Investor Relations – Form 10 FAQ

As of 3/17/2021

On March 17th, Merck announced the filing of Form 10 Registration Statement in connection with the planned spinoff of Organon & Co. (Organon). Merck also announced the date of its virtual investor day, which will take place on May 3rd.

As a supplement to the Form 10, Merck is posting the below FAQs for reference.

1. When is the spin-off of Organon expected to be completed?

Merck expects the spinoff to be completed in late second-quarter 2021, subject to market and certain other conditions.

2. How large is Organon's business in terms of revenue?

In 2020, Organon's products recorded revenue of $6.5 billion. The breakdown of revenue by portfolio is:

- Women's Health - $1.6 billion, representing ~24% of total revenue
- Biosimilars - $330 million, representing ~5% of total revenue
- Established Brands - $4.5 billion, representing ~70% of total revenue

A breakdown of revenue by reported products can be found in the Form 10.

3. What products will be included in Organon?

Women's Health	**Established Brands**			**Biosimilars**
Contraception	**Cardiovascular**	**Respiratory**	**Non-Opioid Pain**	**Immunology**
Nexplanon/Implanon NXT	Zetia	Singulair	Arcoxia	Renflexis
NuvaRing	Vytorin	Dulera	Celestone/Diprolene	Brenzys
Cerazette	Atozet	Nasonex	Betamethasone	Hadlima
Mercilon	Rosuzet	Clarinex	Meticorten	
Marvelon	Cozaar	Asmanex		**Oncology**
Exluton	Hyzaar	Celestone	**Other**	Ontruzant
	Zocor	Loratadine Montelukast	Proscar	Aybintio
Fertility	Renitec		Propecia	
Follistim AQ/Puregon	Co-Renitec	**Dermatology**	Sinemet	
Orgalutran	Olmetec	Diprospan	Remeron	
Elonva	Sevikar	Diprosone	Maxalt	
Pregnyl	Lixiana	Elocon	Saphris	
	Lepricor	Quadriderm	Mianserin	
	Hydrochlorothiazide	Valisone	Reslin	
		Lotrisone	Taloxa	
	Bone	Garamycin	Cotazym	
	Fosamax	Emolene	Pregcolor Pregnancy Test	
	Hormones			
	Livial			
	Prometrium			
	Duavive			
	Estradiol			

4. What has driven the Organon revenue decline over the past several years?

Over the past several years, revenue has declined as several large brands lost market exclusivity in major markets, particularly, Nasonex, Zetia / Vytorin and, more recently, NuvaRing.

In 2021, the lingering loss of exclusivity (LOE) impact, primarily NuvaRing and Zetia/Vytorin, is expected to drive the majority of the expected decline in revenues compared with 2020. However, the decline in 2021 is expected to be less pronounced compared to prior years.

In addition, in 2020, the COVID-19 pandemic negatively impacted Organon's portfolio by approximately $400 million, driven by the reduced patient access to providers and lower administration of many products within established brands and women's health, in particular Nexplanon. The COVID-19 pandemic negatively impacted the long-acting reversible contraceptives (LARC) segment during 2020 due to clinic closures and postponing of non-essential medical procedures during country lockdowns. However, LARC growth quickly rebounded during months when clinic restrictions were removed and the sustained shift to LARC is expected to continue with fundamental drivers unchanged. Although the company continues to expect some impact going forward, it is expected to be less of an impact in 2021.

Organon expects to deliver low to mid-single digit revenue growth off of a 2021 base year.

5. How many markets does Organon operate in? What are Organon's largest markets?

The United States is Organon's largest single market, with approximately 20% of 2020 revenue. A breakdown of 2020 revenue by geographic area is below.

Organon has global scale, with a direct presence in 58 countries and the ability to deliver therapies to patients in more than 140 countries and territories.

$ millions; year ended December 31, 2020

Geographic Area	**2020 Organon Product Sales**	**Percent of Total Organon Product Sales**
Europe, Middle East and Africa	2,092	32%
United States	1,402	21%
China	873	13%
Japan	765	12%
Other Asia Pacific	774	12%
Latin America	434	7%
Canada	185	3%
Other	7	0%
Organon Product Sales	6,532	100%

6. What biosimilars have launched to date?

All five biosimilar products included in the Samsung Bioepis collaboration have launched in certain countries globally, including two in the United States.

