeal the decision, including the agricultural minister, the attorney general, ANVISA, the leading ag industry association and Aprosoja, the leading soybean growers' association. The Brazilian agricultural minister, Blairo Maggi, continues to publicly support the importance of glyphosate to Brazilian farmers as well as its safety, and he has voiced confidence in the press that the ruling will be overturned. We understand that, actually late yesterday, the attorney general took the step of filing a remedy with the president of the court seeking to overturn the injunction. We'll get back to you as soon as we have any further updates.

Now, let me switch gears and turn to another topic, the 2018 season and the Roundup Ready Xtend Crop System, our next-generation weed-control system that includes dicamba-tolerant seeds and low-volatility dicamba products, including XtendiMax and VaporGrip Technology.

There was recently an article published by a German news magazine, which inaccurately reported that Monsanto was a party to the new class action litigation related to dicamba. This unnecessarily pressured our share price. The fact is that there was no new class action litigation filed against Monsanto last week. The proceedings mentioned in the German article have been pending for weeks or even months. We therefore contested the statements in court and, in the meantime, the German news magazine corrected their statement. That litigation alleges crop damage through off-target movement of dicamba and/or anti-trust monopolisation claims. There are no personal injury claims.

Now let's talk about what really happens in the fields. USDA reports indicated record soybean yields in 2017 and soybean crops are reported to be in very good condition this year. Last year, growers reported 97% satisfaction with their weed control when using XtendiMax with VaporGrip Technology with their Roundup Ready 2 Xtend Soybeans. In the current season to date, Monsanto has received 73% fewer enquiries about potential off-target movement than in 2017, while dicamba-tolerant Roundup Ready 2 Xtend Soybeans and Bollgard 2 XtendFlex Cotton are on nearly double the acres. We are of course taking these enquiries seriously and a careful evaluation on a case-by-case basis is necessary. However, the company believes that it has meritorious defences against all these allegations and will ultimately prevail in litigation.

On the regulatory front, the company is working cooperatively with the EPA and expects a renewal of XtendiMax and VaporGrip Technology to be granted. The EPA has publicly shared that it is aware of grower need for this new low-volatility dicamba technology and expects to make a regulatory decision in time for growers to make their purchasing decisions for the 2019 growing season. We are confident that, in working closely with the EPA, a satisfactory solution for the farmers will be achieved.

I would like to conclude now by summarising our key messages. We are of course very sympathetic to Mr Johnson and his family, but we disagree with the verdict in the *Johnson* trial. The decision by one jury in one case does not change the fact that more than 800 scientific studies and reviews, and other sources, support the conclusion that glyphosate does not cause cancer. We

will seek reversal of this jury verdict through the various litigation options available to us. This first verdict, which is not final, has no direct impact on the outcome of other glyphosate litigation matters. Demand for our glyphosate-based herbicides remains strong and the regulatory status remains intact and unchanged.

Finally, there is no new dicamba class action and we have received 73% fewer off-target enquiries in the current year versus last year, while the acres using the dicamba-tolerant technology have nearly doubled. We remain committed to vigorously defending both glyphosate and our XtendiMax with VaporGrip Technology, along with the benefits they bring to farming, and to protecting the health and safety of the people using our products, and we are confident that science will ultimately prevail in these cases. And of course, as I mentioned at the beginning of my talk, we are totally excited to now finally start running the leading ag business in the world. With that, let me now open this call for your questions.

Questions & Answers

Vincent Andrews, Morgan Stanley

Thank you, Vincent Andrews from Morgan Stanley. I appreciate you taking my question. I guess, just thinking about the US Roundup litigation, as is typical, the plaintiffs are putting forth what they probably perceive to be their best cases and they're trying in what are most likely the worst jurisdictions for you. I guess, if we take the pessimistic view of this and, hypothetically, you wind up losing another three or four of these cases, and they're large-scale verdicts, does that at all change the way you want to pursue the litigation; or are you adamant about vigorously fighting this litigation all the way through the appellate process; or is there any thought in your mind that it might make sense just to settle?

Werner Baumann

Vincent, this is Werner speaking. Thanks for the question. As I mentioned before, we have a first instance first case that has been tried in California state court and we see this verdict, in the first instance, to be completely inconsistent with all available facts. We will rigorously defend this case and also the cases that are up and coming because, quite frankly, we have a product that is in very good regulatory standing. We have strong science supporting, across the board, the fact that there is no relation between the application of the product or products or herbicide-based formulations of glyphosate and cancer causes. With that, I hope I've been sufficiently clear that we will rigorously defend our position going forward.

