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News Release

Move to significantly strengthen position in consumer care

Bayer to acquire consumer care business of US-based Merck & Co., Inc. and to engage in strategic pharma cooperation in the field of sGC modulators

- Purchase price of USD 14.2 billion in cash for Merck & Co., Inc.'s consumer care business
- Bayer to become the OTC leader in North America and Latin America and achieve top global positions in key OTC product categories
- Strategic pharma collaboration with Merck & Co., Inc. in the field of sGC modulators for which Bayer will receive a USD 1 billion upfront payment, plus substantial additional sales milestones

Leverkusen, May 6, 2014 – Bayer has agreed to acquire the consumer care business of U.S. pharmaceutical company Merck & Co., Inc., Whitehouse Station, NJ, USA, for a purchase price of USD 14.2 billion (EUR 10.4 billion). "This acquisition marks a major milestone on our path towards global leadership in the attractive non-prescription medicines business," explained Bayer CEO Dr. Marijn Dekkers. "At the same time we are leveraging our capabilities in the cardiovascular therapeutic area." In a related transaction, Bayer has entered into a global co-development and co-commercialization agreement with Merck & Co., Inc. in the field of soluble guanylate cyclase (sGC) modulators, for which Merck & Co., Inc. will make an up-front payment to Bayer of USD 1 billion, with substantial additional sales milestone payments.

Significant enhancement of Bayer's consumer care business

The acquisition will give Bayer the global number two position in non-prescription (over-the-counter, OTC) products following recently announced consolidations in this highly attractive and growing healthcare industry segment, and will significantly enhance Bayer's business across multiple therapeutic categories and geographies. Merck & Co., Inc.'s consumer care business includes leading brands such as Claritin™, Coppertone™ and Dr. Scholl's™. Pro forma sales of the combined businesses in 2013 amounted to USD 7.4 billion (EUR 5.5 billion) with Merck & Co., Inc.'s business contributing approximately USD 2.2 billion. “We are adding significant scope and earnings power to a business that is already delivering strong margins and stable cash flows,” added Dekkers.

“With this transaction, we are acquiring leading product brands that will make Bayer the OTC leader in North America and Latin America and also move us into top global positions in key OTC product categories,” said Olivier Brandicourt, CEO of Bayer HealthCare. “The strong Bayer brand will help to further leverage the already successful product brands worldwide. We expect particularly strong growth in key countries outside the U.S. where our superior commercial presence will drive sales of the combined business.” Upon completion of the acquisition, Bayer is expected to achieve global leadership positions in dermatology and gastrointestinals, two of the five most important non-prescription health care product categories, and advance to the number two position in the cold, allergy, sinus and flu category. Bayer will remain number two in nutritionals and number three in analgesics.

The purchase price of USD 14.2 billion includes a payment associated with sales of Claritin™ and Afrin™ in certain countries where these products are still prescription-only. The purchase price represents a 2013 pro forma EBITDA multiple of 21x. The acquisition will be primarily treated as an asset purchase, for which Bayer expects to receive significant tax savings from the first year after closing. Bayer also expects the integration of the businesses to generate significant cost synergies, for example in marketing spend and cost of goods, in the region of USD 200 million per year by 2017. Revenue synergies from increased commercial presence and leveraging Bayer's substantial global infrastructure in key growth regions to roll out the Merck brands ex-US are expected to amount to already about USD 400 million by 2017. Bayer anticipates one-time costs of approximately USD 0.5 billion related to executing the transaction and combining the businesses, primarily in 2014/2015.

Bayer plans to finance the acquisition with a bridge facility provided by Bank of America, Merrill Lynch, BNP Paribas and Mizuho, which subsequently will be syndicated to a larger group of relationship banks. The capital market take-out is planned at a later date with a combination of senior and hybrid capital instruments. The acquisition is expected to yield an immediate positive contribution of 2 percent to core earnings per share already in the first year after closing. The transaction is subject to approval from the relevant antitrust authorities, with closing expected in the second half of 2014.

