

Merck & Co., Inc. Financial Highlights Package First Quarter 2018 Table of Contents

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MERCK & CO., INC. CONSOLIDATED STATEMENT OF INCOME - GAAP (AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES) (UNAUDITED)

Table 1

	GA	AP		
	1Q18		1Q17	% Change
Sales	\$ 10,037	\$	9,434	6%
Costs, Expenses and Other				
Materials and production ⁽¹⁾	3,184		3,049	4%
Marketing and administrative ⁽¹⁾	2,508		2,472	1%
Research and development ^{(1) (2)}	3,196		1,830	75%
Restructuring costs ⁽³⁾	95		151	-37%
Other (income) expense, net ⁽¹⁾	(291)		(71)	*
Income Before Taxes	1,345		2,003	-33%
Taxes on Income ⁽¹⁾	604		447	
Net Income	741		1,556	-52%
Less: Net Income Attributable to Noncontrolling Interests	5		5	
Net Income Attributable to Merck & Co., Inc.	\$ 736	\$	1,551	-53%
Earnings per Common Share Assuming Dilution	\$ 0.27	\$	0.56	-52%
	 0.740		0.700	
Average Shares Outstanding Assuming Dilution	2,710		2,766	
Tax Rate ⁽⁴⁾	44.9%		22.3%	

* 100% or greater

⁽¹⁾ Amounts include the impact of acquisition and divestiture-related costs, restructuring costs and certain other items. See accompanying tables for details.

⁽²⁾ Research and development expenses in the first quarter of 2018 include a \$1.4 billion aggregate charge related to the formation of a collaboration with Eisai Co., Ltd (Eisai).

⁽³⁾ Represents separation and other related costs associated with restructuring activities under the company's formal restructuring programs.

⁽⁴⁾ The effective income tax rate for the first quarter of 2018 reflects the unfavorable impact of a \$1.4 billion aggregate pretax charge related to the formation of a collaboration with Eisai for which no tax benefit was recognized.

MERCK & CO., INC. CONSOLIDATED STATEMENT OF INCOME - GAAP (AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)

(UNAUDITED)

Table 1a

	2018	2017							%	Change			
	1Q	1Q 2Q		3Q		Q 4Q		Full Year			1Q		
Sales	\$ 10,037	\$	9,434	\$	9,930	\$	10,325	\$	10,433	\$ 40	,122		6%
Costs, Expenses and Other													
Materials and production	3,184		3,049		3,116		3,307		3,440	12	,912		4%
Marketing and administrative	2,508		2,472		2,500		2,459		2,643	10	,074		1%
Research and development	3,196		1,830		1,782		4,413		2,314	10	,339		75%
Restructuring costs	95		151		166		153		306		776		-37%
Other (income) expense, net	(291)		(71)		(73)		(207)		(149)		(500)		*
Income Before Taxes	1,345		2,003		2,439		200		1,879	6	,521		-33%
Taxes on Income	604		447		488		251		2,917	4	,103		
Net Income (Loss)	741		1,556		1,951		(51)		(1,038)	2	,418		-52%
Less: Net Income Attributable to Noncontrolling Interests	5		5		5		5		8		24		
Net Income (Loss) Attributable to Merck & Co., Inc.	\$ 736	\$	1,551	\$	1,946	\$	(56)	\$	(1,046)	\$ 2	,394		-53%
Earnings (Loss) per Common Share Assuming Dilution $^{\left(1\right) }$	\$ 0.27	\$	0.56	\$	0.71	\$	(0.02)	\$	(0.39)	\$	0.87		-52%
Average Shares Outstanding Assuming Dilution ⁽¹⁾	2,710		2,766		2,752		2,727		2,715	2	,748		
Tax Rate	44.9%		22.3%		20.0%		125.5%		155.2%	6	2.9%		

* 100% or greater

Sum of quarterly amounts may not equal year-to-date amounts due to rounding.