Vincent Andrews

Thank you.

Sachin Jain, Bank of America Merrill Lynch

Firstly, the legal standard, as I understand it, in this jury district verdict was a one-off probable cause. They only needed to be 51% certain of a potential link. Could you comment how that evidence standard may change as the legal process progresses, and how you perceive that standard differs from a scientific conclusion where, I guess, the evidence standard required is much higher, and how that is therefore important as we think about future jury decisions?

Secondly, Werner, you've commented extensively on your confidence in the robust science basis. Could you just provide your comments on the degree of comfort with Monsanto internal communication, which has been a real focus in the *Johnson* case? Plaintiff counsel has clearly used that to potentially muddy the waters. How much of that information did you have access to as part of your due diligence? Thank you.

Werner Baumann

Hi, Sachin. Thanks for the questions. First of all, the term 'probable cause' is one that, to us, doesn't mean a lot, because there is no scientific evidence here that would lead to, let's say, a percentage-wise estimate of what that probability might look like. There is nothing that is in our hands or that is actually the result of the studies that are out there that suggests any relation between the application of glyphosate-based herbicides on one side and the occurrence of cancer of people who have been using that. As I mentioned earlier in my speech, I think the best study to look at is the federal US Ag Health Study that has been covering more than 50,000 people and their spouses over more than 20 years, which cannot stipulate any relation between the people that are applying and using glyphosate on one side and then the occurrence of cancer. So, I think that helps you put your quote-unquote 'probability question' into perspective.

Secondly, easing into the second part of your question, everything we know, not only by the studies that were undertaken by Monsanto but everybody else who has studied the product, also for regulatory and other purposes, suggests that this is a very, very robust assessment. I've quoted several times now more than 800 studies. The product has been used, I think, in a very safe manner for more than four decades. And last but not least, as far as our access to Monsanto internal documentation is related – and also communication, you suggested, might have been a problem in the *Johnson* case – we have been under a complete hold separate, other than being allowed to put together our quarter two financials during the last two/two and a half months since the closing of the transaction, so we have not had any access that goes beyond the information that is out there in the public domain. Since we have had access, we could reassure ourselves that there is no communication out there that would, quote-unquote, qualify as 'smoking gun'. Things have been used, as usual, by plaintiff lawyers, taken out of context. As it has been the case for Monsanto before, we as a joint company stand firmly behind the science and the conduct related to a) glyphosate and what we are doing as a company.

Sachin Jain

Thank you.

Simon Baker, Exane BNP Paribas

Thanks for taking my questions – two, if I may, please. Just in terms of the composition of the existing plaintiffs, I wonder if you could give us a little bit more of a breakdown of the numbers by suggested or alleged cancer type and also the split of out-of-district/out-of-state plaintiffs within the overall action. There seems to have been quite a lot of forum shopping going on in this case. I wonder if you could give us some clarity on that.

And then, secondly, I know you don't want to talk about the post-trial motions, but can we perhaps talk about the motion for mistrial that you filed on 8 August, before the verdict was delivered? Could you give us an idea of when we'll get a decision on that, the grant rate for motions for mistrial in that district and any other areas that, in general terms, we should be thinking of in terms of areas where you think there could be potential for declaring a mistrial? Thanks very much.

Werner Baumann

Thanks, Simon. Coming to your first question, as usual, as far as it relates to the composition of the trials, there are some claims that have been made, with trials that have been filed. We have no visibility to the composition of the trials. We know that the next trial that is scheduled for late October in St Louis is another type of non-Hodgkin lymphoma trial, but our knowledge, let's say, across the number of claims that have been made, is limited at best, at this point in time. That also holds true for what is going on with, let's say, the individual and then the out-of-district litigation activities.

As far as the post-8 August motion is concerned, we would have to get back to you. I cannot answer that question on the spot.

Simon Baker

Thank you.

Richard Vosser, JP Morgan

Hi, it's Richard Vosser from JP Morgan. I have two questions, please. The first one is on the different formulations of Roundup relative to glyphosate. Perhaps you could comment on the role surfactants would play potentially, in terms of the science that you detailed, whether different formulations might have different properties in terms of glyphosate.

And then the second question, just adding on to the comments you just made, the second case being non-Hodgkin lymphoma, I think the last EPA review suggested there was more limited information with respect to non-Hodgkin lymphoma compared to other cancers, where they said there was no causal link to glyphosate. Perhaps you could detail your thoughts and the science related to non-Hodgkin lymphoma and potentially give us a breakdown of, as to Simon's questions, how many cases are directly linked to non-Hodgkin lymphoma. Thanks very much.

