



*We invent for
a more hopeful tomorrow.*

3Q 2018 EARNINGS CALL

October 2018



We are an innovative, global healthcare leader, committed to improving health and well-being around the world.

Forward-Looking Statement

This presentation of Merck & Co., Inc., Kenilworth, N.J., USA (the “Company”) includes “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based upon the current beliefs and expectations of the Company’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; the Company’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 the Company’s patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

The Company 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 the Company’s 2017 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).

STRATEGY IN ACTION

Merck is well-positioned for growth and value creation by addressing unmet medical needs, delivering innovations and returning capital to shareholders



Mission

To discover, develop and provide innovative products and services that save and improve lives around the world



**REINVENT DISCOVERY
RESEARCH AND ADVANCE
THE PIPELINE**

Vision

Committed to being the premier, research-intensive biopharmaceutical company



**CREATE VALUE FOR
SHAREHOLDERS AND
PATIENTS**

Execution

Proven strategy to deliver growth and create long-term sustainable shareholder value



**DELIVER TOP AND
BOTTOM LINE GROWTH**

Delivered 5 percent revenue growth and 7 percent non-GAAP EPS growth in Q3 2018¹

1. The GAAP to non-GAAP reconciliation is available in the Supplemental Tables to Merck's Q3 2018 earnings release.

PILLARS OF GROWTH – Q3 HIGHLIGHTS



ONCOLOGY

- Continued to expand oncology program by further advancing the development programs for KEYTRUDA, Lynparza and Lenvima
- KEYTRUDA sales increased 82%¹ year-over-year, reflecting continued launches and strong momentum
- More than 20 oncology assets in the pipeline



VACCINES

- Represents a durable, key pillar of growth
- Sales of ~\$2.2 billion, up 13%¹ year-over-year
- GARDASIL achieved over \$1 billion in sales, and demand continues to increase globally
- Continued to advance V114 program with 7 Phase 3 studies now underway across adults and pediatrics



HOSPITAL / SPECIALTY

- Hospital and specialty medicines business delivering strong growth
- BRIDION sales increased 20%¹ year-over-year and continues to experience strong demand in the U.S. The recent launch in China represents an opportunity
- Positive Phase 3 topline results in HAB/VAB pneumonia for ZERBAXA



ANIMAL HEALTH

- Sales grew 6%¹ year-over-year
- Segment profits were \$409 million in the third quarter, an increase of 5%¹ year-over-year
- Strong pillar for growth and diversification with global scale
- Several important R&D synergies between Human Health and Animal Health

1. All growth rates exclude the impact of exchange.

FINANCIAL SUMMARY

\$ in millions, except EPS amounts

	Q3 2018	Q3 2017	Change
Sales	\$10,794	\$10,325	5%
GAAP net income (loss)	1,950	(56)	> 100%
Non-GAAP net income that excludes certain items ^{1,2}	3,178	3,054	4%
GAAP EPS	0.73	(0.02)	> 100%
Non-GAAP EPS that excludes certain items	1.19	1.11	7%

1. Net income (loss) attributable to Merck & Co., Inc.

2. Merck is providing certain 2018 and 2017 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. For a description of the items, see Table 2a of the company's Q3 2018 earnings press release.