On January 1, 2018, the company adopted a new accounting standard related to defined benefit plans that requires the components of net benefit cost/credit (other than service costs) be presented in the statement of income outside of operating expenses. Upon adoption, net periodic benefit cost/credit other than service costs was reclassified to *Other (income) expense, net* from the previous classifications within *Materials and production* costs, *Marketing and administrative* expenses and *Research and development* costs. Previously reported amounts have been reclassified to conform to the new presentation. There was no impact to net income as a result of adopting the new standard.

⁽¹⁾ Because the company recorded a net loss in the third and fourth quarters of 2017, no potential dilutive common shares were used in the computations of loss per common share assuming dilution as the effects would have been anti-dilutive.

MERCK & CO., INC. GAAP TO NON-GAAP RECONCILIATION FIRST QUARTER 2018 (AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES) (UNAUDITED) Table 2a

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items ⁽³⁾	Adjustment Subtotal	Non-GAAP
Materials and production	\$ 3,18	734	6		740	\$ 2,444
Marketing and administrative	2,50	8 8	1		9	2,499
Research and development	3,19	5 1	2	1,400	1,403	1,793
Restructuring costs	9	5	95		95	-
Other (income) expense, net	(29) (10)		(22)	(32)	(259)
Income Before Taxes	1,34	i (733)	(104)	(1,378)	(2,215)	3,560
Income Tax Provision (Benefit)	604	(91)	(21) (4)	⁴⁾ 5 ⁽⁴) (107)	711
Net Income	74	(642)	(83)	(1,383)	(2,108)	2,849
Net Income Attributable to Merck & Co., Inc.	73	642)	(83)	(1,383)	(2,108)	2,844
Earnings per Common Share Assuming Dilution	\$ 0.2	(0.24)	(0.03)	(0.51)	(0.78)	\$ 1.05
Tax Rate	44.9	6				20.0%

Only the line items that are affected by non-GAAP adjustments are shown.

Merck is providing certain non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's results as it permits investors to understand how management assesses performance. Management uses these measures internally for planning and forecasting purposes and to measure the performance of the company along with other metrics. Senior management's annual compensation is derived in part using non-GAAP income and non-GAAP EPS. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

⁽¹⁾Amounts included in materials and production costs reflect expenses for the amortization of intangible assets recognized as a result of business acquisitions. Amounts included in marketing and administrative expenses reflect integration, transaction and certain other costs related to business acquisitions and divestitures. Amounts included in research and development expenses reflect increases in the estimated fair value measurement of liabilities for contingent consideration. Amounts included in other (income) expense, net reflect royalty income, partially offset by an increase in the estimated fair value measurement of liabilities for contingent consideration.

⁽²⁾ Amounts primarily include employee separation costs and accelerated depreciation associated with facilities to be closed or divested related to activities under the company's formal restructuring programs.

(3) Amount included in research and development expenses represents an aggregate charge related to the formation of a collaboration with Eisai Co., Ltd.

(4) Represents the estimated tax impact on the reconciling items based on applying the statutory rate of the originating territory of the non-GAAP adjustments.

MERCK & CO., INC. GAAP TO NON-GAAP RECONCILIATION FIRST QUARTER 2017 (AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES) (UNAUDITED) Table 2b

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items	Adjustment Subtotal	Non-GAAP
Materials and production	\$ 3,0	49 855	63		918	\$ 2,131
Marketing and administrative	2,4	72 20	1		21	2,451
Research and development	1,8	30 11			11	1,819
Restructuring costs	1	51	151		151	-
Other (income) expense, net		(3)		(9)	(12)	(59)
Income Before Taxes	2,0	03 (883)	(215)	9	(1,089)	3,092
Income Tax Provision (Benefit)	4	47 (158)	(48) (3	3) 3 (3) (203)	650
Net Income	1,5	56 (725)	(167)	6	(886)	2,442
Net Income Attributable to Merck & Co., Inc.	1,5	51 (725)	(167)	6	(886)	2,437
Earnings per Common Share Assuming Dilution	\$0	(0.26)	(0.06)	-	(0.32)	\$ 0.88
Tax Rate	22	3%				21.0%

Only the line items that are affected by non-GAAP adjustments are shown.