Werner Baumann

Okay, Richard, so on the first question on the formulations, in general, there is no difference, based on the studies that are out there, between the assessment of glyphosate as an active and then glyphosate-based formulations that are being used. There is no difference. Just coming back to the 2017 US Ag Study, that study was actually done on the application of glyphosate-based formulations. I know that there's a lot of talk out there that what the EPA has assessed in terms of carcinogenicity of glyphosate as an active does not necessarily relate to the formulations out there but I think, if you have such strong, robust evidence, the data that is out there appears to be very, very consistent.

Secondly on NHL, NHL is actually a cancer type that can have many, many causes. As far as the connection between non-Hodgkin lymphoma or other cancer types to glyphosate is related, I have to come back to what I said earlier: there is no relation between the application of glyphosate and, let's say, the risk of developing cancer regardless of which form, in general, based on the studies that we know about.

Richard Vosser

Great, thank you very much.

Werner Baumann

Okay, thanks, Richard.

Jo Walton, Credit Suisse

Jo Walton from Credit Suisse. You've talked a lot about the agricultural health survey. Do you believe that that was not sufficiently emphasised to the jury, this study, and therefore a wider understanding of this would be helpful; or do you think that they already knew this but decided another decision?

I wonder if you could also just help us on the timing that you think that the multidistrict litigation cases may come to court. As I understand it, the current cases are the state cases, both in California and Missouri, and the so-called bellwether cases where we should be able to get the best case on both sides. Presumably they're still, is it, one year, two years, away from finality?

If I could just push my luck here, you have stated that you think you can bring more to the defence of this case. I wonder what it is in practice that you can bring. I'm sure that Monsanto weren't short of money for lawyers. What is it that, in practice, you can do that Monsanto couldn't do?

Werner Baumann

Okay, thanks, Jo. First on the Ag Health Study, we don't know what the reasoning of the jury was behind the verdict they ended up with. We don't have any insight, because none of the details have been revealed other than the voting. To the extent that we have been commenting on it, I want to make sure that one thing is crystal-clear. The science, the data, the facts and the regulatory standing clearly stand in favour of glyphosate. And that's why we've been very outspoken on: a) the verdict being inconsistent with facts, data, science and regulatory standing of the product; and b) our opinion that this is the wrong verdict. I think there's not much more to it than I've said so far.

On the MDL cases, those will not be tried before 2019. You mentioned the bellwether cases. It's also very important – I maybe comment on it in a different context – and that is that the *Johnson* trial was not a bellwether case. It was an individual accelerated case, which does not have any bearing and any meaning in direct relation to all other cases that will be tried going forward.

Then to your last question, Jo, the context of my comment on joint forces being more than each of the companies could have done individually simply relates to the fact that we have quite a bit, I would say, of experience in US product litigation. If you have the teams under one roof, you can strategise and discuss differently than you can at arm's length. So, it will always be better that we come together as one organisation and then look at what we may be able to contribute, and that's what I meant with that statement. It actually relates to the significant experience Bayer has had in the past in US product litigation.

Jo Walton

Thank you.

Werner Baumann

Thanks, Jo.

Michael Leuchten, UBS

Thank you. It's Michael from UBS. Two questions, please. One, you mentioned how the *Johnson* case was expedited in California. I was wondering if you could talk to the technical differences between the states, and I'm thinking about Proposition 65 relevant in California versus other states, including Missouri. Are there any differences that you would point towards that make a ruling in California not representative for what may or may not happen elsewhere?

Then from a financial perspective, if I could ask you about provisioning, I know under US GAAP you tend not to take provisions for cases for a number of reasons. Both for glyphosate but maybe more importantly for dicamba, how do you think you're going to treat this from a balance sheet perspective? Thank you.

Wolfgang Nickl, Chief Financial Officer, Bayer AG

Michael, this is Wolfgang Nickl. I'll tackle your second question and then I'll give it back to Werner for your first question. We will of course file our financial report on 5 September, as we can now do for the combined company, and we will of course cover our legal risks for the combined company. We're reviewing the facts and we will take appropriate accounting measures for anticipated defence costs associated with this litigation, and defence costs only at this point also based on IFRS regulations.

Werner Baumann

Michael, just let me go to your first question on some of the technical implications. Proposition 65 in California doesn't have anything to do, of course, with the glyphosate-related cancer trials. Proposition 65 stipulates, I think, also a probable cancer risk. I think the same logic and factual base, or let's say the science and the regulatory standing, that has been used in that context stands against that proposition and that's all I can say relative to that question.