Merck & Co., Inc.‘s consumer care business is a major global OTC Company with strong presence in North America, the largest OTC market in the world. In 2013, Merck’s consumer care business generated approximately 70 percent of its sales in the US, where it also holds leading brand positions. The business is primarily comprised of products in the cold, allergy, sinus & flu, dermatology (including sun care), foot health and gastrointestinal categories. The most important brands are Claritin™ (allergy), Coppertone™ (sun care), Dr. Scholl's™ (foot health), MiraLAX™ (gastrointestinal) and Afrin™ (cold). Merck & Co., Inc.’s consumer care business has approximately 2,250 employees and is headquartered in New Jersey (United States). Production is located in Cleveland, Tennessee, United States; Chatsworth, Georgia, United States; Pointe Claire, Quebec, Canada; and Shanghai, China. Sun care and foot health research as well as distribution are based in Memphis, Tennessee, United States. The merged business is to be headquartered at the Bayer site in Whippany, New Jersey, United States.

Strategic pharma collaboration in the field of sGC modulators

In a related transaction, Bayer and Merck & Co., Inc. also agreed to enter into a strategic pharma collaboration in the area of cardiovascular diseases with a focus on sGC modulation. Cardiovascular diseases represent one of the most significant therapeutic areas. Despite previous achievements there remains high medical need, for example, in various diseases such as certain forms of pulmonary hypertension or heart failure. Novel modulators of the sGC pathway may have the potential to address this need. However, major development efforts and clinical programs are required to fully explore the benefits of these novel compounds. This collaboration brings together two leading companies in this field.

“Merck’s expertise and global presence in the cardiovascular therapeutic area make it a collaboration party of choice for our sGC programs,” said Dekkers. “We truly believe that this collaboration increases our chances of bringing new medicines to more patients, in line with Bayer’s mission ‘Science For A Better Life’.”

“We are now joining forces in the area of sGC modulation to implement a joint development and commercialization collaboration that allows both companies to better explore the medical potential of the novel sGC modulators," said Merck & Co., Inc.'s chairman and chief executive officer, Kenneth Frazier.

The collaboration includes Adempas™ (Riociguat), which is already approved for the treatment of certain classifications of pulmonary hypertension and is being developed in additional life cycle indications, as well as vericiguat, an investigational compound that is currently being developed in two Phase IIb studies in worsening chronic heart failure. Furthermore, the parties agreed that sGC modulators presently in earlier stages of research and development may be included in the collaboration.

Bayer and Merck & Co., Inc. will equally share costs and profits from the sGC modulators and implement a joint development and commercialization strategy. Bayer will lead the commercialization for Adempas™ in the Americas while Merck & Co., Inc. will lead the commercialization outside the Americas. For vericiguat and other potential investigational sGC modulators, Bayer will lead the commercialization outside the Americas while Merck & Co., Inc. will lead the commercialization in the Americas. Both companies will have the option to co-promote Adempas™ and the follow-on sGC modulators in each others' territories. "This collaboration demonstrates our commitment to sGC modulators, allowing us to better explore the potential of these promising cardiovascular compounds," said Brandicourt.

Merck & Co., Inc. will make payments to Bayer of up to USD 2.1 billion (EUR 1.5 billion), comprising an up-front payment of USD 1.0 billion (EUR 0.7 billion), and sales milestone payments of up to USD 1.1 billion (EUR 0.8 billion) related to future collective sales of certain collaboration compounds including Adempas™.

Bayer: Science For A Better Life

Bayer is a global enterprise with core competencies in the fields of health care, agriculture and high-tech polymer materials. As an innovation company, it sets trends in research-intensive areas. Bayer's products and services are designed to benefit people and improve their quality of life. At the same time, the Group aims to create value through innovation, growth and high earning power. Bayer is committed to the principles of sustainable development and to its social and ethical responsibilities as a corporate citizen. In fiscal 2013, the Group employed 113,200 people and had sales of EUR 40.2

billion. Capital expenditures amounted to EUR 2.2 billion, R&D expenses to EUR 3.2 billion. For more information, go to www.bayer.com.

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