Merck is providing certain non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's results as it permits investors to understand how management assesses performance. Management uses these measures internally for planning and forecasting purposes and to measure the performance of the company along with other metrics. Senior management's annual compensation is derived in part using non-GAAP income and non-GAAP EPS. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

(1) Amounts included in materials and production costs primarily reflect \$773 million of expenses for the amortization of intangible assets recognized as a result of acquisitions, as well as intangible asset impairment charges of \$76 million. Amounts included in marketing and administrative expenses reflect integration, transaction and certain other costs related to business acquisitions and divestitures. Amounts included in research and development expenses primarily reflect changes in the estimated fair value measurement of liabilities for contingent consideration.

(2) Amounts primarily include employee separation costs and accelerated depreciation associated with facilities to be closed or divested related to activities under the company's formal restructuring programs.

(3) Represents the estimated tax impact on the reconciling items based on applying the statutory rate of the originating territory of the non-GAAP adjustments.

MERCK & CO., INC. FRANCHISE / KEY PRODUCT SALES (AMOUNTS IN MILLIONS) Table 3

	2018			2017			1	Q
	1Q	1Q	2Q	3Q	4Q	Full Year	Nom %	Ex-Exch %
TOTAL SALES ⁽¹⁾	\$10,037	\$9,434	\$9,930	\$10,325	\$10,433	\$40,122	6	3
PHARMACEUTICAL	8,919	8,185	8,759	9,156	9,290	35,390	9	
Oncology	0,010	0,100	0,	-,	0,200	,	-	
Keytruda	1,464	584	881	1,047	1,297	3,809	151	142
Emend	125	133	143	137	143	556	-5	
Temodar	57	66	65	68	73	271	-13	
Alliance Revenue – Lynparza	33		00	5	16	20	10	
Vaccines ⁽²⁾	00			U	10	20		
Gardasil / Gardasil 9	660	532	469	675	633	2,308	24	20
ProQuad / M-M-R II / Varivax	392	355	399	519	403	1,676	10	
RotaTeq	193	224	123	179	403 160	686	-14	
Pneumovax 23	193	163	123	229	263	821	- 14	
Zostavax	65	154	160	223	121	668	-58	
Hospital Acute Care	00		100	201		000	00	50
Bridion	204	148	163	185	209	704	38	31
Noxafil	176	140	155	162	209 179	636	24	
Invanz	170	136	155	152	179	602	24 11	8
Cubicin	98	96	103	91	92	382	2	
Cancidas	90			91 94	92 95			
Primaxin		121	112	-	95 74	422	-25	
	72	62	71	73	74	280	15	9
Immunology	004	10.1	100	010	017	010	00	
Simponi	231	184	199	219	217	819	26	
Remicade	167	229	208	214	186	837	-27	-35
Neuroscience								
Belsomra	54	42	52	56	60	210	31	27
Virology								
Isentress / Isentress HD	281	305	282	310	308	1,204	-8	
Zepatier	131	378	517	468	296	1,660	-65	-69
Cardiovascular								
Zetia	305	334	367	320	323	1,344	-9	
Vytorin	167	241	182	142	186	751	-31	-38
Atozet	73	49	63	59	54	225	47	
Adempas	68	84	67	70	79	300	-19	-25
Diabetes ⁽³⁾								
Januvia	880	839	948	1,012	938	3,737	5	
Janumet	544	496	563	513	586	2,158	10	4
Women's Health								
NuvaRing	216	160	199	214	188	761	36	32
Implanon / Nexplanon	174	170	178	155	183	686	2	1
Diversified Brands								
Singulair	175	186	203	161	182	732	-6	-12
Nasonex	122	139	85	42	120	387	-12	-17
Cozaar / Hyzaar	120	112	119	128	125	484	7	0
Arcoxia	83	103	89	80	91	363	-20	-25
Follistim AQ	67	81	79	72	66	298	-17	
Dulera	57	82	69	59	77	287	-31	-31
Fosamax	55	61	66	53	62	241	-9	
Other Pharmaceutical (4)	989	995	1,064	952	1,048	4,065	-1	
ANIMAL HEALTH	1,065	939	955	1,000	981	3,875	13	7
Livestock	652	578	591	647	668	2,484	13	6
Companion Animals	413	361	364	353	313	1,391	14	9
Other Revenues ⁽⁵⁾	53	310	216	169	162	857	-83	-19