Michael Leuchten

Thank you.

Sib Bhartiya, DWS Investments

Hey, guys. It's a question regarding the high number of pending cases out there right now. Do you guys have to record any sort of reserve charges or anything on the balance sheet for the provisions that are out there?

Wolfgang Nickl

It's actually a similar question than what we just gave to Michael of UBS. We are likely – we're still in the process – of finalising the financials that we'll file on 5 September, but we currently assume that we just provide for the anticipated defence costs and that is based on IAS – the IFRS rule – 37, so no provision for damages at this point, independent of the number of cases.

Sib Bhartiya

Okay, thank you.

Wolfgang Nickl

You're welcome.

Emmanuel Papadakis, Barclays

Thanks very much. It was just a couple of quick follow-ups now actually. The first was on the internal communications question. You said initially you didn't have sufficient access to those, but you do now. Did I correctly understand you say you've now reviewed those and you're sufficiently satisfied that there is no meaningful adverse piece of information that will emerge from the internal communications at Monsanto? That's question number one.

Question number two was just around – I know you can only take provisions for the defence costs – but in the context of due diligence, the question was how has that changed since you originally did your due diligence, such as it was? Thank you.

Werner Baumann

Okay, so relative to your first question, I think there's not a lot that I can add to my prior answer. The internal communication that has been quoted in the *Johnson* case has been used out of context on purpose. There is nothing that we see related to that communication that would lead to us talking about the combined company now having misrepresented or withheld relevant data or actually said that glyphosate could probably cause cancer. None of that is actually the case, so we can solidly, with everything we know, stand behind our communication. On the second question relative to the – was it litigation?

Wolfgang Nickl

Again, we are still evaluating this. We of course know what we have in our assumptions in terms of litigation costs. We are now reviewing what the colleagues at Monsanto currently anticipate and we're considering that when we file our financials. We'll be making that transparent to you as we go through the year.

Werner Baumann

I think you also related it back to the due diligence at the time when we decided to acquire Monsanto. To put things into perspective, very few cases had been filed at the time in 2016 and the situation was quite different in terms of where this entire complex stood, at a very early stage in 2016, and where we are now, still at a very early stage but with the first case tried.

Emmanuel Papadakis

Understood, thank you.

Kerry Holford, Exane BNP Paribas

Hi, it's Kerry Holford of Exane BNP Paribas. Two questions, please. Firstly, the Monsanto 10-Q that was published back in April stated there are around 5,200 glyphosate cases filed. I think you mentioned something close to 8,000 today, so I just want to check. Can we assume that an incremental 3,000 cases or so have been filed just in the past four to five months?

Secondly, I wanted to ask about your visibility on glyphosate and Roundup Ready seed sale. If there is ultimately a negative impact on the sales of these products, how soon would you expect to see that? Essentially, how much inventory do you have in the system? When would orders come in for the next season? I think, if I'm correct, it's normally towards the end of the year so, if there were a slowdown in demand, would you expect to know about that this year or would it really be early next year? Thank you.

Werner Baumann

Okay, Kerry, thanks for your two questions. Your understanding is correct that the 10-K filed by Monsanto for Q2 stipulated the number of 5,200 cases. I mentioned that, at the end of July, we have about 8,000 cases that have been filed, so you have full transparency and an up-to-date number as we talk today. With that, let me hand it over to Liam, who's going to answer your second question.

Liam Condon, President Crop Science Division, Bayer AG

Thanks, Kerry, for the question. In short, we do not anticipate any negative impact on sales. I think it's really important to just remind ourselves that nothing whatsoever has changed in the regulatory status of the product. There is simply a very high demand, and has been for many, many decades now, for glyphosate. It's an invaluable tool for growers and you've seen recently that multiple growers' associations have come out on behalf of their members, the growers, the farmers, telling us how important it is to have glyphosate as a tool to manage weeds. Weeds is the single biggest challenge that farmers face, so they're going to continue using glyphosate.

Oliver Maier

Thanks, Kerry, for your questions. I think we have time for two or three more.

Mark Connelly, Stephens

Thank you. Mark Connelly, Stephens of New York. A question for Liam: state regulators appear to be considering a much more aggressive stance than the EPA on regulating dicamba. I can't think of a time in the last 15 years when state regulators have been so vocal and critical of the way that was introduced by the EPA, not by Monsanto. Do you think we may end up with application rules that are different state by state, as a result of this off-target problem?

