UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 1-6571

Merck & Co., Inc.

(Exact name of registrant as specified in its charter)

New Jersey	**22-1918501**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

126 East Lincoln Avenue
Rahway New Jersey 07065
(Address of principal executive offices) (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.)

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

Title of each class	*Trading Symbol(s)*	*Name of each exchange on which registered*
Common Stock ($0.50 par value)	MRK	New York Stock Exchange
1.875% Notes due 2026	MRK/26	New York Stock Exchange
3.250% Notes due 2032	MRK/32	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
3.500% Notes due 2037	MRK/37	New York Stock Exchange
3.700% Notes due 2044	MRK/44	New York Stock Exchange
3.750% Notes due 2054	MRK/54	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding as of the close of business on July 31, 2025: 2,497,783,211

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MERCK & CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited, $ in millions except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Sales	$ 15,806	$ 16,112	$ 31,335	$ 31,887
Costs, Expenses and Other				
Cost of sales	3,557	3,745	6,976	7,285
Selling, general and administrative	2,649	2,739	5,202	5,221
Research and development	4,048	3,500	7,669	7,492
Restructuring costs	560	80	629	202
Other (income) expense, net	(7)	42	(43)	12
	10,807	10,106	20,433	20,212
Income Before Taxes	4,999	6,006	10,902	11,675
Taxes on Income	571	545	1,388	1,447
Net Income	4,428	5,461	9,514	10,228
Less: Net Income Attributable to Noncontrolling Interests	1	6	8	11
Net Income Attributable to Merck & Co., Inc.	$ 4,427	$ 5,455	$ 9,506	$ 10,217
Basic Earnings per Common Share Attributable to Merck & Co., Inc. Common Shareholders	$ 1.76	$ 2.15	$ 3.78	$ 4.03
Earnings per Common Share Assuming Dilution Attributable to Merck & Co., Inc. Common Shareholders	$ 1.76	$ 2.14	$ 3.77	$ 4.02

MERCK & CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited, $ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net Income Attributable to Merck & Co., Inc.	$ 4,427	$ 5,455	$ 9,506	$ 10,217
Other Comprehensive Loss Net of Taxes:				
Net unrealized (loss) gain on derivatives, net of reclassifications	(410)	67	(627)	197
Benefit plan net loss and prior service cost, net of amortization	(8)	(10)	(26)	(15)
Cumulative translation adjustment	(38)	(144)	177	(382)
	(456)	(87)	(476)	(200)
Comprehensive Income Attributable to Merck & Co., Inc.	$ 3,971	$ 5,368	$ 9,030	$ 10,017

The accompanying notes are an integral part of these condensed consolidated financial statements.

MERCK & CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited, $ in millions except per share amounts)

	June 30, 2025	December 31, 2024
Assets		
Current Assets		
Cash and cash equivalents	$ 8,007	$ 13,242
Short-term investments	615	447
Accounts receivable (net of allowance for doubtful accounts of $94 in 2025 and $89 in 2024)	11,846	10,278
Inventories (excludes inventories of $4,882 in 2025 and $4,193 in 2024 classified in Other assets - see Note 6)	6,601	6,109
Other current assets	9,996	8,706
Total current assets	37,065	38,782
Investments	774	463
Property, Plant and Equipment, at cost, net of accumulated depreciation of $20,256 in 2025 and $19,155 in 2024	25,236	23,779
Goodwill	21,591	21,668
Other Intangibles, Net	15,193	16,370
Other Assets	17,664	16,044
	$ 117,523	$ 117,106
Liabilities and Equity		
Current Liabilities		
Loans payable and current portion of long-term debt	$ 1,434	$ 2,649
Trade accounts payable	3,892	4,079
Accrued and other current liabilities	14,502	15,694
Income taxes payable	4,156	3,914
Dividends payable	2,053	2,084
Total current liabilities	26,037	28,420
Long-Term Debt	33,968	34,462
Deferred Income Taxes	1,427	1,387
Other Noncurrent Liabilities	7,031	6,465
Merck & Co., Inc. Stockholders' Equity		
Common stock, $0.50 par value Authorized - 6,500,000,000 shares Issued - 3,577,103,522 shares in 2025 and 2024	1,788	1,788
Other paid-in capital	44,644	44,704
Retained earnings	68,477	63,069
Accumulated other comprehensive loss	(5,421)	(4,945)
	109,488	104,616
Less treasury stock, at cost: 1,073,963,194 shares in 2025 and 1,049,466,187 shares in 2024	60,495	58,303
Total Merck & Co., Inc. stockholders' equity	48,993	46,313
Noncontrolling Interests	67	59
Total equity	49,060	46,372
	$ 117,523	$ 117,106

The accompanying notes are an integral part of this condensed consolidated financial statement.

