

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **June 21, 2021**

Merck & Co., Inc.
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction
of incorporation)

1-6571
(Commission
File Number)

22-1918501
(I.R.S Employer
Identification No.)

2000 Galloping Hill Road Kenilworth New Jersey
(Address of principal executive offices)

07033
(Zip Code)

(Registrant's telephone number, including area code) **(908) 740-4000**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (\$0.50 par value)	MRK	New York Stock Exchange
1.125% Notes due 2021	MRK/21	New York Stock Exchange
0.500% Notes due 2024	MRK 24	New York Stock Exchange
1.875% Notes due 2026	MRK/26	New York Stock Exchange
2.500% Notes due 2034	MRK/34	New York Stock Exchange
1.375% Notes due 2036	MRK 36A	New York Stock Exchange

Item 7.01 Regulation FD Disclosure.

On June 2, 2021, Merck & Co., Inc. (Merck) completed the spinoff of products from its women's health, biosimilars and established brands businesses into a new, independent, publicly traded company named Organon & Co. (Organon) through a distribution of Organon's publicly traded stock to Merck shareholders. Attached as Exhibit 99.1 hereto are consolidated statements of income that recast the sales and expenses of the businesses that were contributed to Organon in the spinoff as discontinued operations for the first quarter of 2021, each quarter and full year of 2020, and full-year 2019. Also included in Exhibit 99.1 are reconciliations of certain financial information prepared in accordance with generally accepted accounting principles in the United States (GAAP) to non-GAAP financial information on a continuing operations basis for these same periods.

As previously disclosed, when Merck reported first quarter earnings on April 29, 2021, Merck stated that its operating margin on a continuing operations basis would be slightly lower in 2021 versus what it was prior to the spinoff due to the higher relative profitability of the Organon products within Merck's portfolio and the absorption of certain overhead costs that Merck would continue to incur after the spinoff. Merck indicated that the operating margin for the Organon products within Merck was approximately 45%. In addition, Merck also disclosed at that time that it would continue to incur overhead costs of approximately \$400 million annually that were previously allocated to the Organon products, and that these costs were expected to be reduced over time. Finally, Merck disclosed that it expected to achieve operating efficiencies as a result of the spinoff of approximately \$500 million in 2021, which were factored into Merck's full year financial outlook provided in February 2021 and reiterated by Merck in April.

The recast consolidated statements of income on a continuing operations, non-GAAP basis for the first quarter of 2021 reflect the following as compared with the originally reported figures which included both Merck and Organon:

- o Sales of \$10.6 billion, which exclude \$1.5 billion of Organon product sales;
- o Gross margin of 76.6%, an increase of 0.9% reflecting lower gross margins on the revenue associated with the Organon products;
- o Operating expenses are 42.9% of sales, an increase of 2.8% reflecting lower operating expenses on the revenue associated with the Organon products;
- o Operating margin of 33.7%, a decrease of 1.8% reflecting higher operating margins on the revenue associated with the Organon products relative to the overall Merck product portfolio, as well as overhead costs that Merck is continuing to incur that were not allocated to discontinued operations;
- o A de minimis impact to other income and expense; and
- o A tax rate of 14.3%, an increase of 0.2%.

The recast consolidated statements of income on a continuing operations basis and the financial information contained herein are for informational purposes only. They do not necessarily reflect the results that would have been reported had the spinoff actually been completed prior to the periods presented and are not necessarily indicative of future results.

Merck intends to provide detailed financial guidance with its second quarter earnings release scheduled for July 29, 2021. Merck will reflect the impact of the spinoff on its consolidated statement of cash flows and consolidated balance sheet beginning with its second quarter Form 10-Q.

This information, including the information reflected in Exhibit 99.1, is not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of that Section, and is not incorporated by reference into a filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[Exhibit 99.1](#) [Historical Financial Information Reflecting Spinoff of Organon & Co.](#)

Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Merck & Co., Inc.

Date: June 21, 2021

By: /s/ Kelly E. W. Grez
Kelly E. W. Grez
Deputy Corporate Secretary

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

On June 2, 2021, Merck completed the spinoff of products from its women's health, biosimilars and established brands businesses into a new, independent, publicly traded company named Organon & Co. (Organon) through a distribution of Organon's publicly traded stock to company shareholders. The historical results of the women's health, biosimilars and established brands businesses that were contributed to Organon in the spinoff are excluded from sales and expenses below and reflected as discontinued operations in the company's Consolidated Statements of Income provided below.