Liam Condon

Thanks a lot for the question. Maybe just let me state a little bit generally what's going on, the feedback that we've been receiving and Werner alluded to it earlier, to a degree. Roundup Ready 2 Xtend Soybean and XtendFlex Cotton customers are telling us that they've actually got the cleanest fields that they've had in years. Individual growers, retailers, custom applicators are telling us they've had very successful on-target applications of XtendiMax and VaporGrip Technology and that over a very, very broad acreage. At least from the feedback that we're getting, there appears to be really, really outstanding weed control.

We are in discussion with the EPA about the overall situation and we expect that the EPA will make a very timely decision on the renewal of XtendiMax and VaporGrip Technology. You've probably, I'm assuming, seen that the EPA has publicly shared that they are aware of grower need for new low-volatility dicamba technology and that they expect to make a regulatory decision in time to inform seed and weed management purchasing decisions for the 2019 growing season. Basically this is now the coming months, so end of the third quarter, the fourth quarter. This is when decisions are made and we expect the EPA to take a decision then. We think that will inform then what will happen at a state level, so I wouldn't speculate now on what will happen at the state level. But I think the states will take their guidance from the EPA, and that's why we're very much looking forward to the outcome and the final decision of the EPA in the near future.

Mark Connelly

Okay, thank you.

Peter Verdult, Citi

Thanks. Peter Verdult, Citi. Just two questions: over and above the October trial in Missouri, are there any other cases that you're aware of that are coming to trial in the coming months; and, if so, which jurisdictions?

Just following up, rather than being forward-looking, in terms of the rights issue document that you published, or the document in conjunction with the rights issue, I think there was about €1.8 billion

of non-current provisions on the balance sheet. I just wanted to get a sense if you could ballpark quantify the current level of legal provisioning within that €1.8 billion as it relates to glypho, Xarelto and Essure.

Secondly for Liam, just thinking about glyphosate revenues, I think \$3.7 billion was ag productivity sales last year. When you think about glypho, is it over 75% of ag productivity sales and is it right to think Brazil is probably ballpark \$300-400 million of revenue? Any help you can give in terms of framing glyphosate commercially would be helpful. Thank you.

Werner Baumann

Alright, Peter. Thanks for the questions. Let me get at questions one and two before I hand it over then to Liam for the third question. So, on the next trial I mentioned, the next trial is the one that is scheduled in Missouri. There's no other trial, to my knowledge, that has already been scheduled.

Secondly, the €1.8 billion that you mention in our books has a number of provisions in there. The provisions that we have made, both for Essure and also for the defence of Xarelto, relate exclusively to the provisioning of defence costs. Let's say order of magnitude, I would say, is somewhere in the area, maybe, of a couple of hundred million out of that 1.8. We can come back to you and confirm that number, but that's order of magnitude what it's going to be.

Peter Verdult

Thank you.

Stewart Horsansky, Vanguard Asset Management

My question is the IARC study that you have mentioned several times and indicated that you disagree with it. Can you provide us clarity as to where you believe that study was weak and why it should not be relied upon?

Werner Baumann

Yes, that's a good question. The IARC is a subdivision of the World Health Organization, so it's a reputable organisation, and IARC stands for the international agency of cancer research. What they do is they assess different compounds for potential – potential – cancer risk and then they classify different classes. They have not performed, to the best of my knowledge, separate, individual and own studies, but they classify and the classification that glyphosate falls into as potentially carcinogenic is the same – it's actually labelled as a 2A classification – and it has the same classification as the regular consumption of very hot beverages or the regular consumption of red meat. That should give you a perspective on what that IARC classification is all about, but no own studies.

Maybe we can now come back to the third question that Peter asked that Liam is going to get to.

Liam Condon

Thanks, Peter, for the question. Again, I'd just like to re-emphasise, because I think you're asking what's the potential risk if glyphosate sales were to go, the verdict hasn't changed anything whatsoever from a regulatory point of view. Customers continue to demand the product. There is absolutely no change whatsoever in the pattern of demand for the product. Demand for glyphosate depends on the growing conditions and not on the jury decision in California.

To your question specifically, a significant portion of the ag productivity sales and gross profit that Monsanto has historically reported was from glyphosate-based herbicides. Basically, as you rightly

said – this was last year – \$3.7 billion was the total and a significant portion of that, and we don't break out the glyphosate part, but a significant portion is indeed glyphosate. We don't break out the country-specific sales, so we don't give a specific number for Brazil, for example.

Closing Remarks

Oliver Maier

Head of Investor Relations, Bayer AG

Thanks very much, everybody, for joining the call today. I'm looking forward to talking to you soon, especially since we have our Q2 release in two weeks. Thank you. Take care. Bye bye.

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