MERCK & CO., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited, $ in millions)

	Six Months Ended June 30,	
	2025	2024
Cash Flows from Operating Activities		
Net income	$ 9,514	$ 10,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	1,198	1,087
Depreciation	1,020	1,029
Income from investments in equity securities, net	(189)	(200)
Charge for research and development asset acquisition	—	656
Deferred income taxes	(634)	(232)
Share-based compensation	411	379
Other	444	174
Net changes in assets and liabilities	(5,971)	(4,394)
Net Cash Provided by Operating Activities	5,793	8,727
Cash Flows from Investing Activities		
Capital expenditures	(2,092)	(1,652)
Purchases of securities and other investments	(1,207)	(64)
Proceeds from sales of securities and other investments	1,057	320
Acquisition of Harpoon Therapeutics, Inc., net of cash acquired	—	(746)
Other	(15)	(303)
Net Cash Used in Investing Activities	(2,257)	(2,445)
Cash Flows from Financing Activities		
Net change in short-term borrowings	48	—
Proceeds from issuance of debt	—	3,600
Payments on debt	(2,500)	(751)
Dividends paid to stockholders	(4,127)	(3,936)
Purchases of treasury stock	(2,509)	(373)
Proceeds from exercise of stock options	31	160
Other	(254)	(298)
Net Cash Used in Financing Activities	(9,311)	(1,598)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	530	(220)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(5,245)	4,464
Cash, Cash Equivalents and Restricted Cash at Beginning of Year (includes restricted cash of $76 and $68 at January 1, 2025 and 2024, respectively, included in *Other current assets*)	13,318	6,909
Cash, Cash Equivalents and Restricted Cash at End of Period (includes restricted cash of $66 and $69 at June 30, 2025 and 2024, respectively, included in *Other current assets*)	$ 8,073	$ 11,373

The accompanying notes are an integral part of this condensed consolidated financial statement.

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Merck & Co., Inc. (Merck or the Company) have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States (U.S.) for complete consolidated financial statements are not included herein. These interim statements should be read in conjunction with the audited financial statements and notes thereto included in Merck's Form 10-K filed on February 25, 2025.

The results of operations of any interim period are not necessarily indicative of the results of operations for the full year. In the Company's opinion, all adjustments necessary for a fair statement of these interim statements have been included and are of a normal and recurring nature. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Recently Issued Accounting Standards Not Yet Adopted

In December 2023, the Financial Accounting Standards Board (FASB) issued guidance intended to improve the transparency of income tax disclosures by requiring consistent categories and disaggregation of information in the effective income tax rate reconciliation and income taxes paid disclosures by jurisdiction. The guidance also includes other amendments to improve the effectiveness of income tax disclosures by removing certain previously required disclosures. The guidance is effective for 2025 annual reporting and will result in incremental disclosures within the footnotes to the Company's financial statements.

In November 2024, the FASB issued guidance intended to improve financial reporting by requiring entities to disclose additional information about specific expense categories at interim and annual reporting periods. The guidance is effective for 2027 annual reporting and 2028 interim reporting. Early adoption is permitted. The guidance, which can be applied on a prospective or retrospective basis, will result in incremental disclosures within the footnotes to the Company's financial statements.

2. Acquisitions, Research Collaborations and Licensing Agreements

The Company continues to pursue acquisitions and the establishment of external alliances such as research collaborations and licensing agreements to complement its internal research capabilities. These arrangements often include upfront payments; expense reimbursements or payments to the third party; milestone, royalty or profit share arrangements contingent upon the occurrence of certain future events linked to the success of the asset in development; and can also include option and continuation payments. The Company also reviews its marketed products and pipeline to examine candidates which may provide more value through out-licensing and, as part of its portfolio assessment process, may also divest certain assets. Pro forma financial information for acquired businesses is not presented if the historical financial results of the acquired entity are not significant when compared with the Company's financial results.

