



Merck & Co., Inc.
Financial Highlights Package
First Quarter 2019
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MERCK & CO., INC.
CONSOLIDATED STATEMENT OF INCOME - GAAP
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)
(UNAUDITED)

Table 1

	GAAP		% Change
	1Q19	1Q18	
Sales	\$ 10,816	\$ 10,037	8%
Costs, Expenses and Other			
Cost of sales ⁽¹⁾	3,052	3,184	-4%
Selling, general and administrative ⁽¹⁾	2,425	2,508	-3%
Research and development ^{(1) (2)}	1,931	3,196	-40%
Restructuring costs ⁽³⁾	153	95	61%
Other (income) expense, net ⁽¹⁾	188	(291)	*
Income Before Taxes	3,067	1,345	*
Taxes on Income ⁽¹⁾	205	604	
Net Income	2,862	741	*
Less: Net (Loss) Income Attributable to Noncontrolling Interests ⁽¹⁾	(53)	5	
Net Income Attributable to Merck & Co., Inc.	\$ 2,915	\$ 736	*
Earnings per Common Share Assuming Dilution	\$ 1.12	\$ 0.27	*
Average Shares Outstanding Assuming Dilution	2,603	2,710	
Tax Rate ⁽⁴⁾	6.7%	44.9%	

* 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 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 2019 reflects a net tax benefit of \$360 million related to the settlement of certain federal income tax matters. The effective income tax rate for the first quarter of 2018 reflects the unfavorable impact of a \$1.4 billion 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

	2019	2018					% Change
	1Q	1Q	2Q	3Q	4Q	Full Year	1Q
Sales	\$ 10,816	\$ 10,037	\$ 10,465	\$ 10,794	\$ 10,998	\$ 42,294	8%
Costs, Expenses and Other							
Cost of sales	3,052	3,184	3,417	3,619	3,289	13,509	-4%
Selling, general and administrative	2,425	2,508	2,508	2,443	2,643	10,102	-3%
Research and development	1,931	3,196	2,274	2,068	2,214	9,752	-40%
Restructuring costs	153	95	228	171	138	632	61%
Other (income) expense, net	188	(291)	(48)	(172)	110	(402)	*
Income Before Taxes	3,067	1,345	2,086	2,665	2,604	8,701	*
Taxes on Income	205	604	370	707	826	2,508	
Net Income	2,862	741	1,716	1,958	1,778	6,193	*
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(53)	5	9	8	(49)	(27)	
Net Income Attributable to Merck & Co., Inc.	\$ 2,915	\$ 736	\$ 1,707	\$ 1,950	\$ 1,827	\$ 6,220	*
Earnings per Common Share Assuming Dilution	\$ 1.12	\$ 0.27	\$ 0.63	\$ 0.73	\$ 0.69	\$ 2.32	*
Average Shares Outstanding Assuming Dilution	2,603	2,710	2,696	2,678	2,634	2,679	
Tax Rate	6.7%	44.9%	17.8%	26.5%	31.7%	28.8%	

* 100% or greater

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

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

Table 2a

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items	Adjustment Subtotal	Non-GAAP
Cost of sales	\$ 3,052	413	34		447	\$ 2,605
Selling, general and administrative	2,425	(1)			(1)	2,426
Research and development	1,931	(31)			(31)	1,962
Restructuring costs	153		153		153	-
Other (income) expense, net	188	167			167	21
Income Before Taxes	3,067	(548)	(187)		(735)	3,802
Income Tax Provision (Benefit)	205	(98) ⁽³⁾	(31) ⁽³⁾	(293) ⁽⁴⁾	(422)	627
Net Income	2,862	(450)	(156)	293	(313)	3,175
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(53)	(53)			(53)	-
Net Income Attributable to Merck & Co., Inc.	2,915	(397)	(156)	293	(260)	3,175
Earnings per Common Share Assuming Dilution	\$ 1.12	(0.15)	(0.06)	0.11	(0.10)	\$ 1.22
Tax Rate	6.7%					16.5%

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. 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 cost of sales primarily reflect expenses for the amortization of intangible assets recognized as a result of business acquisitions. Amount included in research and development expenses primarily reflects a reduction in expenses related to a net decrease in the estimated fair value measurement of liabilities for contingent consideration. Amounts included in other (income) expense, net primarily reflect goodwill impairment charges related to certain businesses in the Healthcare Services segment, 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⁾ Includes a \$360 million net tax benefit related to the settlement of certain federal income tax matters and a \$67 million tax charge related to the finalization of treasury regulations associated with the 2017 enactment of U.S. tax legislation.