DELIVERING TOP & BOTTOM LINE GROWTH 3Q'18



3Q'18
WORLDWIDE
SALES

\$10.8B



6%

Growth ex-exchange

Non-GAAP
EPS

\$1.19

GAAP \$0.73¹

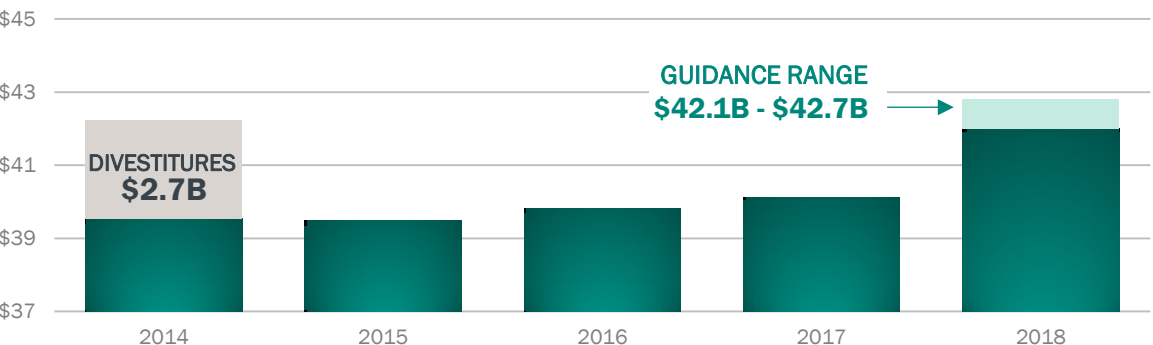


8%

Growth ex-exchange

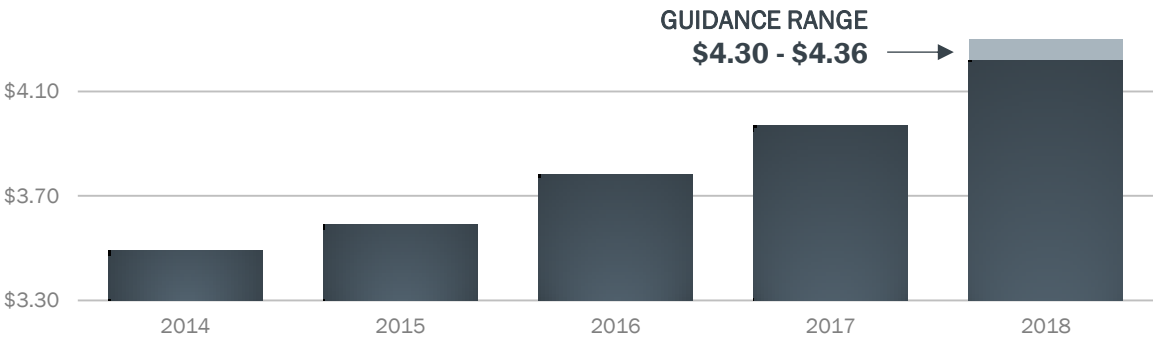
ACCELERATING REVENUE GROWTH

Billions



DELIVERING EPS GROWTH

\$4.50



1. The GAAP to non-GAAP reconciliation is available in the Supplemental Tables to Merck's Q3 2018 earnings release.
2. Divestitures include Merck Consumer Care, certain pharmaceutical products such as Saphris, Cosopt/Trusopt, and others, as well as AstraZeneca joint venture

UPDATED GUIDANCE

REVENUE IN LINE; IMPROVED NON-GAAP EPS OUTLOOK

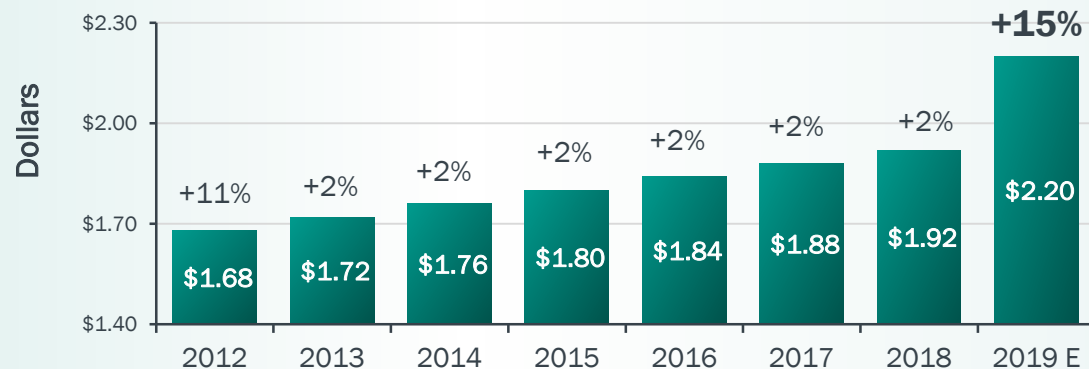
	PRIOR	UPDATED	FY2018 GUIDANCE DRIVERS
Revenue	\$42.0B - \$42.8B (Midpoint: \$42.4B)	\$42.1B - \$42.7B (Midpoint: \$42.4B)	• 5-6% year-over-year growth; • Assumes minimal FX impact
PGM	~1% lower year-over-year	~1% lower year-over-year	• Amortization of ADEMPAS & unfavorable variance costs
OpEx	Low to mid single-digit increase	Low to mid single-digit increase	• Increased R&D spend
Tax	18.5% - 19.5%	19.0% - 20.0%	• Continued benefit from tax reform
Shares	~2.7B	~2.7B	• Lower trend year-over-year
Non-GAAP EPS¹	\$4.22 - \$4.30 (Midpoint: \$4.26)	\$4.30 - \$4.36 (Midpoint: \$4.33)	• 8-9% (9-10% ex-FX) year over year growth • Assumes 1% negative FX impact