2025 Transactions

In July 2025, Merck entered into a definitive agreement to acquire Verona Pharma plc (Verona Pharma), a biopharmaceutical company focused on respiratory diseases, for $107 per American Depository Share (each of which represents eight Verona Pharma ordinary shares) for a total transaction value of approximately $10 billion. Through this acquisition, Merck will acquire Ohtuvayre (ensifentrine), a first-in-class selective dual inhibitor of phosphodiesterases 3 and 4 (PDE3 and PDE4), which was approved in the U.S. in June 2024 for the maintenance treatment of chronic obstructive pulmonary disease (COPD) in adult patients and is also being evaluated in clinical trials for the treatment of non-cystic fibrosis bronchiectasis. Closing of the acquisition is expected in the fourth quarter of 2025, but is subject to certain conditions, including approval under the Hart-Scott-Rodino Antitrust Improvements Act, approval of Verona Pharma's shareholders, sanction by the High Court of Justice of England and Wales and other customary conditions. If the proposed transaction closes, the Company expects to capitalize most of the purchase price as an intangible asset for Ohtuvayre.

In May 2025, Merck and Jiangsu Hengrui Pharmaceuticals Co., Ltd. (Hengrui Pharma) closed an exclusive license agreement for MK-7262 (HRS-5346), an investigational oral small molecule Lipoprotein(a) inhibitor, which is currently being evaluated in a Phase 2 clinical trial in China. Under the agreement, Hengrui Pharma granted Merck exclusive rights to develop, manufacture and commercialize MK-7262 (HRS-5346) worldwide, excluding the Greater China region. The agreement provides for an upfront payment of $200 million, which was recorded as a charge to *Research and development* expenses in the second quarter of 2025. Hengrui Pharma is also eligible to receive future contingent developmental milestone payments of up to $92.5 million, regulatory milestone payments of up to $177.5 million and sales-based milestone payments of up to $1.5 billion, as well as tiered royalties ranging from a mid-single-digit rate to a low-double-digit rate on future net sales of MK-7262 (HRS-5346), if approved.

In March 2025, Merck acquired the Dundalk, Ireland facility of WuXi Vaccines (a wholly owned subsidiary of WuXi Biologics), which was accounted for as an asset acquisition. Merck paid $437 million at closing which, combined with previous consideration transferred under a prior manufacturing arrangement with WuXi Vaccines related to this facility, resulted in $759 million being recorded as assets under construction within *Property, Plant and Equipment*. There are no future contingent payments associated with the acquisition.

2024 Transactions

In March 2024, Merck acquired Harpoon Therapeutics, Inc. (Harpoon), a clinical-stage immunotherapy company developing a novel class of T-cell engagers designed to harness the power of the body's immune system to treat patients suffering from cancer and other diseases, for $765 million and also incurred $56 million of transaction costs. Harpoon's lead candidate, gocatamig (MK-6070, formerly HPN328), is a T-cell engager targeting delta-like ligand 3 (DLL3), an inhibitory canonical Notch ligand that is expressed at high levels in small-cell lung cancer and neuroendocrine tumors. The transaction was accounted for as an asset acquisition since gocatamig represented substantially all of the fair value of the gross assets acquired (excluding cash and deferred income taxes). Merck recorded net assets of $165 million, as well as a charge of $656 million to *Research and development* expenses in the first six months of 2024 related to the transaction. There are no future contingent payments associated with the acquisition. In August 2024, Merck and Daiichi Sankyo expanded their existing global co-development and co-commercialization agreement to include gocatamig. See Note 3 for more information on Merck's collaboration with Daiichi Sankyo.

3. Collaborative Arrangements

Merck has entered into collaborative arrangements that provide the Company with varying rights to develop, produce and market products together with its collaborative partners. Both parties in these arrangements are active participants and exposed to significant risks and rewards dependent on the commercial success of the activities of the collaboration. Merck's more significant collaborative arrangements are discussed below.