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

Table 2b

	GAAP	Acquisition and Divestiture-Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	Certain Other Items ⁽³⁾	Adjustment Subtotal	Non-GAAP
Cost of sales	\$ 3,184	734	6		740	\$ 2,444
Selling, general and administrative	2,508	8	1		9	2,499
Research and development	3,196	1	2	1,400	1,403	1,793
Restructuring costs	95		95		95	-
Other (income) expense, net	(291)	(10)		(22)	(32)	(259)
Income Before Taxes	1,345	(733)	(104)	(1,378)	(2,215)	3,560
Income Tax Provision (Benefit)	604	(91) ⁽⁴⁾	(21) ⁽⁴⁾	5 ⁽⁴⁾	(107)	711
Net Income	741	(642)	(83)	(1,383)	(2,108)	2,849
Net Income Attributable to Merck & Co., Inc.	736	(642)	(83)	(1,383)	(2,108)	2,844
Earnings per Common Share Assuming Dilution	\$ 0.27	(0.24)	(0.03)	(0.51)	(0.78)	\$ 1.05
Tax Rate	44.9%					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 cost of sales reflect expenses for the amortization of intangible assets recognized as a result of business acquisitions. Amounts included in selling, general 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 related to the termination of 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⁾ 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.
FRANCHISE / KEY PRODUCT SALES
(AMOUNTS IN MILLIONS)
(UNAUDITED)

Table 3

	2019	2018					1Q	
	1Q	1Q	2Q	3Q	4Q	Full Year	Nom %	Ex-Exch %
TOTAL SALES ⁽¹⁾	\$10,816	\$10,037	\$10,465	\$10,794	\$10,998	\$42,294	8	11
PHARMACEUTICAL	9,663	8,919	9,282	9,658	9,830	37,689	8	12
Oncology								
Keytruda	2,269	1,464	1,667	1,889	2,151	7,171	55	60
Emend	117	125	148	123	126	522	-7	-4
Alliance Revenue – Lynparza	79	33	44	49	62	187	141	150
Alliance Revenue – Lenvima	74		35	43	71	149	*	*
Vaccines ⁽²⁾								
Gardasil / Gardasil 9	838	660	608	1,048	835	3,151	27	31
ProQuad / M-M-R II / Varivax	496	392	426	525	455	1,798	27	30
RotaTeq	211	193	156	191	188	728	10	11
Pneumovax 23	185	179	193	214	322	907	3	5
Vaqta	47	37	65	66	72	239	28	31
Hospital Acute Care								
Bridion	255	204	240	217	256	917	25	30
Noxafil	190	176	188	188	191	742	8	13
Cubicin	88	98	94	95	80	367	-10	-7
Invanz	72	151	149	137	59	496	-53	-49
Candidas	61	91	87	79	69	326	-33	-28
Primaxin	59	72	68	72	53	265	-19	-14
Immunology								
Simponi	208	231	233	210	220	893	-10	-3
Remicade	123	167	157	135	123	582	-26	-20
Neuroscience								
Belsomra	67	54	71	66	69	260	24	25
Virology								
Isentress / Isentress HD	255	281	305	275	280	1,140	-9	-3
Zepatier	114	131	113	104	108	455	-13	-9
Cardiovascular								
Zetia	140	305	226	165	162	857	-54	-52
Vytorin	97	167	155	92	83	497	-42	-37
Atozet	94	73	101	84	89	347	29	37
Adempas	90	68	75	94	91	329	33	36
Diabetes ⁽³⁾								
Januvia	824	880	949	927	930	3,686	-6	-4
Janumet	530	544	585	563	535	2,228	-2	3
Women's Health								
NuvaRing	219	216	236	234	216	902	1	3
Implanon / Nexplanon	199	174	174	186	169	703	14	16
Diversified Brands								
Singular	191	175	185	161	187	708	9	14
Cozaar / Hyzaar	103	120	125	103	105	453	-14	-9
Nasonex	96	122	81	71	102	376	-22	-18
Arcoxia	75	83	84	83	86	335	-10	-3
Follistim AQ	57	67	70	60	70	268	-15	-12
Other Pharmaceutical ⁽⁴⁾	1,140	1,186	1,189	1,109	1,215	4,705	-4	0
ANIMAL HEALTH	1,025	1,065	1,090	1,021	1,036	4,212	-4	3
Livestock	611	652	633	660	684	2,630	-6	1
Companion Animals	414	413	457	361	352	1,582	0	6
Other Revenues ⁽⁵⁾	128	53	93	115	132	393	139	-117

* 200% or greater

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 \$1,887 million in the first quarter of 2019 and \$1,561 million, \$1,533 million, \$2,159 million and \$2,008 million for the first, second, third and fourth quarters of 2018, respectively.

⁽³⁾ Total Diabetes sales were \$1,402 million in the first quarter of 2019 and \$1,433 million, \$1,571 million, \$1,506 million and \$1,485 million for the first, second, third and fourth quarters of 2018, 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 2019
(AMOUNTS IN MILLIONS)
(UNAUDITED)
Table 3a