1. GAAP EPS guidance range = \$2.41 - \$2.47 (Previous \$2.51 - \$2.59)

CAPITAL ALLOCATION

CREATING VALUE FOR SHAREHOLDERS

Commitment to the Dividend



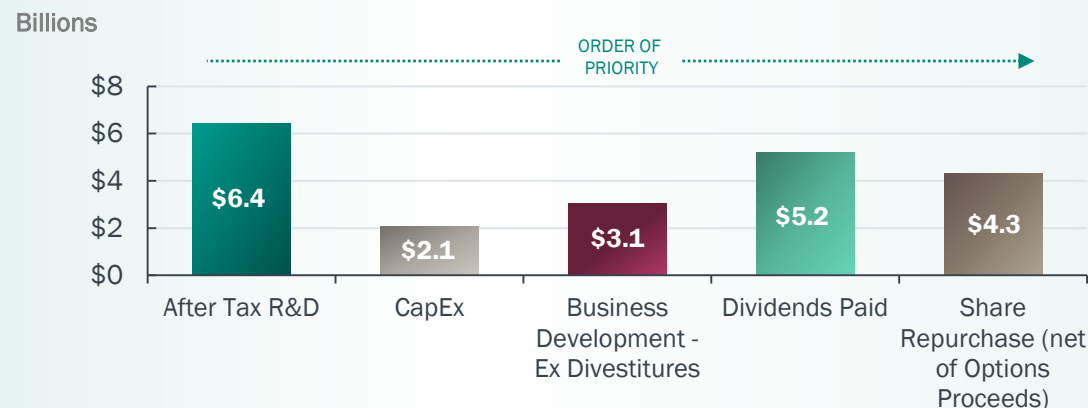
Capital Investments



\$16.0B

Over 5 years, including expanding manufacturing capacity for Oncology, Vaccines, and Animal health

Over the Past 12 Months



Balanced Capital Allocation to Return Cash to Shareholders While Investing in Growth

