



**Report by the Board of Management to the Annual Stockholders' Meeting
of Bayer Aktiengesellschaft on Friday, May 25, 2018, regarding
the utilization of the Authorized Capital II while disapplying stockholders' subscription rights**

By resolution of the Annual Stockholders' Meeting held on April 29, 2014, and pursuant to the revised version of Section 4, Paragraph 3 of the Articles of Incorporation, the Board of Management of Bayer Aktiengesellschaft was granted authorization, with the consent of the Supervisory Board, to increase the capital stock of the Company against cash contributions by up to a total of EUR 211,698,560.00 by issuing new no-par value registered shares on one or more occasions in the period up to April 28, 2019 (Authorized Capital II). The Authorized Capital II was entered in the commercial register on May 16, 2014. One of the components of the authorized capital is that, pursuant to Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act (AktG), the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights in cases where the shares are issued against cash contributions and the total interest in the capital stock attributable to the new shares for which subscription rights are disappplied does not exceed 10 % of the existing capital stock on the date of entry in the commercial register of the authorization or, in the event that this amount is lower, 10 % of the existing capital stock on the date the new shares are issued. In addition, the new shares may only be issued at an issue price that is not materially lower than the market price of the Company's existing listed shares of the same class at the time when the issue price is finalized by the Board of Management.

With the consent of the Supervisory Board's Presidial Committee, to which the decision regarding the consent of the Supervisory Board had previously been transferred, the Board of Management of Bayer Aktiengesellschaft resolved on April 16, 2018 – in line with the authorization pursuant to Section 4, Paragraph 3 of the Articles of Incorporation – to increase the Company's capital stock by a nominal amount of EUR 79,360,000, from EUR 2,116,986,388.48 to EUR 2,196,346,388.48, by issuing 31,000,000 new no-par value registered shares in the Company against cash contributions with profit participation from January 1, 2017, while disapplying stockholders' subscription rights. This corresponds to a 3.75 % increase of the Company's capital stock at the time of the entry of the authorization in the commercial register and the time of the authorized capital's utilization. As such, the volume restriction for shares issued against cash contributions while disapplying subscription rights provided for in the Authorized Capital II was also adhered to when taking into account the other measures – especially the issuance of a mandatory convertible note in November 2016 that is guaranteed by the Company – attributable hereto. The issue price of the new no-par value shares was set at EUR 97.00 per no-par value share, and thus not materially lower than the share price of the already listed no-par value shares in the Company. The Xetra closing price of Bayer stocks on April 16, 2018, stood at EUR 97.98.

All new no-par value shares were acquired by Ellington Investments Pte. Ltd, a subsidiary of Temasek Holdings (Private) Limited, as part of a private placement. The capital increase became effective on April 18, 2018, when the implementation thereof was entered in the commercial register of Bayer Aktiengesellschaft. The placement generated net proceeds of approximately EUR 3 billion. The Company used the net proceeds from the capital increase to cancel part of the syndicated credit facility for financing the acquisition of the Monsanto Company. Disapplying stockholders' subscription rights enabled the cancellation to be conducted promptly. In addition, the Company has secured a new, long-term strategic investor in Temasek. Its investment represents a major success and a display of confidence in the planned acquisition of Monsanto and Bayer's strong growth prospects. The proceeds from this capital increase will be taken into account when determining the size of the previously announced share capital increase through a rights offering with subscription rights to existing shareholders to finance the proposed acquisition of Monsanto. Disapplying stockholders' subscription rights was therefore in the Company's

interest. In addition, existing shareholders can elect to maintain their percentage ownership by purchasing shares under almost the same conditions on the stock market, after the volume-weighted Xetra closing price of Bayer shares on April 16, 2018, stood at EUR 98.40 on average.

On the basis of the authorizing resolution of the Annual Stockholders' Meeting on April 29, 2014, that remains in effect, the Board of Management is authorized, with the consent of the Supervisory Board, to increase the capital stock of the Company by up to EUR 530,000,000.00, of which up to EUR 423,397,120.00 against contributions in kind (Authorized Capital I), and by EUR 132,338,560.00 (remainder of Authorized Capital II) by issuing new no-par value registered shares against cash contributions on one or more occasions in the period up to April 28, 2019.

Leverkusen, May 15, 2018

Bayer Aktiengesellschaft

The Board of Management

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