	Global			U.S.			International		
	1Q 2019	1Q 2018	% Change	1Q 2019	1Q 2018	% Change	1Q 2019	1Q 2018	% Change
TOTAL SALES ⁽¹⁾	\$10,816	\$10,037	8	\$4,515	\$4,133	9	\$6,301	\$5,904	7
PHARMACEUTICAL	9,663	8,919	8	4,175	3,716	12	5,488	5,202	5
Oncology									
Keytruda	2,269	1,464	55	1,284	838	53	985	626	57
Emend	117	125	-7	63	79	-20	53	46	15
Alliance Revenue - Lynparza	79	33	141	50	24	110	29	9	*
Alliance Revenue - Lenvima	74			50			24		
Vaccines ⁽²⁾									
Gardasil / Gardasil 9	838	660	27	362	380	-5	476	280	70
ProQuad / M-M-R II / Varivax	496	392	27	343	312	10	153	80	91
RotaTeq	211	193	10	154	151	2	57	42	35
Pneumovax 23	185	179	3	125	112	12	59	66	-10
Vaqta	47	37	28	29	18	58	18	18	-1
Hospital Acute Care									
Bridion	255	204	25	119	80	48	136	124	10
Noxafil	190	176	8	91	81	12	99	94	5
Cubicin	88	98	-10	42	47	-10	46	51	-10
Invanz	72	151	-53	14	91	-85	58	60	-4
Candidas	61	91	-33	1	3	-66	60	88	-31
Primaxin	59	72	-19		5	-95	59	67	-13
Immunology									
Simponi	208	231	-10				208	231	-10
Remicade	123	167	-26				123	167	-26
Neuroscience									
Belsomra	67	54	24	24	23	1	44	31	41
Virology									
Isentress / Isentress HD	255	281	-9	108	128	-16	147	152	-3
Zepatier	114	131	-13	33		*	81	131	-38
Cardiovascular									
Zetia	140	305	-54		17	-98	140	287	-51
Vytorin	97	167	-42	3	8	-64	94	158	-40
Atozet	94	73	29				94	73	29
Adempas	90	68	33				90	68	33
Diabetes ⁽³⁾									
Januvia	824	880	-6	384	465	-17	440	416	6
Janumet	530	544	-2	167	192	-13	364	352	3
Women's Health									
NuvaRing	219	216	1	185	171	9	34	46	-26
Implanon / Nexplanon	199	174	14	149	128	16	50	46	8
Diversified Brands									
Singulair	191	175	9	5	6	-4	186	170	10
Cozaar / Hyzaar	103	120	-14	4	7	-41	99	113	-12
Nasonex	96	122	-22	(1)	1	-152	97	121	-20
Arcoxia	75	83	-10				75	83	-10
Follistim AQ	57	67	-15	29	29	1	28	39	-28
Other Pharmaceutical ⁽⁴⁾	1,140	1,186	-4	358	320	12	782	867	-10
ANIMAL HEALTH	1,025	1,065	-4	294	307	-4	731	758	-4
Livestock	611	652	-6	117	124	-6	494	529	-7
Companion Animals	414	413		177	183	-3	237	229	3
Other Revenues ⁽⁵⁾	128	53	139	46	110	-58	82	(56)	*

* 200% or greater

⁽¹⁾ Only select products are shown.⁽²⁾ Total Vaccines sales were \$1,887 million and \$1,561 million on a global basis for first quarter 2019 and 2018, respectively.⁽³⁾ Total Diabetes sales were \$1,402 million and \$1,433 million on a global basis for first quarter 2019 and 2018, 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

	2019	2018					% Change 1Q
	1Q	1Q	2Q	3Q	4Q	Full Year	
TOTAL PHARMACEUTICAL	\$9,663	\$8,919	\$9,282	\$9,658	\$9,830	\$37,689	8
United States	4,175	3,716	3,841	4,649	4,402	16,608	12
% Pharmaceutical Sales	43.2%	41.7%	41.4%	48.1%	44.8%	44.1%	
Europe ⁽¹⁾	2,335	2,402	2,322	2,114	2,237	9,076	-3
% Pharmaceutical Sales	24.2%	26.9%	25.0%	21.9%	22.8%	24.1%	
Japan	779	718	834	740	835	3,127	8
% Pharmaceutical Sales	8.1%	8.1%	9.0%	7.7%	8.5%	8.3%	
Asia Pacific	1,367	1,112	1,224	1,054	1,199	4,589	23
% Pharmaceutical Sales	14.1%	12.5%	13.2%	10.9%	12.2%	12.2%	
China	725	459	530	488	601	2,077	58
Latin America	427	398	459	493	530	1,880	7
% Pharmaceutical Sales	4.4%	4.5%	4.9%	5.1%	5.4%	5.0%	
Eastern Europe/Middle East Africa	343	335	356	347	349	1,388	2
% Pharmaceutical Sales	3.6%	3.8%	3.8%	3.6%	3.6%	3.7%	
Canada	177	196	192	177	211	776	-10
% Pharmaceutical Sales	1.8%	2.2%	2.1%	1.8%	2.1%	2.1%	
Other	60	42	54	84	67	245	43
% Pharmaceutical Sales	0.6%	0.5%	0.6%	0.9%	0.7%	0.7%	

⁽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

	1Q19	1Q18
Interest income	\$ (89)	\$ (85)
Interest expense	209	185
Exchange losses	101	7
Loss (income) from investments in equity securities, net ⁽¹⁾	25	(25)
Net periodic defined benefit plan (credit) cost other than service cost	(141)	(135)
Other, net	83	(238)
Total	\$ 188	\$ (291)

⁽¹⁾ Includes net realized and unrealized gains and losses from investments in equity securities either owned directly or through ownership interests in investment funds.