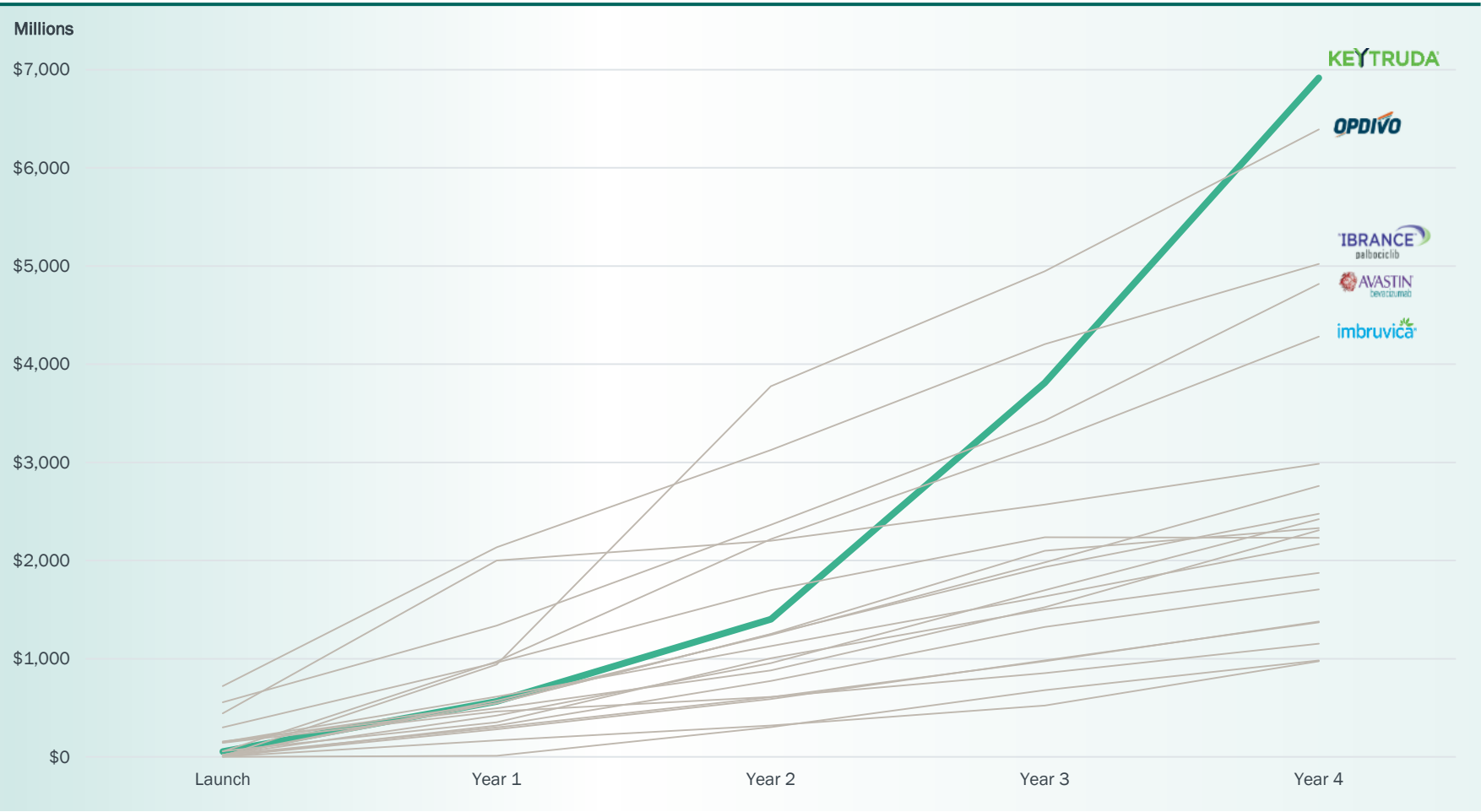
- 15% quarterly dividend increase
- Additional \$10 billion share buyback authorization
 - Enters into \$5 billion accelerated share repurchase program

KEYTRUDA'S STRONG PERFORMANCE

KEYTRUDA's performance after four years on the market is unprecedented, not only in the field of oncology, but also in the pharmaceutical industry more broadly.



TOP 20 ONCOLOGY PRODUCT SALES POST LAUNCH¹



Source: Evaluate Pharma (Yr 4 for KEYTRUDA is projection from Evaluate Pharma)

1. Unnamed Products Displayed: Taxotere, Darzalex, Imfinzi, Tagrisso, Xtandi, Tecentriq, Zytiga, Gleevec, Perjeta, Revlimid, Verzenio, Yescarta, Alimta, Pomalyst and Rituxan

RECENT PIPELINE ACCOMPLISHMENTS

PROGRESS SINCE THE LAST EARNINGS CALL

Clinical

Top-line Results

KEYTRUDA (KN-426) IN 1L RCC (KEYTRUDA + PFE's axitinib)

