



Bayer to sell its Animal Health business unit to Elanco for 7.6 billion U.S. dollars

- Exit of Animal Health business completes the series of portfolio measures initiated by Bayer in November 2018 ahead of announced schedule
- Enhances Bayer's focus as a global leader in life sciences

Leverkusen, Germany, August 20, 2019 – U.S.-based company Elanco Animal Health has entered into a definitive agreement to acquire Bayer's Animal Health business, Bayer announced on Tuesday. The transaction is valued at 7.6 billion U.S. dollars consisting of 5.3 billion U.S. dollars in cash, subject to customary purchase price adjustments, and 2.3 billion U.S. dollars in Elanco stock based on the unaffected 30-day volume weighted average price as of August 6, 2019. The value of the equity consideration is fixed within a 7.5 percent collar. The transaction value represents an implied multiple of 18.8x based on the 12 months EBITDA before special items of Bayer Animal Health as of June 30, 2019. The divestment is expected to be concluded in mid-2020 subject to the satisfaction of customary closing conditions, including antitrust clearance. Bayer intends to exit its stake in Elanco over time.

"This transaction enhances our focus as a global leader in life sciences," said Werner Baumann, Chairman of the Board of Management of Bayer AG. The exit of the Animal Health business marks the largest transaction in the series of portfolio measures initiated by Bayer in November 2018. The company had previously announced the divestiture of its Consumer Health brands Coppertone™ and Dr. Scholl's™ along with the sale of its 60-percent stake in German site services provider Currenta. "We are therefore delivering ahead of schedule on one of the key priorities for driving value creation that we communicated at our Capital Markets Day in December 2018", said Baumann.

The combination is highly complementary and creates the number two animal health company, with top three positions across a broad range of species and geographies. It also enhances Elanco's portfolio of leading global brands and bolsters its innovation capabilities and R&D pipeline.

"I have tremendous respect for the Bayer Animal Health team and their shared passion for improving the health and well-being of animals," said Jeffrey N. Simmons, president and chief executive officer of Elanco. "Combining Elanco's strong relationship with veterinarians and Bayer's leadership in retail and e-commerce will ultimately benefit all our customers. We look forward to joining our complementary portfolios and capabilities to build a fully focused animal health company, providing a sustained flow of innovation for farmers, veterinarians and pet owners."

Bayer's Animal Health business is a global leader in the segment with sales of 1.8 billion U.S. dollars in fiscal 2018. It develops and markets innovative products and solutions to prevent and treat diseases in companion and farm animals. The Advantage™ family of flea, tick and worm control products, for instance, has been among the most successful products on the market for years. In addition, the innovative Seresto™ collar is one of the fastest-growing products in this area.

"We would like to thank all our Animal Health employees for the commitment they have shown over the years and for the success this has brought to Bayer and to our Animal Health business. We were also able to safeguard the interests of our employees," said Baumann. Under the agreement with Elanco, all Bayer Animal Health employees will have at least one year of employment protection against unilateral termination with similar and no less favorable benefits in the aggregate.

Bank of America Merrill Lynch and Credit Suisse acted as financial advisors to Bayer, while Sullivan & Cromwell, PwC Legal and Linklaters acted as legal advisors.

About Bayer

Bayer is a global enterprise with core competencies in the life science fields of health care and nutrition. Its products and services are designed to benefit people by supporting efforts to overcome the major challenges presented by a growing and aging global population. At the same time, the Group aims to increase its earning power and create

value through innovation and growth. Bayer is committed to the principles of sustainable development, and the Bayer brand stands for trust, reliability and quality throughout the world. In fiscal 2018, the Group employed around 117,000 people and had sales of 39.6 billion euros. Capital expenditures amounted to 2.6 billion euros, R&D expenses to 5.2 billion euros. For more information, go to www.bayer.com.

About Elanco

Elanco is a global animal health company that develops products and knowledge services to prevent and treat disease in food animals and pets in more than 90 countries. With a 64-year heritage, we rigorously innovate to improve the health of animals and benefit our customers, while fostering an inclusive, cause-driven culture for more than 5,800 employees. At Elanco, we're driven by our vision of food and companionship enriching life — all to advance the health of animals, people and the planet. Learn more at, go to www.elanco.com.

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Forward-Looking Statements

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