	2021	2020				2019	
	1Q	1Q	2Q	3Q	4Q	Full Year	Full Year
Sales	\$ 10,627	\$ 10,288	\$ 9,353	\$ 10,929	\$ 10,948	\$ 41,518	\$ 39,121
Costs, Expenses and Other							
Cost of sales	3,199	2,829	2,747	3,013	5,029	13,618	12,016
Selling, general and administrative	2,187	2,191	2,085	2,060	2,619	8,955	9,455
Research and development	2,412	2,175	2,085	3,349	5,788	13,397	9,724
Restructuring costs	297	70	82	113	310	575	626
Other (income) expense, net	(455)	62	(387)	(312)	(253)	(890)	129
Income (Loss) from Continuing Operations Before Taxes	2,987	2,961	2,741	2,706	(2,545)	5,863	7,171
Income Tax Provision	238	495	396	380	69	1,340	1,565
Net Income (Loss) from Continuing Operations	2,749	2,466	2,345	2,326	(2,614)	4,523	5,606
Less: Net Income (Loss) Attributable to Noncontrolling Interests	4	(5)	4	2	3	4	(84)
Net Income (Loss) from Continuing Operations Attributable to Merck & Co., Inc.	2,745	2,471	2,341	2,324	(2,617)	4,519	5,690
Income from Discontinued Operations, Net of Taxes and Amounts Attributable to Noncontrolling Interests	434	749	662	617	521	2,548	4,153
Net Income (Loss) Attributable to Merck & Co., Inc.	\$ 3,179	\$ 3,220	\$ 3,003	\$ 2,941	\$ (2,096)	\$ 7,067	\$ 9,843
Basic Earnings (Loss) per Common Share Attributable to Merck & Co., Inc. Common Shareholders:							
Income (Loss) from Continuing Operations	\$ 1.08	\$ 0.98	\$ 0.93	\$ 0.92	\$ (1.03)	\$ 1.79	\$ 2.22
Income from Discontinued Operations	0.17	0.30	0.26	0.24	0.21	1.01	1.62
Net Income (Loss)	<u>\$ 1.26</u>	<u>\$ 1.27</u>	<u>\$ 1.19</u>	<u>\$ 1.16</u>	<u>\$ (0.83)</u>	<u>\$ 2.79</u>	<u>\$ 3.84</u>
Earnings (Loss) per Common Share Assuming Dilution Attributable to Merck & Co., Inc. Common Shareholders:							
Income (Loss) from Continuing Operations	\$ 1.08	\$ 0.97	\$ 0.92	\$ 0.92	\$ (1.03)	\$ 1.78	\$ 2.21
Income from Discontinued Operations	0.17	0.29	0.26	0.24	0.21	1.00	1.61
Net Income (Loss)	<u>\$ 1.25</u>	<u>\$ 1.26</u>	<u>\$ 1.18</u>	<u>\$ 1.16</u>	<u>\$ (0.83)</u>	<u>\$ 2.78</u>	<u>\$ 3.81</u>
Average Shares Outstanding Assuming Dilution ⁽¹⁾	2,541	2,547	2,536	2,538	2,530	2,541	2,580
Tax Rate from Continuing Operations	8.0%	16.7%	14.4%	14.0%	-2.7%	22.9%	21.8%

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. Income from discontinued operations was also computed using average common shares outstanding.

MERCK & CO., INC.

FIRST QUARTER 2021 GAAP TO NON-GAAP RECONCILIATION - CONTINUING OPERATIONS

(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)

(UNAUDITED)

The table below reflects a reconciliation of GAAP to non-GAAP financial information on a continuing operations basis. As Organon results are reflected within discontinued operations, they are excluded from the financial information provided below.

	GAAP	Acquisition and Divestiture- Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	(Income) Loss from Investments in Equity Securities	Certain Other Items	Adjustment Subtotal	Non-GAAP
First Quarter							
Cost of sales	\$ 3,199	497	27		188 ⁽³⁾	712	\$ 2,487
Selling, general and administrative	2,187	10	3			13	2,174
Research and development	2,412	18	7			25	2,387
Restructuring costs	297		297			297	-
Other (income) expense, net	(455)	(28)		(561)		(589)	134
Income From Continuing Operations Before Taxes	2,987	(497)	(334)	561	(188)	(458)	3,445
Income Tax Provision (Benefit)	238	(89) ⁽⁴⁾	(41) ⁽⁴⁾	123 ⁽⁴⁾	(249) ⁽⁴⁾	(256)	494
Net Income from Continuing Operations	2,749	(408)	(293)	438	61	(202)	2,951
Net Income from Continuing Operations Attributable to Merck & Co., Inc.	2,745	(408)	(293)	438	61	(202)	2,947
Earnings per Common Share Assuming Dilution from Continuing Operations	\$ 1.08	(0.16)	(0.11)	0.17	0.02	(0.08)	\$ 1.16
Tax Rate	8.0%						14.3%

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 expenses for the amortization of intangible assets. Amount included in selling, general and administrative expenses reflects acquisition and divestiture-related costs. Amount included in other (income) expense, net, primarily reflects royalty income, partially offset by an increase in the estimated fair value measurement of liabilities for contingent consideration 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 a charge for the discontinuation of COVID-19 development programs.