Sum of quarterly amounts may not equal year-to-date amounts due to rounding.

⁽¹⁾ Only select products are shown.

(2) Total Vaccines sales were \$1,561 million in the first quarter of 2018 and \$1,516 million, \$1,404 million, \$1,924 million and \$1,704 million for the first, second, third and fourth quarters of 2017, respectively.

(3) Total Diabetes sales were \$1,433 million in the first quarter of 2018 and \$1,338 million, \$1,520 million, \$1,531 million and \$1,533 million for the first, second, third and fourth quarters of 2017, respectively.

⁽⁴⁾ Includes Pharmaceutical products not individually shown above.

⁽⁵⁾ Other Revenues are comprised primarily of Healthcare Services segment revenues, third-party manufacturing sales and miscellaneous corporate revenues, including revenue hedging activities.

MERCK & CO., INC. FRANCHISE / KEY PRODUCT SALES FIRST QUARTER 2018 (AMOUNTS IN MILLIONS) Table 3a

PHARACEUTEAL 993 8.185 9 3.766 3.766 3.766 3.766 3.276 3.766 4.424 198 Oncology Keylruda 1.424 584 151 083 831 122 663 223 181 Temodar 57 66 -15 1 1 23 56 65 -14 Allance Revnon - Lyngarza 33 -			Global			U.S.		\$5,904 \$5,239 5,202 4,424 626 223 46 47 56 65 9 134 80 57 42 45 66 49 48 45 124 102 94 76 60 54 51 41 88 116 67 622 31 211 88 116 67 622 31 211 152 162 131 178 287 222 158 151 73 49 68 84 416 332 352 302 46 47 46 39 170 180 121 121 133 103 39 40 </th <th colspan="2"></th>			
PHARACEUTEAL 993 8.185 9 3.766 3.766 3.766 3.766 3.276 3.766 4.424 198 Oncology Keylruda 1.424 584 151 083 831 122 663 223 181 Temodar 57 66 -15 1 1 23 56 65 -14 Allance Revnon - Lyngarza 33 -		1Q 2018	1Q 2017	% Change	1Q 2018	1Q 2017	% Change	1Q 2018	1Q 2017	% Change	
Oncology Image Image <thimage< th=""> Image Image <</thimage<>	TOTAL SALES ⁽¹⁾	\$10,037	\$9,434	6	\$4,133	\$4,195	-1	\$5,904	\$5,239	13	
Kornuch 144 654 151 803 132 603 423 141 Ternodar 175 60 -15 1 1 2 56 645 Gardanal // Carbal // Carba // Carbal // Carba // Carbal	PHARMACEUTICAL	8,919	8,185	9	3,716	3,761	-1	5,202	4,424	18	
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Women's Health Image							-8				
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ANIMAL HEALTH 1,065 939 13 307 283 9 758 666 16 Livestock 652 578 13 124 119 4 529 459 15 Companion Animals 413 361 14 183 164 12 229 197 16							*				
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Companion Animals 413 361 14 183 164 12 229 197 16							9			16	
							-			15	
Other Revenues ⁽⁵⁾ 53 310 -83 110 151 -27 (56) 159 -135		413	361	14	183	164	12	229	197	16	
	Other Revenues ⁽⁵⁾	53	310	-83	110	151	-27	(56)	159	-135	

* 200% or greater

⁽¹⁾ Only select products are shown.

