

Tables 1 and 1a in the Financial Highlights Package reflect updated averages shares for 4Q 2020.



Merck & Co., Inc.
Financial Highlights Package
Fourth Quarter 2020
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MERCK & CO., INC.
CONSOLIDATED STATEMENT OF INCOME - GAAP
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)
(UNAUDITED)

Table 1

	GAAP		% Change	GAAP		% Change
	4Q20	4Q19		Full Year 2020	Full Year 2019	
Sales	\$ 12,514	\$ 11,868	5%	\$ 47,994	\$ 46,840	2%
Costs, Expenses and Other						
Cost of sales ⁽¹⁾	5,532	3,669	51%	15,485	14,112	10%
Selling, general and administrative ⁽¹⁾	3,086	2,888	7%	10,468	10,615	-1%
Research and development ⁽¹⁾	5,838	2,548	*	13,558	9,872	37%
Restructuring costs ⁽²⁾	309	194	59%	578	638	-9%
Other (income) expense, net ⁽¹⁾	(258)	(223)	16%	(886)	139	*
(Loss) Income Before Taxes	(1,993)	2,792	*	8,791	11,464	-23%
Income Tax Provision ⁽¹⁾	99	428		1,709	1,687	
Net (Loss) Income	(2,092)	2,364	*	7,082	9,777	-28%
Less: Net Income (Loss) Attributable to Noncontrolling Interests ⁽¹⁾	2	7		15	(66)	
Net (Loss) Income Attributable to Merck & Co., Inc.	\$ (2,094)	\$ 2,357	*	\$ 7,067	\$ 9,843	-28%
(Loss) Earnings per Common Share Assuming Dilution ⁽³⁾	\$ (0.83)	\$ 0.92	*	\$ 2.78	\$ 3.81	-27%
Average Shares Outstanding Assuming Dilution ⁽³⁾	2,530	2,559		2,541	2,580	
Tax Rate ⁽⁴⁾	-5.0%	15.3%		19.4%	14.7%	

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

⁽³⁾ Because the company recorded a net loss in the fourth quarter of 2020, no potential dilutive common shares were used in the computation of loss per common share assuming dilution as the effect would have been anti-dilutive. The shares previously disclosed were the average common shares assuming dilution; however, the loss per common share was appropriately calculated based on the average common shares excluding potential dilutive shares. The shares figure has been updated to reflect the average common shares outstanding that were used in the loss per common share calculation.

⁽⁴⁾ The effective income tax rates for the fourth quarter and the full year of 2020 include the unfavorable impact of charges for the acquisitions of VelosBio Inc. and Oncolmmune for which no tax benefits were recognized. The effective income tax rates for the fourth quarter and the full year of 2019 include the unfavorable impact of a charge for the acquisition of Peloton Therapeutics, Inc. for which no tax benefit was recognized and the favorable impact of product mix. The effective income tax rate for the full year of 2019 also reflects a net tax benefit of \$364 million related to the settlement of certain federal income tax matters.

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

Table 1a

	2020					2019					% Change	
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year	4Q	Full Year
Sales	\$ 12,057	\$ 10,872	\$ 12,551	\$ 12,514	\$ 47,994	\$ 10,816	\$ 11,760	\$ 12,397	\$ 11,868	\$ 46,840	5%	2%
Costs, Expenses and Other												
Cost of sales	3,312	3,159	3,481	5,532	15,485	3,052	3,401	3,990	3,669	14,112	51%	10%
Selling, general and administrative	2,555	2,378	2,450	3,086	10,468	2,425	2,712	2,589	2,888	10,615	7%	-1%
Research and development	2,209	2,123	3,390	5,838	13,558	1,931	2,189	3,204	2,548	9,872	*	37%
Restructuring costs	72	83	114	309	578	153	59	232	194	638	59%	-9%
Other (income) expense, net	71	(390)	(312)	(258)	(886)	188	140	35	(223)	139	16%	*
Income (Loss) Before Taxes	3,838	3,519	3,428	(1,993)	8,791	3,067	3,259	2,347	2,792	11,464	*	-23%
Income Tax Provision	619	509	483	99	1,709	205	615	440	428	1,687		
Net Income (Loss)	3,219	3,010	2,945	(2,092)	7,082	2,862	2,644	1,907	2,364	9,777	*	-28%
Less: Net Income (Loss) Attributable to Noncontrolling Interests	-	8	4	2	15	(53)	(26)	6	7	(66)		
Net Income (Loss) Attributable to Merck & Co., Inc.	\$ 3,219	\$ 3,002	\$ 2,941	\$ (2,094)	\$ 7,067	\$ 2,915	\$ 2,670	\$ 1,901	\$ 2,357	\$ 9,843	*	-28%
Earnings (Loss) per Common Share Assuming Dilution ⁽¹⁾	\$ 1.26	\$ 1.18	\$ 1.16	\$ (0.83)	\$ 2.78	\$ 1.12	\$ 1.03	\$ 0.74	\$ 0.92	\$ 3.81	*	-27%
Average Shares Outstanding Assuming Dilution ⁽¹⁾	2,547	2,536	2,538	2,530	2,541	2,603	2,588	2,572	2,559	2,580		
Tax Rate	16.1%	14.5%	14.1%	-5.0%	19.4%	6.7%	18.9%	18.7%	15.3%	14.7%		