⁽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. Certain other items also include a \$208 million net tax benefit related to the settlement of certain federal income tax matters.

MERCK & CO., INC.

2020 GAAP TO NON-GAAP RECONCILIATIONS - CONTINUING OPERATIONS

(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)

(UNAUDITED)

The table below reflects a reconciliation of GAAP to non-GAAP financial information on a continuing operations basis. As Organon results are reflected within discontinued operations, they are excluded from the financial information provided below.

	GAAP	Acquisition and Divestiture- Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	(Income) Loss from Investments in Equity Securities	Certain Other Items	Adjustment Subtotal	Non-GAAP
Full Year							
Cost of sales	\$ 13,618	3,355	175		260 ⁽⁶⁾	3,790	\$ 9,828
Selling, general and administrative	8,955	225	47			272	8,683
Research and development	13,397	12	83		4,243 ⁽⁴⁾⁽⁷⁾	4,338	9,059
Restructuring costs	575		575			575	-
Other (income) expense, net	(890)	50		(1,292)	(20)	(1,262)	372
Income From Continuing Operations Before Taxes	5,863	(3,642)	(880)	1,292	(4,483)	(7,713)	13,576
Income Tax Provision (Benefit)	1,340	(627) ⁽³⁾	(80) ⁽³⁾	284 ⁽³⁾	(303) ⁽³⁾	(726)	2,066
Net Income from Continuing Operations	4,523	(3,015)	(800)	1,008	(4,180)	(6,987)	11,510
Net Income from Continuing Operations Attributable to Merck & Co., Inc.	4,519	(3,015)	(800)	1,008	(4,180)	(6,987)	11,506
Earnings per Common Share Assuming Dilution Attributable to Continuing Operations	\$ 1.78	(1.19)	(0.31)	0.40	(1.65)	(2.75)	\$ 4.53
Tax Rate	22.9%						15.2%
First Quarter							
Cost of sales	\$ 2,829	387	68			455	\$ 2,374
Selling, general and administrative	2,191	113	11			124	2,067
Research and development	2,175	40	17			57	2,118
Restructuring costs	70		70			70	-
Other (income) expense, net	62	(11)		(87)		(98)	160
Income From Continuing Operations Before Taxes	2,961	(529)	(166)	87		(608)	3,569
Income Tax Provision (Benefit)	495	(150) ⁽³⁾	(7) ⁽³⁾	19 ⁽³⁾		(138)	633
Net Income from Continuing Operations	2,466	(379)	(159)	68		(470)	2,936
Net Income from Continuing Operations Attributable to Merck & Co., Inc.	2,471	(379)	(159)	68		(470)	2,941
Earnings per Common Share Assuming Dilution from Continuing Operations	\$ 0.97	(0.15)	(0.06)	0.03		(0.18)	\$ 1.15
Tax Rate	16.7%						17.7%
Second Quarter							
Cost of sales	\$ 2,747	580	25			605	\$ 2,142
Selling, general and administrative	2,085	44	11			55	2,030
Research and development	2,085	(63)	31			(32)	2,117
Restructuring costs	82		82			82	-
Other (income) expense, net	(387)	63		(511)	(16)	(464)	77
Income From Continuing Operations Before Taxes	2,741	(624)	(149)	511	16	(246)	2,987
Income Tax Provision (Benefit)	396	(91) ⁽³⁾	(27) ⁽³⁾	112 ⁽³⁾	5 ⁽³⁾	(1)	397
Net Income from Continuing Operations	2,345	(533)	(122)	399	11	(245)	2,590
Net Income from Continuing Operations Attributable to Merck & Co., Inc.	2,341	(533)	(122)	399	11	(245)	2,586