AstraZeneca PLC

In 2017, Merck and AstraZeneca PLC (AstraZeneca) entered into a global strategic oncology collaboration to co-develop and co-commercialize AstraZeneca's Lynparza (olaparib) for multiple cancer types. Independently, Merck and AstraZeneca are developing and commercializing Lynparza in combinations with their respective PD-1 and PD-L1 medicines, *Keytruda* (pembrolizumab) and Imfinzi. The companies are also jointly developing and commercializing AstraZeneca's Koselugo (selumetinib) for multiple indications. Under the terms of the agreement, AstraZeneca and Merck share the development and commercialization costs for Lynparza and Koselugo monotherapy and non-PD-1/PD-L1 combination therapy opportunities.

Profits from Lynparza and Koselugo product sales generated through monotherapies or combination therapies are shared equally. AstraZeneca is the principal on Lynparza and Koselugo sales transactions. Merck records its share of Lynparza and Koselugo product sales, net of cost of sales and commercialization costs, as alliance revenue, and its share of development costs associated with the collaboration as part of *Research and development* expenses. Reimbursements received from AstraZeneca for research and development expenses are recognized as reductions to *Research and development* costs.

As part of the agreement, Merck made an upfront payment to AstraZeneca and also made payments over a multi-year period for certain license options. In addition, the agreement provides for contingent payments from Merck to AstraZeneca related to the successful achievement of sales-based and regulatory milestones.

In the first six months of 2025, Merck made sales-based milestone payments aggregating $700 million to AstraZeneca of which $600 million related to Lynparza and $100 million related to Koselugo (both of which had been previously accrued for). Potential future sales-based milestone payments of $2.0 billion have not yet been accrued as they are not deemed by the Company to be probable at this time. Lynparza received a regulatory approval triggering a capitalized milestone payment from Merck to AstraZeneca of $245 million in the first six months of 2024 (which had been previously accrued for). The partners have agreed that no future regulatory milestone payments from Merck to AstraZeneca are likely under the agreement.

The intangible asset balances related to Lynparza and Koselugo (which reflect the capitalized sales-based and regulatory milestone payments attributed to each product) were $1.0 billion and $44 million, respectively, at June 30, 2025 and are included in *Other Intangibles, Net*. The assets are being amortized over their estimated useful lives (through 2028 for Lynparza and through 2029 for Koselugo) as supported by projected future cash flows, subject to impairment testing.

Summarized financial information related to this collaboration is as follows:

($ in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Alliance revenue - Lynparza	$ 370	$ 317	$ 682	$ 609
Alliance revenue - Koselugo	43	37	87	75
Total alliance revenue	$ 413	$ 354	$ 769	$ 684
Cost of sales [1]	86	82	169	163
Selling, general and administrative	40	43	72	82
Research and development	16	18	28	38

($ in millions)	June 30, 2025	December 31, 2024
Receivables from AstraZeneca included in *Other current assets*	$ 411	$ 424
Payables to AstraZeneca included in *Accrued and other current liabilities* [2]	12	713

[1] *Represents amortization of capitalized milestone payments.*

[2] *Balance at December 31, 2024 includes accrued milestone payments.*

Eisai Co., Ltd.

In 2018, Merck and Eisai Co., Ltd. (Eisai) announced a strategic collaboration for the worldwide co-development and co-commercialization of Lenvima (lenvatinib), an orally available tyrosine kinase inhibitor discovered by Eisai. Under the agreement, Merck and Eisai are developing and commercializing Lenvima jointly, both as monotherapy and in combination with *Keytruda*. Eisai records Lenvima product sales globally (Eisai is the principal on Lenvima sales transactions) and Merck and Eisai share applicable profits equally. Merck records its share of Lenvima product sales, net of cost of sales and commercialization costs, as alliance revenue. Expenses incurred during co-development are shared by the two companies in accordance with the collaboration agreement and reflected in *Research and development* expenses. Certain expenses incurred solely by Merck or Eisai are not shareable under the collaboration agreement, including costs incurred in excess of agreed upon caps and costs related to certain combination studies of *Keytruda* and Lenvima.

Under the agreement, Merck made an upfront payment to Eisai and also made payments over a multi-year period for certain option rights. In addition, the agreement provides for contingent payments from Merck to Eisai related to the successful achievement of sales-based and regulatory milestones.

