



NEWS RELEASE

# Merck Announces Sale of Consumer Care Business to Bayer AG for \$14.2 Billion

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Enters into Worldwide Collaboration with Bayer to Market and Develop Novel Therapies for Cardiovascular Disease

Collaboration Includes a \$1 Billion Up-front Payment by Merck to Bayer

Merck (NYSE:MRK), known as MSD outside the United States and Canada, today announced that it has entered into a definitive agreement to sell its Merck Consumer Care (MCC) business to Bayer AG (BAYRY) for \$14.2 billion. Under the terms of the agreement, Bayer AG will acquire Merck's existing OTC business, including the global trademark and prescription rights for Claritin® and Afrin®.

The company also announced a worldwide clinical development collaboration with Bayer to market and develop its portfolio of soluble guanylate cyclase (sGC) modulators. This includes Bayer's Adempas® (riociguat), the first member of this novel class of compounds. Adempas is approved to treat pulmonary arterial hypertension (PAH) and is the first and only drug treatment approved for patients with chronic thromboembolic pulmonary hypertension (CTEPH). Adempas is currently marketed in the United States and Europe for both PAH and CTEPH and in Japan for CTEPH. The two companies will equally share costs and profits from the collaboration and implement a joint development and commercialization strategy.

"The sale of our consumer care business is part of our efforts to ensure that assets within our portfolio align with our core strategy, have industry-leading potential and generate long-term shareholder value," said Kenneth C. Frazier, chairman and chief executive officer, Merck. "By unlocking value in Merck Consumer Care, we're able to further our goal of being the premier research-intensive biopharmaceutical company through targeted investments

that strengthen our product portfolio and enhance our pipeline."

"Merck Consumer Care is a strong business with a portfolio of well-established product brands, such as Claritin, Afrin and Coppertone®, that are leaders in their respective categories," said Dr. Marijn Dekkers, Bayer AG Chairman of the Board of Management. "The combination of Merck Consumer Care's complementary portfolio of products and geographic reach with Bayer's will create a global consumer care business better positioned to serve consumers around the world. We look forward to having the talents of the Merck team, with their track record of innovation, joining our strong Consumer Care team at Bayer HealthCare."

The collaboration also includes clinical development of vericiguat (BAY102), which is currently in Phase 2 trials for worsening heart failure, as well as opt-in rights for other early-stage sGC compounds in development at Bayer. Merck will in turn make available its early-stage sGC compounds under similar terms.

In return for these broad collaboration rights, Bayer will receive a \$1 billion up-front payment with the potential for additional milestone payments upon the achievement of agreed-upon sales goals. For Adempas, Bayer will continue to lead commercialization in the Americas, while Merck will lead commercialization in the rest of the world (ROW). For vericiguat and other potential opt-in products, Bayer will lead in the ROW and Merck will lead in the Americas. For all products and candidates included in the agreement, both companies will share in development costs and profits on sales and will have the right to co-promote in territories where they are not the lead.

Merck expects after-tax proceeds from the sale of MCC to be between \$8 and \$9 billion. The company will use the after-tax proceeds -- consistent with its capital allocation strategy -- to resource those areas within its business that represent the highest potential growth opportunities, such as MK-3475, to augment the company's pipeline with external assets that can create value and to continue to provide an industry-leading return of capital to shareholders.

"Both Merck and Bayer have a rich history of developing and commercializing innovative products to meet significant unmet medical needs," said Frazier. "Our collaboration with Bayer builds on our respective strengths, and we look forward to working with Bayer in the field of sGC modulators."

"The value we obtained for our consumer business is a tribute to our colleagues who have built an outstanding business with a talented team and trusted, well-known product brands," said Frazier. "We know the strengths of our team will serve Bayer well."

Merck expects to close the sale of MCC in second half of 2014, subject to customary closing conditions, including regulatory approvals. The company plans to update its 2014 financial guidance when the transaction closes.

Morgan Stanley & Co. LLC acted as financial advisor to Merck, and Fried Frank Harris Shriver & Jacobson LLP and Morgan Lewis & Bockius LLP acted as legal counsel in connection with the transaction. J.P. Morgan advised Merck with ongoing portfolio assessment leading up to the transaction.

## Conference Call and Webcast

Merck will hold an Investor Briefing today at 9:00 a.m. EDT at its research facility in Boston, MA. During the event, members of Merck's senior management will detail the company's research strategy, showcase candidates from its research and development pipeline and provide a business update.

There will be a live webcast of the event available on Merck's website at **www.merck.com**. Software needed to listen to the webcast may be obtained on the corporate website and should be downloaded prior to the beginning of the webcast. Institutional investors, analysts and members of the media also can participate by dialing (706) 634-2289 or (877) 214-9289 and using ID code number 42688075.

## About Merck

Today's Merck is a global healthcare leader working to help the world be well. Merck is known as MSD outside the United States and Canada. Through our prescription medicines, vaccines, biologic therapies, and consumer care and animal health products, we work with customers and operate in more than 140 countries to deliver innovative health solutions. We also demonstrate our commitment to increasing access to healthcare through far-reaching policies, programs and partnerships. For more information, visit **www.merck.com** and connect with us on **Twitter**, **Facebook** and **YouTube**. You can also follow our Twitter conversation at \$MRK.

## 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 €40.2 billion. Capital expenditures amounted to €2.2 billion, R&D expenses to €3.2 billion. For more information, go to **www.bayer.com**.

## Forward-Looking Statement

This news release includes "forward-looking statements" within the meaning of the safe harbor provisions of the

United States Private Securities Litigation Reform Act of 1995. These statements are based upon the current beliefs and expectations of Merck's management and are subject to significant risks and uncertainties. There can be no guarantees with respect to pipeline products that the products will receive the necessary regulatory approvals or that they will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements.

Risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation in the United States and internationally; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; Merck's ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of Merck's patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

Merck undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in Merck's 2013 Annual Report on Form 10-K and the company's other filings with the Securities and Exchange Commission (SEC) available at the SEC's Internet site ([www.sec.gov](http://www.sec.gov)).

Merck

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