* 100% or greater

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

⁽¹⁾ Because the company recorded a net loss in the fourth quarter of 2020, no potential dilutive common shares were used in the computation of loss per common share assuming dilution as the effect would have been anti-dilutive. The shares previously disclosed were the average common shares assuming dilution; however, the loss per common share was appropriately calculated based on the average common shares excluding potential dilutive shares. The shares figure has been updated to reflect the average common shares outstanding that were used in the loss per common share calculation.

MERCK & CO., INC.
GAAP TO NON-GAAP RECONCILIATION
FOURTH QUARTER 2020
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)
(UNAUDITED)

Table 2a

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items ⁽⁴⁾	Adjustment Subtotal	Non-GAAP
Cost of sales	\$ 5,532	1,855	44	260	2,159	\$ 3,373
Selling, general and administrative	3,086	287	10		297	2,789
Research and development	5,838	13	16	3,161	3,190	2,648
Restructuring costs	309		309		309	-
Other (income) expense, net	(258)	(2)		(3)	(5)	(253)
(Loss) Income Before Taxes	(1,993)	(2,153)	(379)	(3,418)	(5,950)	3,957
Income Tax Provision (Benefit)	99	(423) ⁽³⁾	(22) ⁽³⁾	(61) ⁽³⁾	(506)	605
Net (Loss) Income	(2,092)	(1,730)	(357)	(3,357)	(5,444)	3,352
Net (Loss) Income Attributable to Merck & Co., Inc.	(2,094)	(1,730)	(357)	(3,357)	(5,444)	3,350
(Loss) Earnings per Common Share Assuming Dilution	\$ (0.83)	(0.68)	(0.15)	(1.32)	(2.15)	\$ 1.32
Tax Rate	-5.0%					15.3%

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. In addition, senior management's annual compensation is derived in part using non-GAAP pretax income. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

⁽¹⁾ Amount included in cost of sales primarily reflects a \$1.6 billion intangible asset impairment charge related to ZERBAXA and \$274 million for the amortization of intangible assets recognized as a result of business acquisitions. Amount included in selling, general and administrative expenses reflects \$244 million related to the company's planned spin-off of Organon & Co., and other acquisition and divestiture-related costs.

⁽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.

⁽⁴⁾ Amount included in cost of sales represents a charge for the discontinuation of COVID-19 vaccine development programs. Amount included in research and development represents the charges of \$2.7 billion for the acquisition of VelosBio Inc., \$462 million for the acquisition of Oncolmmune and \$45 million for the discontinuation of COVID-19 vaccine development programs.

MERCK & CO., INC.
GAAP TO NON-GAAP RECONCILIATION
FULL YEAR 2020
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)
(UNAUDITED)
Table 2b

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items ⁽⁴⁾	Adjustment Subtotal	Non-GAAP
Cost of sales	\$ 15,485	2,718	175	260	3,153	\$ 12,332
Selling, general and administrative	10,468	935	47		982	9,486
Research and development	13,558	1	83	4,243	4,327	9,231
Restructuring costs	578		578		578	-
Other (income) expense, net	(886)	50		(20)	30	(916)
Income Before Taxes	8,791	(3,704)	(883)	(4,483)	(9,070)	17,861
Income Tax Provision (Benefit)	1,709	(671) ⁽³⁾	(81) ⁽³⁾	(303) ⁽³⁾	(1,055)	2,764
Net Income	7,082	(3,033)	(802)	(4,180)	(8,015)	15,097
Net Income Attributable to Merck & Co., Inc.	7,067	(3,033)	(802)	(4,180)	(8,015)	15,082
Earnings per Common Share Assuming Dilution	\$ 2.78	(1.19)	(0.32)	(1.65)	(3.16)	\$ 5.94
Tax Rate	19.4%					15.5%

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. In addition, senior management's annual compensation is derived in part using non-GAAP pretax income. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

⁽¹⁾ Amount included in cost of sales primarily reflects a \$1.6 billion intangible asset impairment charge related to ZERBAXA and \$1.1 billion for the amortization of intangible assets recognized as a result of business acquisitions. Amount included in selling, general and administrative expenses reflects \$710 million related to the company's planned spin-off of Organon & Co., approximately \$95 million of costs related to the acquisition of ArQule, Inc., and other acquisition and divestiture-related costs. Amount included in other (income) expense, net, primarily reflects expenses related to an increase in the estimated fair value measurement of liabilities for contingent consideration, partially offset by royalty income related to the termination of the Sanofi-Pasteur MSD joint venture.

