# MERCK ENTERS ONCOLOGY COLLABORATION WITH ASTRAZENECA


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# Forward-Looking Statement of Merck & Co., Inc., Kenilworth, NJ, USA

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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 healthcare legislation in the United States and internationally; global trends toward healthcare 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 2016 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).

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# Merck and AstraZeneca Establish Oncology Collaboration

## Collaboration Overview

- Co-development and co-commercialization of **Lynparza**, a PARP inhibitor, and **selumetinib**, a MEK inhibitor
- Collaboration includes **mono-** and **combination** therapies
- Companies will independently develop **Lynparza** and **selumetinib** in combination with their respective PD-1/PD-L1 agents

## Key Transaction Details

- $1.6B upfront
- $750M for certain license options
- Up to $6.15B contingent upon successful achievement of significant future regulatory and sales milestones

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# Collaboration Great Fit With Merck's Oncology Strategy

**Extend and Improve the lives of people worldwide suffering from a wide range of cancers**

- **Establish KEYTRUDA as foundational treatment in monotherapy and in combination across multiple tumor types**
- **Explore combinations with standard of care and novel agents including other immune modulators**
- **Identify patients most likely to benefit from KEYTRUDA through evaluation of biomarkers**

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# Expands Upon Merck's Oncology Leadership

**Highly attractive market**

Oncology is largest and fastest growing drug class with significant unmet medical need

**Merck's established leadership**

Oncology leader with successful development and commercialization of Keytruda

**Strong Potential for PARP and MEK**

- Broaden and deepen Merck's oncology franchise in growing targeted therapies
- Potential in multiple tumor types in monotherapy and combinations, including with Keytruda

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# With Attractive Strategic Rationale

- Rare opportunity to partner on de-risked, first-to-market commercialized product (Lynparza) with potential best-in-class profile and significant prospects for additional development
- Considerable portion of payments contingent upon successful achievement of significant regulatory and sales milestones
- Allows Merck to maintain healthy balance sheet with flexibility to execute additional business development deals in the future

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# Financial Considerations

- Merck will recognize its share of product sales of Lynparza and selumetinib, net of commercialization costs, as Alliance Revenue
- Merck's share of development costs will be recorded as part of its Research & Development expense.
- Expected to be modestly dilutive over the first couple years

# Products in-scope

## Lynparza™ olaparib

- First commercialized PARP inhibitor with potentially best-in-class profile
- December 2014 US approval in advanced ovarian cancer
  - Approved in 50+ additional countries
- $218 million in 2016 revenues
- Ongoing trials in ovarian, breast, prostate and pancreatic cancers

## Selumetinib

- Development stage MEK inhibitor
- Granted FDA orphan drug designation for differentiated thyroid cancer
- Ongoing Phase 3 trial (expected primary completion date Jan. 2018)

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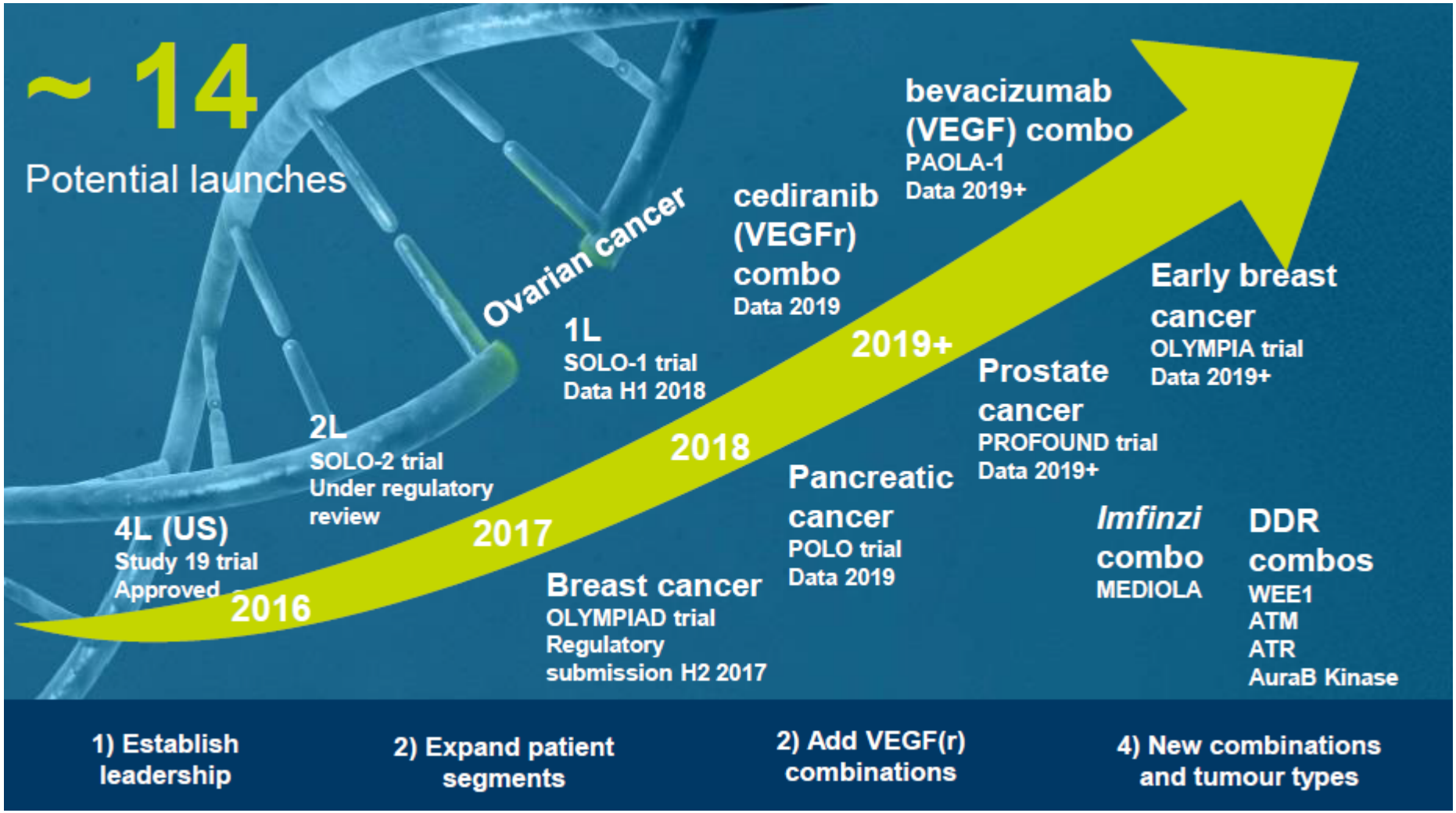
# Significant Lynparza Data Readouts Expected

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