ZERBAXA IN HAB/VAB PNEUMONIA

Data Read Outs

KEYTRUDA (KN-048) IN 1L HEAD & NECK CANCER (ESMO)

KEYTRUDA (KN-057) IN NON-MUSCLE INVASIVE BLADDER CANCER (ESMO)

LYNPARZA (SOLO-1) IN 1L MAINTENANCE *BRC*Am OVARIAN CANCER (ESMO)

STING, RIG-I, CAVATAK & CTLA4 (ESMO; *Phase 1/2*)

Regulatory

Approvals

KEYTRUDA (KN-189) 1L NON-SQUAMOUS NSCLC (KEYTRUDA + Alimta) IN THE U.S. & EUROPE

LENVIMA IN 1L HCC IN THE U.S., EUROPE & CHINA

GARDASIL IN WOMEN & MEN 27-45 IN THE U.S.

DELSTRIGO & PIFELTRO FOR TREATMENT NAÏVE HIV-1 PATIENTS IN THE U.S.

CHMP Positive Opinions

DELSTRIGO & PIFELTRO FOR TREATMENT NAÏVE HIV-1 PATIENTS

KEYTRUDA (KN-054) IN ADJUVANT MELANOMA

File Acceptance

KEYTRUDA (KN-042) IN THE U.S., JANUARY 2019 PDUFA



WHAT TO WATCH

KEY CLINICAL & REGULATORY CATALYSTS OVER THE NEXT 18 MONTHS

Oncology Clinical Readouts

KEYTRUDA	KN-522	Neoadjuvant /Adjuvant TNBC (Ph3)	4Q18
	KN-119	2L TNBC (Ph3)	
	KN-204	cHL (Ph3)	
	KN-604	SCLC (Ph3)	1H19
	KN-062	1L Gastric (Ph3)	
	KN-240	2L+ HCC (Ph3)	
	KN-057	NMIBC Bladder (Ph3)	
	KN-361	1L Bladder (Ph3)	
	KN-177	1L MSI-H CRC (Ph3)	2H19
	KN-181	2L Esophageal Cancer	
	KN-355	1L TNBC (Ph3)	
LYNPARZA	POLO	gBRCAm 1L Pancreatic (Ph3)	1H19
	PROfound	Prostate Cancer (Ph3)	2H19
	PAOLA	Ovarian Combination (Ph3)	
LENVIMA	KN-581/ Study 307	1L RCC Combination with KEYTRUDA	1H20
OTHER ONCOLOGY	LAG3 anti-TIGIT	First Time Data at SITC	4Q18

Vaccines, Hospital/Specialty and Other Clinical Readouts

MK-8591	Combination with doravirine/3TC (Ph2)	1H19
MK-7264	Acute Cough for patients with URTI (Ph2)	
MK-7264	Endometriosis (Ph2)	2H19
V114	Study in Healthy Infants (Ph2)	2019
Zerbaxa	HABP/VABP data presentation (Ph3)	
V114	Seven Ph3 Studies	2019-2021
MK-7264	Chronic/Acute Cough (Ph3)	2H19/1H20
Vericiguat	Heart Failure (Ph3)	1H20

Regulatory

KN-407	1L Lung PDUFA	Oct 2018
KN-224	2L HCC PDUFA	Nov 2018
KN-017	1L+ Merkel Cell	Dec 2018
Relebactam	Filing	2H18
KN-042	1L PD-L1+ NSCLC	Jan 2019
KN-054	Adj. Melanoma PDUFA	Feb 2019
Lynparza	2L Metastatic Breast Cancer (EU)	1H19

MERCK PIPELINE

Phase 2

ONCOLOGY

KEYTRUDA

Cutaneous Squamous Cell Carcinoma
Advanced Solid Tumors
Prostate
Ovarian

LENVIMA

Non Small Cell Lung
Biliary Tract

CAVATAK (V937)

Melanoma

MK-7690

Colorectal cancer

VACCINES

V160

Cytomegalovirus

MK-1654

Respiratory Syncytial Virus

DIABETES

MK-8521

Diabetes Mellitus

NEUROSCIENCE

Selumetinib (MK-6618)