Earnings per Common Share Assuming Dilution from Continuing Operations	\$ 0.92	(0.21)	(0.05)	0.16	-	(0.10)	\$ 1.02
Tax Rate	14.4%						13.3%
Third Quarter							
Cost of sales	\$ 3,013	403	38			441	\$ 2,572
Selling, general and administrative	2,060	25	15			40	2,020
Research and development	3,349	19	19		1,082 ⁽⁴⁾	1,120	2,229
Restructuring costs	113		113			113	-
Other (income) expense, net	(312)			(346)	(1)	(347)	35
Income From Continuing Operations Before Taxes	2,706	(447)	(185)	346	(1,081)	(1,367)	4,073
Income Tax Provision (Benefit)	380	(9) ⁽⁵⁾	(25) ⁽³⁾	76 ⁽³⁾	(247) ⁽³⁾	(205)	585
Net Income from Continuing Operations	2,326	(438)	(160)	270	(834)	(1,162)	3,488
Net Income from Continuing Operations Attributable to Merck & Co., Inc.	2,324	(438)	(160)	270	(834)	(1,162)	3,486
Earnings per Common Share Assuming Dilution Attributable to Continuing Operations	\$ 0.92	(0.17)	(0.06)	0.11	(0.33)	(0.45)	\$ 1.37
Tax Rate	14.0%						14.4%
Fourth Quarter							
Cost of sales	\$ 5,029	1,986	44		260 ⁽⁶⁾	2,290	\$ 2,739
Selling, general and administrative	2,619	42	10			52	2,567
Research and development	5,788	16	16		3,161 ⁽⁷⁾	3,193	2,595
Restructuring costs	310		310			310	-
Other (income) expense, net	(253)	(2)		(348)	(3)	(353)	100
Loss From Continuing Operations Before Taxes	(2,545)	(2,042)	(380)	348	(3,418)	(5,492)	2,947
Income Tax Provision (Benefit)	69	(378) ⁽³⁾	(21) ⁽³⁾	77 ⁽³⁾	(61) ⁽³⁾	(383)	452
Net Loss from Continuing Operations	(2,614)	(1,664)	(359)	271	(3,357)	(5,109)	2,495
Net Loss from Continuing Operations Attributable to Merck & Co., Inc.	(2,617)	(1,664)	(359)	271	(3,357)	(5,109)	2,492
Loss per Common Share Assuming Dilution Attributable to Continuing Operations ⁽⁸⁾	\$ (1.03)	(0.66)	(0.14)	0.11	(1.32)	(2.01)	\$ 0.98
Tax Rate	-2.7%						15.4%

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⁾ Amounts included in cost of sales reflect expenses for the amortization of intangible assets and, for the fourth quarter and full year of 2020, also include a \$1.6 billion intangible asset impairment charge related to ZERBAXA. Amounts included in selling, general and administrative (SG&A) expenses reflect acquisition and divestiture-related costs, including \$95 million in the first quarter of 2020 related to the acquisition of Arqule, Inc. Amounts included in other (income) expense, net, primarily reflect costs related to increases in the estimated fair value measurement of liabilities for contingent consideration and 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⁾ Reflects expenses for upfront payments related to license and collaboration agreements.

⁽⁵⁾ Represents the estimated tax impact on the reconciling items based on applying the statutory rate of the originating territory of the non-GAAP adjustments. 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.

(6) Reflects a charge for the discontinuation of COVID-19 development programs.

(7) Reflects charges of \$2.7 billion for the acquisition of VelosBio Inc., \$462 million for the acquisition of OncoImmune and \$45 million for the discontinuation of COVID-19 vaccine development programs.

(8) Because the company recorded a net loss in the period, 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.

MERCK & CO., INC.

2019 GAAP TO NON-GAAP RECONCILIATION - CONTINUING OPERATIONS

(AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES)

(UNAUDITED)

The table below reflects a reconciliation of GAAP to non-GAAP financial information on a continuing operations basis. As Organon results are reflected within discontinued operations, they are excluded from the financial information provided below.

	GAAP	Acquisition and Divestiture- Related Costs ⁽¹⁾	Restructuring Costs ⁽²⁾	(Income) Loss from Investments in Equity Securities	Certain Other Items	Adjustment Subtotal	Non-GAAP
Full Year							
Cost of sales	\$ 12,016	2,404	251			2,655	\$ 9,361
Selling, general and administrative	9,455	126	34			160	9,295
Research and development	9,724	156	4		993 ⁽⁴⁾	1,153	8,571
Restructuring costs	626		626			626	-
Other (income) expense, net	129	284		(132)	55	207	(78)
Income From Continuing Operations Before Taxes	7,171	(2,970)	(915)	132	(1,048)	(4,801)	11,972
Income Tax Provision (Benefit)	1,565	(540) ⁽³⁾	(152) ⁽³⁾	29 ⁽³⁾	(122) ⁽⁵⁾	(785)	2,350
Net Income from Continuing Operations	5,606	(2,430)	(763)	103	(926)	(4,016)	9,622
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(84)	(89)				(89)	5
Net Income from Continuing Operations Attributable to Merck & Co., Inc.	5,690	(2,341)	(763)	103	(926)	(3,927)	9,617
Earnings per Common Share Assuming Dilution Attributable to Continuing Operations	\$ 2.21	(0.91)	(0.29)	0.04	(0.36)	(1.52)	\$ 3.73
Tax Rate	21.8%						19.6%

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 expenses for the amortization of intangible assets, 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. Amount included in research and development expenses primarily reflects \$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 \$106 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.