⁽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. Acquisition and divestiture-related costs also includes a tax cost of \$67 million, representing an adjustment to the tax benefits recorded in conjunction with the 2015 Cubist Pharmaceuticals, Inc. acquisition.

⁽⁴⁾ Amount included in cost of sales represents a charge for the discontinuation of COVID-19 vaccine development programs. Amount included in research and development represents the charges for the acquisitions of VelosBio Inc. and Oncolmmune, a charge for the discontinuation of COVID-19 vaccine development programs, and upfront payments related to license and collaboration agreements.

MERCK & CO., INC.
GAAP TO NON-GAAP RECONCILIATION
FOURTH QUARTER 2019
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)
(UNAUDITED)

Table 2c

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items	Adjustment Subtotal	Non-GAAP
Cost of sales	\$ 3,669	325	90		415	\$ 3,254
Selling, general and administrative	2,888	44	1		45	2,843
Research and development	2,548	166		11	177	2,371
Restructuring costs	194		194		194	-
Other (income) expense, net	(223)	(37)		7	(30)	(193)
Income Before Taxes	2,792	(498)	(285)	(18)	(801)	3,593
Income Tax Provision (Benefit)	428	(55) ⁽³⁾	(49) ⁽³⁾	(76) ⁽⁴⁾	(180)	608
Net Income	2,364	(443)	(236)	58	(621)	2,985
Net Income Attributable to Merck & Co., Inc.	2,357	(443)	(236)	58	(621)	2,978
Earnings per Common Share Assuming Dilution	\$ 0.92	(0.17)	(0.09)	0.02	(0.24)	\$ 1.16
Tax Rate	15.3%					16.9%

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. In addition, senior management's annual compensation is derived in part using non-GAAP pretax income. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

⁽¹⁾ Amount included in cost of sales primarily reflects \$306 million of expenses for the amortization of intangible assets recognized as a result of business acquisitions, as well as \$12 million of intangible asset impairment charges. Amount included in selling, general and administrative expenses primarily reflects integration, transaction and certain other costs related to business acquisitions and divestitures. Amount included in research and development expenses primarily reflects \$164 million of in-process research and development (IPR&D) impairment charges.

⁽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.

⁽⁴⁾ Primarily reflects an \$86 million tax benefit related to the reversal of tax reserves established in conjunction with the divestiture of Merck's Consumer Care business in 2014 as a result of the lapse in the statute of limitations.

MERCK & CO., INC.
GAAP TO NON-GAAP RECONCILIATION
FULL YEAR 2019
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)
(UNAUDITED)
Table 2d

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items ⁽⁴⁾	Adjustment Subtotal	Non-GAAP
Cost of sales	\$ 14,112	2,126	251		2,377	\$ 11,735
Selling, general and administrative	10,615	126	34		160	10,455
Research and development	9,872	145	4	993	1,142	8,730
Restructuring costs	638		638		638	-
Other (income) expense, net	139	284		55	339	(200)
Income Before Taxes	11,464	(2,681)	(927)	(1,048)	(4,656)	16,120
Income Tax Provision (Benefit)	1,687	(493) ⁽³⁾	(155) ⁽³⁾	(380) ⁽⁵⁾	(1,028)	2,715
Net Income	9,777	(2,188)	(772)	(668)	(3,628)	13,405
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(66)	(89)			(89)	23
Net Income Attributable to Merck & Co., Inc.	9,843	(2,099)	(772)	(668)	(3,539)	13,382
Earnings per Common Share Assuming Dilution	\$ 3.81	(0.82)	(0.30)	(0.26)	(1.38)	\$ 5.19
Tax Rate	14.7%					16.8%

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. In addition, senior management's annual compensation is derived in part using non-GAAP pretax income. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

⁽¹⁾ Amount included in cost of sales primarily reflects \$1.4 billion of expenses for the amortization of intangible assets recognized as a result of business acquisitions, as well as \$705 million of intangible asset impairment charges, including \$612 million related to SIVEXTRO. Amount included in selling, general and administrative expenses primarily reflects integration, transaction and certain other costs related to business acquisitions and divestitures, including costs related to the acquisition of Antelliq Corporation. Amounts included in research and development expenses primarily reflect \$172 million of in-process research and development (IPR&D) impairment charges, partially offset by a reduction in expenses related to a decrease in the estimated fair value measurement of liabilities for contingent consideration. Amount included in other (income) expense, net primarily reflects goodwill and intangible asset impairment charges related to certain businesses in the Healthcare Services segment and expenses related to an increase in the estimated fair value measurement of liabilities for contingent consideration, partially offset by royalty income related to the termination of the Sanofi-Pasteur MSD joint venture.

