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# Investor News

## Bayer closes acquisition of consumer care business of Merck & Co., Inc., United States, for USD 14.2 billion

- Bayer becomes the OTC leader in North and Latin America and achieves top global positions in key OTC categories
- Erica Mann heads Bayer's new consumer care business
- Course set for successful integration
- Strategic pharma collaboration between Bayer und Merck & Co., Inc. in the field of sGC modulators takes effect

**Leverkusen, Germany, October 1, 2014** – Bayer has completed the acquisition of the consumer care business of the U.S. pharmaceuticals group Merck & Co., Inc., Whitehouse Station, New Jersey. The transaction closed on October 1, 2014, following receipt of required antitrust approvals. "This acquisition is a milestone for Bayer and we intend to continue the expansion of our attractive over-the-counter business both through organic growth and bolt-on acquisitions," explained Bayer CEO Dr. Marijn Dekkers. Bayer paid a purchase price of USD 14.2 billion, less certain contingent amounts held back that will be payable upon antitrust approvals in Mexico and the Republic of Korea. Integration of the acquired business has been successfully initiated. The combined consumer care business is headed by Erica Mann, member of the Bayer HealthCare Executive Committee and responsible for the Consumer Care division.

The acquisition significantly enhances Bayer's over-the-counter (OTC) business across multiple therapeutic categories and geographies. 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. The acquisition will give Bayer the global number two position in non-prescription medication – behind the combined OTC businesses of Novartis and GlaxoSmithKline, following the completion of their announced joint venture in 2015, and ahead of the world's previous industry leader Johnson & Johnson.

Within a highly diverse industry, Bayer is now the OTC leader in North and Latin America and the leader in dermatology and gastrointestinal treatments, two of the five most important non-prescription health care product categories. The company has advanced to the number two position in the cold, allergy, sinus and flu category and remains the number two in nutritionals and number three in analgesics.

The consumer care business acquired from Merck & Co., Inc. 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), MiraLAX™ (gastrointestinals), Afrin™ (cold) and – in North and Latin America – Dr. Scholl's™ (foot care). These brands complement Bayer's existing OTC portfolio, which includes brands such as Aspirin™ and Aleve™ in the analgesics category, dermatology products including Canesten™ and Bepanthen™/Bepanthol™, nutritional brands such as Supradyn™, One A Day™, Berocca™, Elevit™ and Redoxon™, antacids such as Rennie™ and Talcid™, and cough-and-cold products such as Alka-Seltzer Plus™ and White & Black™.

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.

Bayer also expects the integration of the businesses to generate significant cost synergies – particularly in marketing spend and cost of goods – in the neighborhood 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 approximately USD 400 million by 2017. Bayer anticipates one-time costs of approximately USD 0.5 billion for executing the transaction and combining the businesses, primarily in 2014/2015. The acquisition is expected to yield a positive contribution of 2 percent to core earnings per share already in the first year after closing.

The acquisition has been financed with a bridge facility, with part of this loan already redeemed using two hybrid bonds amounting to EUR 3.25 billion. Bayer plans to issue additional bonds for further financing on the capital market.

**Integration off to a successful start**

Approximately 2,000 employees from Merck & Co., Inc. and 8,800 from Bayer will be brought together under one roof in Bayer's new consumer care business. The integration process is off to a successful start with the decision on appointments to the top two management levels. The third management level is expected to be completed in the autumn of 2014. "Our goal is to combine the best people and capabilities of both organizations", said Erica Mann. The management team of the merged businesses will be located at existing Bayer sites in Whippany, New Jersey, United States; Basel, Switzerland; Shanghai, China; Leverkusen, Germany; and Singapore.

**Bayer to receive up to USD 2.1 billion from the strategic pharma collaboration**

The strategic pharma collaboration between Bayer and Merck & Co., Inc. in the field of soluble guanylate cyclase (sGC) modulators also comes into effect simultaneously. Bayer plans to strengthen its development options in the cardiology business with the global co-development and co-commercialization agreement, which has already been approved by the relevant antitrust authorities. Merck & Co., Inc. will make payments of up to USD 2.1 billion to Bayer. These include an up-front payment of USD 1 billion, which is to be paid shortly after completion as well as revenue-based milestone payments of up to USD 1.1 billion for future combined sales of certain jointly developed substances, including the pulmonary hypertension treatment Adempas™ (riociguat).

**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, Bayer employed some 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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