Bayer announces agreements to resolve major legacy Monsanto litigation

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Bayer announced today a series of agreements that will substantially resolve major outstanding Monsanto litigation, including U.S. Roundup™ product liability litigation, dicamba drift litigation and PCB water litigation. The main feature is the U.S. Roundup™ resolution that will bring closure to approximately 75% of the current Roundup™ litigation involving approximately 125,000 filed and unfiled claims overall. The company will make a total payment of $10.1 billion to $10.9 billion (€9.1 billion to €9.8 billion) to resolve current and address potential future Roundup™ litigation. The resolved claims include all plaintiff law firms leading the Roundup™ federal multi-district litigation (MDL) or the California bellwether cases, and those representing approximately 95% of the cases currently set for trial, and establish key values and parameters to guide the resolution of the remainder of the claims as negotiations advance. The resolution also puts in place a mechanism to resolve potential future claims efficiently. The company will make a payment of $8.8 billion to $9.6 billion to resolve the current Roundup™ litigation, including an allowance expected to cover unresolved claims, and $1.25 billion to support a separate class agreement to address potential future litigation. The Roundup™ class agreement will be subject to approval by Judge Vince Chhabria of the U.S. District Court for the Northern District of California. The resolutions were approved unanimously by Bayer's Board of Management and Supervisory Board with input from its Special Litigation Committee. The agreements contain no admission of liability or wrongdoing.

Resolution of Roundup™ litigation

The multi-step Roundup™ resolution includes several elements. The agreements will resolve the vast majority of the current litigation in U.S. federal and state courts, including both plaintiffs with filed cases and parties who have retained counsel but not yet filed their
claims in court. Those participating in the settlement will be required to dismiss their cases or agree not to file. The range of $8.8 billion to $9.6 billion covers both the agreements already signed and those that are still under negotiation. It also reflects the fact that the number of claimants who are eligible to receive compensation under these agreements won't be known until the claims process is well underway. The claims still subject to negotiation largely consist of cases generated by TV advertising and for which plaintiffs' law firms have provided little or no information on the medical condition of their clients, and/or cases held by law firms with small inventories.

The three cases that have gone to trial - Johnson, Hardeman and Pilliod - will continue through the appeals process and are not covered by the settlement. It is important for the company to continue these cases as the appeals will provide legal guidance going forward.

Potential future cases will be governed by a class agreement which is subject to court approval. The agreement includes the establishment of a class of potential future plaintiffs and the creation of an independent Class Science Panel. The Class Science Panel will determine whether Roundup™ can cause non-Hodgkin's lymphoma (NHL), and if so, at what minimum exposure levels. Both the class and company will be bound by the Class Science Panel's determination on this question of general causation, taking this decision out of the jury trial setting and putting it back in the hands of expert scientists. If the Class Science Panel determines that a causal connection between Roundup™ and NHL is not established, class members will be barred from claiming otherwise in any future litigation against the company. The Class Science Panel's determination is expected to take several years. Class members will not be permitted to proceed with Roundup™ claims prior to the Class Science Panel's determination, and cannot seek punitive damages. The agreed funding is capped at $1.25 billion.

The company said that before deciding to settle, it considered the alternative course of continuing to litigate Roundup™ cases. In the company's risk assessment, potential negative outcomes of further litigation, including more advertising and growing numbers of plaintiffs, upwards of twenty trials per year and uncertain jury outcomes, and associated reputational and business impacts, likely would substantially exceed the settlement and related costs.
Customers, including farmers and other professional users who depend on glyphosate-based herbicides for their livelihoods, will see no change in the availability of Roundup™ products under the Roundup™ agreements announced today.

Resolution of dicamba litigation

Bayer also announced a mass tort agreement to settle the previously disclosed dicamba drift litigation involving alleged damage to crops. The company will pay up to a total of $400 million to resolve the multi-district litigation pending in the U.S. District Court for the Eastern District of Missouri and claims for the 2015-2020 crop years. Claimants will be required to provide proof of damage to crop yields and evidence that it was due to dicamba in order to collect. The company expects a contribution from its co-defendant, BASF, towards this settlement.

The only dicamba drift case to go to trial - Bader Farms - is not included in this resolution. The company believes the verdict in Bader Farms is inconsistent with the evidence and the law and will continue to pursue post-trial motions and an appeal, if necessary.

Resolution of PCB litigation

Bayer also announced a series of agreements that resolve cases representing most of the company's exposure to PCB water litigation. Monsanto legally manufactured PCBs until ceasing their production in 1977. One agreement establishes a class that includes all local governments with EPA permits involving water discharges impaired by PCBs. Bayer will pay a total of approximately $650 million to the class, which will be subject to court approval.

At the same time, the company has entered into separate agreements with the Attorneys-General of New Mexico, Washington, and the District of Columbia to resolve similar PCB claims. For these agreements, which are separate from the class, Bayer will make payments that together total approximately $170 million.

Funding sourced from free cash flow and Animal Health divestment

Cash payments related to the settlements are expected to start in 2020. Bayer currently assumes that the potential cash outflow will not exceed $5 billion in 2020 and $5 billion in 2021; the remaining balance would be paid in 2022 or thereafter. In order to finance these
payments which are subject to tax treatment, Bayer can make use of existing surplus liquidity, future free cash flows, the proceeds from the Animal Health divestment, and additional bond issuances, which will provide flexibility in managing the settlement payments as well as upcoming debt maturities.

Based on publications by the rating agencies and the company's communication with them, Bayer expects to keep investment grade credit ratings. With its strong underlying business, the company intends to keep its dividend policy. At the same time, deleveraging the balance sheet remains a high priority.

Notes:

The following resources are available online www.bayer.com/settlements

- Speeches for the Investor Conference Call
- Links to the conference calls (recordings will also be available there shortly after the calls)
- Further information on glyphosate

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Forward-Looking Statements
This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Bayer Group aims to strengthen its core life science businesses through a series of portfolio, efficiency and structural measures designed to enhance productivity and innovation while significantly improving competitiveness. In a meeting on Thursday, the Supervisory Board of Bayer AG discussed the plans laid out by the Board of Management and unanimously expressed their support. Through these measures, the company is paving the way for sustainable business success in attractive, long-term growth markets.