⁽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.

⁽⁴⁾ Amount included in research and development represents the charge related to the acquisition of Peloton Therapeutics, Inc.

⁽⁵⁾ Primarily reflects a \$364 million net tax benefit related to the settlement of certain federal income tax matters, an \$86 million tax benefit related to the reversal of tax reserves established in conjunction with the divestiture of Merck's Consumer Care business in 2014 as a result of the lapse in the statute of limitations, and a \$117 million tax charge related to the finalization of treasury regulations associated with the 2017 enactment of U.S. tax legislation.

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

	2020					2019					4Q		Full Year	
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year	Nom %	Ex-Exch %	Nom %	Ex-Exch %
TOTAL SALES ⁽¹⁾	\$12,057	\$10,872	\$12,551	\$12,514	\$47,994	\$10,816	\$11,760	\$12,397	\$11,868	\$46,840	5	5	2	4
PHARMACEUTICAL	10,655	9,679	11,320	11,367	43,021	9,663	10,460	11,095	10,533	41,751	8	6	3	4
Oncology														
Keytruda	3,284	3,388	3,715	3,993	14,380	2,269	2,634	3,070	3,111	11,084	28	27	30	30
Alliance Revenue – Lynparza ⁽²⁾	145	178	196	206	725	79	111	123	132	444	56	53	63	62
Alliance Revenue – Lenvima ⁽²⁾	128	151	142	158	580	74	97	109	124	404	28	26	44	43
Emend	43	33	39	31	145	117	121	98	53	388	-42	-42	-63	-62
Vaccines ⁽³⁾														
Gardasil / Gardasil 9	1,097	656	1,187	998	3,938	838	886	1,320	693	3,737	44	41	5	6
ProQuad / M-M-R II / Varivax	435	378	576	488	1,878	496	675	623	481	2,275	2	1	-17	-17
Pneumovax 23	256	117	375	339	1,087	185	170	237	334	926	1		17	18
RotaTeq	222	168	210	196	797	211	172	180	227	791	-14	-14	1	1
Vaqta	60	28	51	31	170	47	58	62	71	238	-56	-56	-29	-27
Hospital Acute Care														
Bridion	299	224	320	355	1,198	255	278	284	313	1,131	13	13	6	7
Noxafil	94	73	79	82	329	190	193	177	103	662	-20	-22	-50	-50
Prevymis	60	63	77	80	281	32	38	45	50	165	61	57	70	69
Primaxin	51	64	74	62	251	59	71	77	67	273	-8	-12	-8	-8
Cancidas	55	43	50	65	213	61	67	62	58	249	13	11	-14	-13
Invanz	64	43	51	53	211	72	78	57	57	263	-7	-4	-20	-16
Cubicin	46	32	39	36	152	88	67	52	50	257	-27	-28	-41	-40
Zerbaxa	37	32	43	19	130	26	27	35	32	121	-42	-42	8	10
Immunology														
Simponi	215	191	209	223	838	208	214	203	205	830	9	4	1	1
Remicade	88	73	82	88	330	123	98	101	89	411	-2	-5	-20	-20
Neuroscience														
Belsomra	79	84	81	83	327	67	76	80	83	306	1	-2	7	5
Virology														
Isentress / Isentress HD	245	196	205	211	857	255	247	250	223	975	-5	-6	-12	-11
Zepatier	55	39	28	45	167	114	108	83	66	370	-32	-32	-55	-54
Cardiovascular														
Zetia	145	137	103	98	482	140	156	147	146	590	-33	-36	-18	-19
Vytorin	53	39	47	43	182	97	76	57	54	285	-19	-20	-36	-34
Atozet	122	115	111	105	453	94	92	97	108	391	-3	-7	16	16
Alliance Revenue - Adempas ⁽⁴⁾	53	79	83	65	281	42	51	50	60	204	8	8	38	38
Adempas ⁽⁵⁾	56	57	55	53	220	48	53	57	57	215	-7	-11	3	2
Diabetes ⁽⁶⁾														
Januvia	774	854	821	857	3,306	824	908	807	943	3,482	-9	-11	-5	-5
Janumet	503	490	506	472	1,971	530	533	503	475	2,041	-1	-1	-3	-2
Women's Health														
Implanon / Nexplanon	195	132	189	165	680	199	183	199	206	787	-20	-20	-14	-13
NuvaRing	63	63	58	53	236	219	240	241	179	879	-70	-70	-73	-73
Diversified Brands														
Singulair	155	100	82	124	462	191	160	152	195	698	-36	-38	-34	-34
Cozaar / Hyzaar	102	98	91	94	386	103	109	116	113	442	-17	-18	-13	-11
Arcoxia	70	65	68	54	258	75	75	72	67	288	-19	-18	-11	-8
Nasonex	71	49	41	57	218	96	72	58	67	293	-14	-13	-26	-24
Follistim AQ	41	44	50	57	193	57	63	62	58	241	-2	-4	-20	-20
Other Pharmaceutical ⁽⁷⁾	1,194	1,103	1,186	1,228	4,709	1,082	1,203	1,149	1,183	4,615	4	2	2	3
ANIMAL HEALTH	1,214	1,101	1,220	1,168	4,703	1,025	1,124	1,122	1,122	4,393	4	6	7	10
Livestock	739	648	758	794	2,939	611	671	726	777	2,784	2	4	6	9
Companion Animals	475	453	462	374	1,764	414	453	396	345	1,609	8	9	10	11
Other Revenues ⁽⁸⁾	188	92	11	(21)	270	128	176	180	213	696	-110	-45	-61	-22