- Hadlima (adalimumab-bwwd) – launched in Australia, Canada
- Brenzys (etanercept) – launched in Canada, Brazil, Australia, Israel
- Renflexis (infliximab-abda) – launched in the U.S., Canada, Australia
- Aybintio (bevacizumab) – launched in EU
- Ontruzant (trastuzumab-dttb) – launched in the U.S., Europe, Brazil, Australia

7. How large is your business in China?

In 2020, Organon reported revenue of $873 million in China, representing approximately 13% of total Organon revenue.

8. Do any of Organon's established brands fall within the volume-based procurement (VBP) program in China?

Organon products included within China's VBP include SINGULAIR, COZAAR, ZOCOR, PROSCAR and ARCOXIA, which are in the Established Brands portfolio.

The company expects additional products to be included over time, resulting in anticipated pricing pressure on those products. These expected impacts are reflected in the metrics that Merck has disclosed around expected 2021 Organon revenues as well as the longer-term growth assumptions.

In addition, the revenue from China as a percentage of total Organon revenue was only ~13% in 2020. The portfolio in China is broad – no single product accounts for more than 20% of the established brands portfolio in China in 2020.

In China, Organon plans to accelerate its strong progress by pivoting from a sole focus on the public tender market to growth opportunities in the private retail segment.

9. What will drive industry growth in the women's health market?

Industry wide, Organon projects that the core Women's Health market will grow from $33 billion in 2020 to $40 billion in 2026, driven by products that address needs and conditions unique to women, including contraception, fertility, menopause, endometriosis and uterine fibroids, to name a few.

In addition, Organon expects that the segment of therapeutic areas that disproportionately impact women, such as osteoporosis, lupus, urinary tract infections, migraines and celiac disease, will grow annually at an approximately 10% CAGR from 2020 to 2026, adding a further $21 billion to the core women's health market size estimates.

10. What are the margins of each of your businesses?

For competitive reasons, Organon is not disclosing margins by therapeutic area.

Directionally, the Women's Health portfolio has the highest gross margins, followed by the Established Brands portfolio. Our Biosimilars portfolio has relatively lower gross margins due to the profit-sharing structure of the relationship with Samsung Bioepis.

11. Do you have patent exclusivity on any products?

There are several products that still enjoy patent protection, including:

- Nexplanon has exclusivity in the U.S. until 2027 and in the majority of countries outside the U.S. until 2025.

Organon also has market exclusivity for other brands, including Atozet and Rosuzet, in certain markets outside the U.S.

12. Where will your development areas focus on? Will you build out discovery and research capabilities?

Initially, there will be limited in-house discovery research capability.

Organon will use Contract Research Organizations (CROs) in its development programs, which will be held to the same rigorous standards employed by Merck today.

Organon will have a high-quality development capability and is well-positioned as a partner for other biopharmaceutical innovators who are looking to realize commercial growth through its global scale and presence in select international markets to increase patient access.

Over time Organon will build a research capability in selected therapeutic areas, starting with Women's Health as a core pillar of its business strategy and will increase its investment to pursue life-cycle management and business development opportunities.

R&D spend will be focused on late-stage development and identification of late-stage and marketed assets that would benefit from Organon's global footprint and commercial expertise.

13. Are there any major lifecycle management opportunities you are investing in?

A study to assess Nexplanon's efficacy and safety beyond three years of use is currently underway.

The primary purpose of the study is to assess the efficacy and safety of Nexplanon during participants' fourth and fifth years of use when used as the only method of contraception.

Nexplanon is currently approved for a 3-year duration, and this study aims to confirm available evidence suggesting that the etonogestrel implant remains highly effective when used up to 5 years.

14. What are your capital allocation priorities?

Organon is expected to be highly profitable with a stable and strong cash generation profile. As a standalone company, it will be able to make the capital allocation decisions that best suit its long-term interests, which include:

- Commitment to the enhanced growth of its existing product portfolio
- Investment in inorganic growth opportunities such as in-licenses, commercial collaborations and acquisitions of development-stage or in-market products
- Product acquisitions that fit within its existing commercial infrastructure

Organon plans to pay a dividend, pay down debt consistent with its financial policy and, to the extent that there is excess free cash flow, Organon will consider returning cash to shareholders via share repurchases.

15. Do you need inorganic business development to drive your low to mid-single digit growth outlook?

With the right focus and resources, Organon expects its existing portfolio to be capable of delivering low to mid-single digit growth off of a 2021 base year without incremental business development.

With its expected strong free cash flow and global commercial scale, Organon will be positioned to actively engage in business development and collaboration activities to supplement its current portfolio.