Pediatric Neurofibromatosis Type-1

MK-8189

Schizophrenia

INFECTIOUS DISEASES

MK-8591

HIV Infection

GENERAL MEDICINE

GEFAPIXANT (MK-7264)

Endometriosis

Phase 3

ONCOLOGY

KEYTRUDA

Breast
Colorectal
Esophageal
Gastric
Hepatocellular
Nasopharyngeal
Renal
Small Cell Lung
Mesothelioma
Endometrial

LENVIMA

Endometrial
Renal

LYNPARZA

Pancreatic
Prostate

ACUTE CARE HOSPITAL

SIVEXTRO (MK-1986)

HABP/VABP Bacterial Pneumonia

ZERBAXA (MK-7625A)

HABP/VABP Bacterial Pneumonia

RELEBACTAM (MK-7665A)

Bacterial Infection

GENERAL MEDICINE

GEFAPIXANT (MK-7264)

Cough (Chronic/Acute)

VACCINES

V920

Ebola

V114

Pneumo conjugate

CARDIOVASCULAR

VERICIGUAT (MK-1242)

Heart Failure

Under Regulatory Review

ONCOLOGY

KEYTRUDA

Squamous NSCLC
Hepatocellular Carcinoma
Merkel Cell Carcinoma
PD-L1+ NSCLC
Adjuvant Melanoma

LYNPARZA (EU)

Breast Cancer

VACCINES

V419

Pediatric hexavalent combination

INFECTIOUS DISEASES

MK-1439 (EU)

doravirine

MK-1439A (EU)

doravirine/lamivudine/
tenofovir disoproxil

CORPORATE RESPONSIBILITY THAT CREATES SUSTAINABLE VALUE

CORPORATE RESPONSIBILITY IS AT THE HEART OF MERCK'S MISSION TO DISCOVER, DEVELOP AND PROVIDE INNOVATIVE PRODUCTS AND SERVICES THAT SAVE AND IMPROVE LIVES



Access to Health

Increasing access to health advances Merck's efforts to serve more patients

- Long history of making medicines and vaccines accessible and affordable through responsible pricing practices and industry-leading patient access programs
- Addressing 88% of the top 20 global burdens of disease with products and pipeline
- Merck for Mothers - 10-year, \$500 million initiative to prevent maternal deaths has reached more than 6 million women worldwide
- Our 31 year old MECTIZAN® Donation Program for river blindness and lymphatic filariasis that is making progress to eliminate these diseases in endemic countries. We've eliminated river blindness in 4 Latin American countries and in parts of 5 African countries so far, and we have eliminated lymphatic filariasis in 1 African country.



Employees

Fostering diverse and gender-balanced workforce essential to performance as a research-intensive company and to attracting most talented scientists

- Numerous programs to engage employees and promote positive work environment (including female mentorship by female Board members)
 - 40% of new hires in 2017 were female
 - 40% of management roles in 2017 held by women
 - 36% of new U.S. hires in 2017 were members of underrepresented ethnic groups
 - 23% of U.S. executive roles in 2017 were held by members of underrepresented ethnic groups



Environmental Sustainability

Executing sustainability strategy to take advantage of opportunities to reduce environmental impact across operations and supply chain

- Energy-conservation and water-use-reduction initiatives
- Reducing environmental impacts of new products, packaging, buildings and equipment
- Purchasing electricity from renewable energy sources to reduce greenhouse gas emissions
- Collaborating with suppliers and customers to address shared needs and interests in environmentally beneficial ways



Ethics and Transparency

Earning trust and confidence of stakeholders is critical for a company in the business of marketing and selling medicines and vaccines

- First pharmaceutical company to publish a multi-year report about pricing practices
- Work with broad range of stakeholders to help develop and advance innovative financing and payment models to improve access



We try never to forget that medicine is for the people.

It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear.

— GEORGE W. MERCK



MERCK

INVENTING FOR LIFE

Thank You.