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

⁽¹⁾ Only select products are shown.

⁽²⁾ Alliance Revenue represents Merck's share of profits, which are product sales net of cost of sales and commercialization costs.

⁽³⁾ Total Vaccines sales were \$2,155 million, \$1,418 million, \$2,521 million and \$2,163 million in the first, second, third and fourth quarters of 2020 and \$1,887 million, \$2,037 million, \$2,517 million and \$1,928 million in the first, second, third and fourth quarters of 2019, respectively.

⁽⁴⁾ Alliance Revenue represents Merck's share of profits from sales in Bayer's marketing territories, which are product sales net of cost of sales and commercialization costs.

⁽⁵⁾ Net product sales in Merck's marketing territories.

⁽⁶⁾ Total Diabetes sales were \$1,353 million, \$1,418 million, \$1,405 million and \$1,412 million in the first, second, third and fourth quarters of 2020 and \$1,402 million, \$1,480 million, \$1,360 million and \$1,472 million in the first, second, third and fourth quarters of 2019, respectively.

⁽⁷⁾ Includes Pharmaceutical products not individually shown above.

⁽⁸⁾ 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
FOURTH QUARTER 2020
(AMOUNTS IN MILLIONS)
(UNAUDITED)
Table 3a

	Global			U.S.			International		
	4Q 2020	4Q 2019	% Change	4Q 2020	4Q 2019	% Change	4Q 2020	4Q 2019	% Change
TOTAL SALES ⁽¹⁾	\$12,514	\$11,868	5	\$5,631	\$5,199	8	\$6,882	\$6,669	3
PHARMACEUTICAL	11,367	10,533	8	5,247	4,751	10	6,120	5,782	6
Oncology									
Keytruda	3,993	3,111	28	2,246	1,780	26	1,747	1,331	31
Alliance Revenue - Lynparza ⁽²⁾	206	132	56	120	82	46	85	49	73
Alliance Revenue - Lenvima ⁽²⁾	158	124	28	90	70	27	69	53	29
Emend	31	53	-42		10	-102	31	42	-27
Vaccines ⁽³⁾									
Gardasil / Gardasil 9	998	693	44	546	252	117	452	441	2
ProQuad / M-M-R II / Varivax	488	481	2	345	358	-4	144	123	17
Pneumovax 23	339	334	1	249	251	-1	90	83	8
RotaTeq	196	227	-14	131	146	-10	65	81	-20
Vaqta	31	71	-56	25	28	-11	7	43	-85
Hospital Acute Care									
Bridion	355	313	13	172	152	13	183	162	13
Noxafil	82	103	-20	15	14	6	67	89	-24
Prevymis	80	50	61	32	24	32	48	25	90
Cancidas	65	58	13	5	2	198	60	56	7
Primaxin	62	67	-8				62	67	-8
Invanz	53	57	-7	2		*	50	57	-11
Cubicin	36	50	-27	10	13	-22	26	36	-30
Zerbaxa	19	32	-42	17	18	-7	2	14	-86
Immunology									
Simponi	223	205	9				223	205	9
Remicade	88	89	-2				88	89	-2
Neuroscience									
Belsomra	83	83	1	14	24	-42	69	59	18
Virology									
Isentress / Isentress HD	211	223	-5	83	95	-13	128	128	
Zepatier	45	66	-32	22	23	-2	23	44	-47
Cardiovascular									
Zetia	98	146	-33	3	3	15	94	144	-34
Vytorin	43	54	-19	3	4	-27	40	49	-19
Atozet	105	108	-3				105	108	-3
Alliance Revenue - Adempas ⁽⁴⁾	65	60	8	58	57	2	7	3	128
Adempas ⁽⁵⁾	53	57	-7				53	57	-7
Diabetes ⁽⁶⁾									
Januvia	857	943	-9	360	502	-28	497	441	13
Janumet	472	475	-1	115	127	-9	356	348	2
Women's Health									
Implanon / Nexplanon	165	206	-20	114	147	-22	50	59	-14
NuvaRing	53	179	-70	25	150	-83	28	29	-4
Diversified Brands									
Singulair	124	195	-36	4	5	-18	120	190	-37
Cozaar / Hyzaar	94	113	-17	4	8	-52	91	105	-14
Nasonex	57	67	-14	3	7	-63	55	60	-9
Follistim AQ	57	58	-2	24	22	9	33	36	-9
Arcoxia	54	67	-19				54	67	-19
Other Pharmaceutical ⁽⁷⁾	1,228	1,183	4	410	377	9	818	809	1
ANIMAL HEALTH	1,168	1,122	4	361	341	6	807	781	3
Livestock	794	777	2	165	177	-7	629	600	5
Companion Animals	374	345	8	196	164	20	178	181	-2
Other Revenues ⁽⁸⁾	(21)	213	-110	23	107	-78	(45)	106	-142