Organon's expertise in Women's Health will enable it to track innovative science and identify promising products with the potential to address unmet medical need.

Organon's experience, global market access, commercial capabilities and manufacturing platforms will make it a clear partner of choice to companies seeking to manage global commercialization.

Organon expects to further advance its Women's Health development capabilities through future acquisitions. There are more than 140 pipeline assets in women's health in development across Phase 1 to 3, which represent potential licensing and acquisition opportunities.

16. What is Organon's dividend policy? Will you grow the dividend?

Prior to completion of the distribution, the Board of Directors of Organon will adopt a policy with respect to the payment of dividends on Organon common stock following the distribution.

Organon currently expects it will pay regular cash dividends following the distribution.

The timing, declaration, amount of and payment of any dividends following the separation by Organon will be within the discretion of its Board.

17. How long will the transition service agreements with Merck last?

Merck and Organon will enter into one or more transition services agreements pursuant to which Merck will provide Organon, on an interim basis, various services.

In addition, Organon and Merck will enter into one or more reverse transition services agreements pursuant to which Organon will provide Merck, on an interim basis, various services.

The services will generally be provided on a cost or, where applicable, a cost-plus basis. The agreements will commence on the separation date and generally will terminate within 25 months following the separation date.

18. Are the Pro Forma financials presented on the same basis for comparison purposes?

When comparing year-over-year financials, it is important to note that the unaudited Pro Forma financial information is for informational purposes only.

Adjustments to 2020 financials include autonomous entity adjustments Organon would have expected to incur as a standalone public company. These additional adjustments are not included in 2018 or 2019.

Please see the notes to the unaudited Pro Forma financial information section of Form 10.

19. Who is Organon's management?

Organon will consist of an experienced management team with a track record of successful performance. Its Board will consist of seasoned executives, with the substantial majority being independent directors.

Kevin Ali will serve as Organon's Chief Executive Officer and as one of the directors on the Board.

Carrie Cox will serve as Chairman of the Board of Directors.

Please see below for a list of Executive Officers and Director Nominees. More information on individual backgrounds can be found in the Form 10.

Organon Executive Officers

Kevin Ali
Chief Executive Officer

Aaron Falcione
Chief HR Officer

Susi Fiedler
Chief Commercial Officer

Sandy Milligan
Head of R&D

Joe Morrissey
Head of Manufacturing

Vic Nisita
Head of Global Business Services

Geralyn Ritter
Head of External Affairs & ESG

Rachel Stahler
Chief Information Officer

Deb Telman
General Counsel

Matt Walsh
Chief Financial Officer

Organon Director Nominees

Carrie Cox
Chairman, Organon;
Former Executive
Chairman of Humacyte,
Inc.

Kevin Ali
CEO, Organon

Robert Essner
Former Chairman,
President & CEO,
Wyeth, LLC

Alan Ezekowitz, M.D., Ph.D.
Partner,
Third Rock Ventures, LLC

Fatima de Vera Francisco
CEO, Global Baby and
Feminine Care,
Procter & Gamble

Helene Gayle, M.D.
President & CEO,
Chicago Community Trust

Shelly Lazarus
Chairman Emeritus,
Ogilvy & Mather

Deborah Leone
Former COO, Investment
Management,
Goldman Sachs Group

Martha McGarry
Partner,
Skadden, Arps, Slate,
Meagher & Flom LLP

Philip Ozuah, M.D., Ph.D.
President & CEO,
Montefiore Medicine

Cynthia Patton
Executive Vice President &
General Counsel,
Verily Life Sciences

Grace Puma
Executive Vice President,
Global Operations,
PepsiCo, Inc.

Shalini Sharp
Former CFO,
Utragenyx Pharmaceutical,
Inc.

Forward-Looking Statement of Merck & Co., Inc., Kenilworth, N.J., USA

This FAQ 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. Examples of forward-looking statements include statements with respect to the company’s plans to spin-off certain of its businesses into an independent company, the timing and structure of such spin-off, the characteristics of the business to be separated, the expected benefits of the spin-off to the company and the expected effect on the company’s dividends. 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 whether the proposed spin-off will be completed on the proposed timetable or at all. 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, uncertainties as to the timing of the proposed spin-off; uncertainties as to the status of any required regulatory approvals; the possibility that various conditions to the consummation of the spin-off may not be satisfied; the effects of disruption from the transactions contemplated in connection with the spin-off; 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 2020 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).