(2) Total Vaccines sales were \$1,561 million and \$1,516 million on a global basis for first quarter 2018 and 2017, respectively.

⁽³⁾ Total Diabetes sales were \$1,433 million and \$1,338 million on a global basis for first quarter 2018 and 2017, respectively.

⁽⁴⁾ Includes Pharmaceutical products not individually shown above.

⁽⁵⁾ Other Revenues are comprised primarily of Healthcare Services segment revenue, third-party manufacturing sales and miscellaneous corporate revenues, including revenue hedging activities.

MERCK & CO., INC. PHARMACEUTICAL GEOGRAPHIC SALES (AMOUNTS IN MILLIONS) (UNAUDITED) Table 3b

	2018	2018 2017							
	1Q	1Q	2Q	3Q	4Q	Full Year	% Change 1Q		
TOTAL PHARMACEUTICAL	\$8,919	\$8,185	\$8,759	\$9,156	\$9,290	\$35,390	9		
United States	3,716	3,761	3,929	4,197	3,967	15,854	-1		
% Pharmaceutical Sales	41.7%	45.9%	44.9%	45.8%	42.7%	44.8%			
Europe ⁽¹⁾	2,402	1,977	2,082	2,174	2,290	8,522	21		
% Pharmaceutical Sales	26.9%	24.2%	23.8%	23.7%	24.7%	24.1%			
Japan	718	688	818	756	780	3,043	4		
% Pharmaceutical Sales	8.1%	8.4%	9.3%	8.3%	8.4%	8.6%			
Asia Pacific	1,112	889	946	994	1,054	3,883	25		
% Pharmaceutical Sales	12.5%	10.9%	10.8%	10.9%	11.3%	11.0%			
China	459	328	353	377	439	1,497	40		
Latin America	398	375	462	451	547	1,836	6		
% Pharmaceutical Sales	4.5%	4.6%	5.3%	4.9%	5.9%	5.2%			
Eastern Europe/Middle East Africa	335	255	314	349	397	1,314	31		
% Pharmaceutical Sales	3.8%	3.1%	3.6%	3.8%	4.3%	3.7%			
Canada	196	182	171	193	193	739	8		
% Pharmaceutical Sales	2.2%	2.2%	2.0%	2.1%	2.1%	2.1%			
Other	42	58	37	42	62	199	-28		
% Pharmaceutical Sales	0.5%	0.7%	0.4%	0.5%	0.7%	0.6%			

⁽¹⁾ Europe primarily represents all European Union countries and the European Union accession markets.

MERCK & CO., INC. OTHER (INCOME) EXPENSE, NET - GAAP (AMOUNTS IN MILLIONS) (UNAUDITED) Table 4

OTHER (INCOME) EXPENSE, NET

	1Q18	1Q17
Interest income	\$ (85)	\$ (97)
Interest expense	185	182
Exchange losses (gains)	7	(8)
Equity losses from affiliates	52	13
Net periodic defined benefit plan (credit) cost other than service cost	(135)	(129)
Other, net	(315)	(32)
Total	\$ (291)	\$ (71)

On January 1, 2018, the company adopted a new accounting standard related to defined benefit plans that requires the components of net benefit cost/credit (other than service costs) be presented in the statement of income outside of operating expenses. Upon adoption, net periodic benefit cost/credit other than service cost was reclassified to *Other (income) expense, net* from the previous classifications within *Materials and production* costs, *Marketing and administrative* expenses and *Research and development* costs. Previously reported amounts have been reclassified to conform to the new presentation. There was no impact to net income as a result of adopting the new standard.