* 200% or greater

Sum of U.S. plus international may not equal global due to rounding.

⁽¹⁾ Only select products are shown.

⁽²⁾ Alliance Revenue represents Merck's share of profits, which are product sales net of cost of sales and commercialization costs.

⁽³⁾ Total Vaccines sales were \$2,163 million and \$1,928 million on a global basis in the fourth quarter of 2020 and 2019, respectively.

⁽⁴⁾ Alliance Revenue represents Merck's share of profits from sales in Bayer's marketing territories, which are product sales net of cost of sales and commercialization costs.

⁽⁵⁾ Net product sales in Merck's marketing territories.

⁽⁶⁾ Total Diabetes sales were \$1,412 million and \$1,472 million on a global basis in the fourth quarter of 2020 and 2019, respectively.

⁽⁷⁾ Includes Pharmaceutical products not individually shown above.

⁽⁸⁾ 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.
FRANCHISE / KEY PRODUCT SALES
FULL YEAR 2020
(AMOUNTS IN MILLIONS)
(UNAUDITED)
Table 3b

	Global			U.S.			International		
	Full Year 2020	Full Year 2019	% Change	Full Year 2020	Full Year 2019	% Change	Full Year 2020	Full Year 2019	% Change
TOTAL SALES ⁽¹⁾	\$47,994	\$46,840	2	\$21,027	\$20,519	2	\$26,967	\$26,321	2
PHARMACEUTICAL	43,021	41,751	3	19,449	18,953	3	23,572	22,798	3
Oncology									
Keytruda	14,380	11,084	30	8,352	6,305	32	6,028	4,779	26
Alliance Revenue - Lynparza ⁽²⁾	725	444	63	417	269	55	308	176	75
Alliance Revenue - Lenvima ⁽²⁾	580	404	44	359	239	50	220	165	34
Emend	145	388	-63	18	183	-90	127	205	-38
Vaccines ⁽³⁾									
Gardasil / Gardasil 9	3,938	3,737	5	1,755	1,831	-4	2,184	1,905	15
ProQuad / M-M-R II / Varivax	1,878	2,275	-17	1,378	1,683	-18	500	592	-16
Pneumovax 23	1,087	926	17	727	679	7	359	247	46
RotaTeq	797	791	1	486	506	-4	311	284	9
Vaqta	170	238	-29	103	130	-21	67	108	-38
Hospital Acute Care									
Bridion	1,198	1,131	6	583	533	10	615	598	3
Noxafil	329	662	-50	42	282	-85	287	380	-24
Prevymis	281	165	70	119	84	41	162	81	101
Primaxin	251	273	-8	2	2	31	248	271	-9
Candidas	213	249	-14	7	6	9	207	242	-15
Invanz	211	263	-20	9	30	-70	202	233	-13
Cubicin	152	257	-41	46	92	-49	106	165	-36
Zerbaxa	130	121	8	74	63	17	56	58	-2
Immunology									
Simponi	838	830	1				838	830	1
Remicade	330	411	-20				330	411	-20
Neuroscience									
Belsomra	327	306	7	81	92	-12	247	214	15
Virology									
Isentress / Isentress HD	857	975	-12	326	398	-18	531	576	-8
Zepatier	167	370	-55	60	118	-49	107	252	-58
Cardiovascular									
Zetia	482	590	-18	(1)	14	-108	483	575	-16
Vytorin	182	285	-36	12	16	-24	171	269	-37
Atozet	453	391	16				453	391	16
Alliance Revenue - Adempas ⁽⁴⁾	281	204	38	259	194	33	22	10	130
Adempas ⁽⁵⁾	220	215	3				220	215	3
Diabetes ⁽⁶⁾									
Januvia	3,306	3,482	-5	1,470	1,724	-15	1,836	1,758	4
Janumet	1,971	2,041	-3	477	589	-19	1,494	1,452	3
Women's Health									
Implanon / Nexplanon	680	787	-14	488	568	-14	192	219	-12
NuvaRing	236	879	-73	110	742	-85	127	136	-7
Diversified Brands									
Singulair	462	698	-34	18	29	-40	444	669	-34
Cozaar / Hyzaar	386	442	-13	21	24	-13	365	418	-13
Arcoxia	258	288	-11				258	288	-11
Nasonex	218	293	-26	12	9	31	206	284	-27
Follistim AQ	193	241	-20	84	103	-18	109	138	-21
Other Pharmaceutical ⁽⁷⁾	4,709	4,615	2	1,555	1,416	10	3,152	3,204	-2
ANIMAL HEALTH	4,703	4,393	7	1,484	1,306	14	3,219	3,086	4
Livestock	2,939	2,784	6	612	582	5	2,327	2,201	6
Companion Animals	1,764	1,609	10	872	724	20	892	885	1
Other Revenues ⁽⁸⁾	270	696	-61	94	260	-64	176	437	-60

Sum of U.S. plus international may not equal global due to rounding.

⁽¹⁾ Only select products are shown.

⁽²⁾ Alliance Revenue represents Merck's share of profits, which are product sales net of cost of sales and commercialization costs.

⁽³⁾ Total Vaccines sales were \$8,258 million and \$8,368 million on a global basis for December YTD 2020 and 2019, respectively.

⁽⁴⁾ Alliance Revenue represents Merck's share of profits from sales in Bayer's marketing territories, which are product sales net of cost of sales and commercialization costs.

⁽⁵⁾ Net product sales in Merck's marketing territories.

⁽⁶⁾ Total Diabetes sales were \$5,588 million and \$5,714 million on a global basis for December YTD 2020 and 2019, respectively.

⁽⁷⁾ Includes Pharmaceutical products not individually shown above.

⁽⁸⁾ 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.
PHARMACEUTICAL GEOGRAPHIC SALES
(AMOUNTS IN MILLIONS)
(UNAUDITED)
Table 3c

	2020					2019					% Change	% Change
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year	4Q	Full Year
TOTAL PHARMACEUTICAL	\$10,655	\$9,679	\$11,320	\$11,367	\$43,021	\$9,663	\$10,460	\$11,095	\$10,533	\$41,751	8	3
United States ⁽¹⁾	4,714	4,270	5,218	5,247	19,449	4,215	4,807	5,180	4,751	18,953	10	3
% Pharmaceutical Sales	44.2%	44.1%	46.1%	46.2%	45.2%	43.6%	46.0%	46.7%	45.1%	45.4%		
Europe ⁽²⁾	2,543	2,196	2,549	2,709	9,997	2,335	2,301	2,304	2,373	9,314	14	7
% Pharmaceutical Sales	23.9%	22.7%	22.5%	23.8%	23.2%	24.2%	22.0%	20.8%	22.5%	22.3%		
China	846	811	990	888	3,534	725	745	898	773	3,141	15	13
% Pharmaceutical Sales	7.9%	8.4%	8.7%	7.8%	8.2%	7.5%	7.1%	8.1%	7.3%	7.5%		
Japan	789	847	805	847	3,288	779	900	894	921	3,494	-8	-6
% Pharmaceutical Sales	7.4%	8.8%	7.1%	7.5%	7.6%	8.1%	8.6%	8.1%	8.7%	8.4%		
Asia Pacific (other than China and Japan)	613	555	601	603	2,372	642	606	638	614	2,500	-2	-5
% Pharmaceutical Sales	5.8%	5.7%	5.3%	5.3%	5.5%	6.6%	5.8%	5.8%	5.8%	6.0%		
Eastern Europe/Middle East/Africa	490	416	419	365	1,689	343	388	423	423	1,577	-14	7
% Pharmaceutical Sales	4.6%	4.3%	3.7%	3.2%	3.9%	3.6%	3.7%	3.8%	4.0%	3.8%		
Latin America	419	399	477	474	1,768	427	523	534	429	1,914	10	-8
% Pharmaceutical Sales	3.9%	4.1%	4.2%	4.2%	4.1%	4.4%	5.0%	4.8%	4.1%	4.6%		
Canada	212	160	216	194	782	177	179	211	216	783	-10	0
% Pharmaceutical Sales	2.0%	1.7%	1.9%	1.7%	1.8%	1.8%	1.7%	1.9%	2.0%	1.9%		
Other ⁽¹⁾	29	25	45	40	142	20	11	13	33	75	21	89
% Pharmaceutical Sales	0.3%	0.3%	0.4%	0.4%	0.3%	0.2%	0.1%	0.1%	0.3%	0.2%		

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

⁽¹⁾ Alliance revenue related to Adempas attributable to the United States has been reclassified from Other.

⁽²⁾ 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

	4Q20	4Q19	Full Year 2020	Full Year 2019
Interest income	\$ (11)	\$ (50)	\$ (59)	\$ (274)
Interest expense	206	220	831	893
Exchange losses	56	21	145	187
Income from investments in equity securities, net ⁽¹⁾	(375)	(119)	(1,338)	(170)
Net periodic defined benefit plan (credit) cost other than service cost	(80)	(136)	(339)	(545)
Other, net	(54)	(159)	(126)	48
Total	\$ (258)	\$ (223)	\$ (886)	\$ 139

⁽¹⁾ Includes net realized and unrealized gains and losses from investments in equity securities either owned directly or through ownership interests in investment funds. Unrealized gains and losses from investments that are directly owned are determined at the end of the reporting period, while ownership interests in investment funds are accounted for on a one quarter lag.

MERCK & CO., INC.
NON-GAAP REPORTING CHANGES
(AMOUNTS IN MILLIONS)
(UNAUDITED)

Table 5

Beginning in 2021, the Company will be changing the treatment of certain items for purposes of its non-GAAP reporting. Historically, Merck's non-GAAP results excluded the amortization of intangible assets recognized in connection with business acquisitions, but did not exclude the amortization of intangibles originating from collaborations, asset acquisitions or licensing arrangements. In 2021, Merck's non-GAAP results will no longer differentiate between the nature of intangibles amortization and will exclude all amortization of intangible assets. Also, beginning in 2021, Merck's non-GAAP results will exclude gains and losses on investments in equity securities. These amounts are difficult to predict and can fluctuate significantly period to period affecting comparability of results. Non-GAAP results for the quarterly and annual periods of 2020 will be recast to conform to the new presentation. The table below provides details of the effects of these changes to the Company's non-GAAP results for the full year of 2020 and by quarter as will be presented in 2021 reporting.

	Non-GAAP Results		
	As Reported 2020	Impact of non-GAAP reporting changes	As Recast 2020
<u>Full Year 2020</u>			
Cost of sales	\$ 12,332	\$ 719	\$ 11,613
Selling, general and administrative	9,486		9,486
Research and development	9,231	11	9,220
Other (income) expense, net	(916)	(1,292)	376
Income Before Taxes	17,861	562	17,299
Income Tax Provision	2,764	186	2,578
Net Income	15,097	376	14,721
Net Income Attributable to Merck & Co., Inc.	15,082	376	14,706
Earnings per Common Share Assuming Dilution	\$ 5.94	\$ 0.15	\$5.79
Tax Rate	15.5%		14.9%
<u>First Quarter 2020</u>			
Cost of Sales	\$ 2,948	\$ 111	\$ 2,837
Selling, General and administrative	2,266		2,266
Research and development	2,155	3	2,152
Other (income) expense, net	82	(87)	169
Income Before Taxes	4,606	(27)	4,633
Income Tax Provision	784	2	782
Net Income	3,822	(29)	3,851
Net Income Attributable to Merck & Co., Inc.	3,822	(29)	3,851
Earnings Per Common Share Assuming Dilution	\$1.50	\$(0.01)	\$1.51
Tax Rate	17.0%		16.9%
<u>Second Quarter 2020</u>			
Cost of Sales	\$ 2,852	\$ 319	\$ 2,533
Selling, General and administrative	2,204		2,204
Research and development	2,157	2	2,155
Other (income) expense, net	(437)	(511)	74
Income Before Taxes	4,096	190	3,906
Income Tax Provision	604	74	530
Net Income	3,492	116	3,376
Net Income Attributable to Merck & Co., Inc.	3,484	116	3,368
Earnings Per Common Share Assuming Dilution	\$1.37	\$0.05	\$1.32
Tax Rate	14.7%		13.6%
<u>Third Quarter 2020</u>			
Cost of Sales	\$ 3,158	\$ 138	\$ 3,020
Selling, General and administrative	2,228		2,228
Research and development	2,273	3	2,270
Other (income) expense, net	(311)	(346)	35
Income Before Taxes	5,203	205	4,998
Income Tax Provision	772	56	716
Net Income	4,431	149	4,282
Net Income Attributable to Merck & Co., Inc.	4,427	149	4,278
Earnings Per Common Share Assuming Dilution	\$1.74	\$0.06	\$1.68
Tax Rate	14.8%		14.3%
<u>Fourth Quarter 2020</u>			
Cost of Sales	\$ 3,373	\$ 151	\$ 3,222
Selling, General and administrative	2,789		2,789
Research and development	2,648	3	2,645
Other (income) expense, net	(253)	(348)	95
Income Before Taxes	3,957	194	3,763
Income Tax Provision	605	54	551
Net Income	3,352	140	3,212
Net Income Attributable to Merck & Co., Inc.	3,350	140	3,210
Earnings Per Common Share Assuming Dilution	\$1.32	\$0.05	\$1.27
Tax Rate	15.3%		14.6%

Merck is providing certain 2020 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 and 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. In addition, senior management's annual compensation is derived in part using non-GAAP pretax income. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.