In the first six months of 2024, Merck made a $125 million sales-based milestone payment to Eisai (which had been previously accrued for). Potential future sales-based milestone payments of $2.3 billion have not yet been accrued as they are not deemed by the Company to be probable at this time. There are no regulatory milestone payments remaining under the agreement.

The intangible asset balance related to Lenvima (which includes capitalized sales-based and regulatory milestone payments) was $321 million at June 30, 2025 and is included in *Other Intangibles, Net*. The amount is being amortized over its estimated useful life through 2026 as supported by projected future cash flows, subject to impairment testing.

Summarized financial information related to this collaboration is as follows:

($ in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Alliance revenue - Lenvima	$ 265	$ 249	$ 523	$ 504
Cost of sales [1]	60	60	121	121
Selling, general and administrative	35	41	66	80
Research and development	3	6	7	13

($ in millions)	June 30, 2025	December 31, 2024
Receivables from Eisai included in *Other current assets*	$ 265	$ 257

[1] *Represents amortization of capitalized milestone payments.*

Bayer AG

In 2014, the Company entered into a worldwide clinical development collaboration with Bayer AG (Bayer) to market and develop soluble guanylate cyclase (sGC) modulators including Bayer's Adempas (riociguat) and Verquvo (vericiguat). The two companies have implemented a joint development and commercialization strategy. Under the agreement, Bayer commercializes Adempas in the Americas, while Merck commercializes in the rest of the world. For Verquvo, Merck commercializes in the U.S. and Bayer commercializes in the rest of the world. Both companies share in development costs and profits on sales. Merck records sales of Adempas and Verquvo in its marketing territories, as well as alliance revenue. Alliance

revenue represents Merck's share of profits from sales of Adempas and Verquvo in Bayer's marketing territories, which are product sales net of cost of sales and commercialization costs. Cost of sales includes Bayer's share of profits from sales in Merck's marketing territories.

In addition, the agreement provided for contingent payments from Merck to Bayer related to the successful achievement of sales-based milestones. There are no sales-based milestone payments remaining under this collaboration.

The intangible asset balances related to Adempas (which includes the acquired intangible asset balance, as well as capitalized sales-based milestone payments attributed to Adempas) and Verquvo (which reflects the portion of the final sales-based milestone payment that was attributed to Verquvo) were $348 million and $43 million, respectively, at June 30, 2025 and are included in *Other Intangibles, Net*. The assets are being amortized over their estimated useful lives (through 2027 for Adempas and through 2031 for Verquvo) as supported by projected future cash flows, subject to impairment testing.

Summarized financial information related to this collaboration is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	2025	2024	2025	2024
Alliance revenue - Adempas/Verquvo	$ 123	$ 106	$ 229	$ 203
Net sales of Adempas recorded by Merck	80	72	147	142
Net sales of Verquvo recorded by Merck	11	9	21	16
Total sales	$ 214	$ 187	$ 397	$ 361
Cost of sales [1]	61	61	120	123
Selling, general and administrative	29	26	58	59
Research and development	20	28	43	55

($ in millions)	June 30, 2025	December 31, 2024
Receivables from Bayer included in *Other current assets*	$ 173	$ 160
Payables to Bayer included in *Accrued and other current liabilities*	88	82

[1] *Includes amortization of intangible assets, cost of products sold by Merck, as well as Bayer's share of profits from sales in Merck's marketing territories.*

Ridgeback Biotherapeutics LP

In 2020, Merck and Ridgeback Biotherapeutics LP (Ridgeback), a closely held biotechnology company, entered into a collaboration agreement to develop *Lagevrio* (molnupiravir), an investigational orally available antiviral candidate for the treatment of patients with COVID-19. Merck gained exclusive worldwide rights to develop and commercialize *Lagevrio* and related molecules. Following initial authorizations in certain markets in 2021, *Lagevrio* has since received multiple additional authorizations.

Under the terms of the agreement, Ridgeback received an upfront payment and is eligible to receive future contingent payments dependent upon the achievement of certain developmental and regulatory approval milestones. The agreement also provides for Merck to reimburse Ridgeback for a portion of certain third-party contingent milestone payments and royalties on net sales, which is part of the profit-sharing calculation. Merck is the principal on sales transactions, recognizing sales and related costs, with profit-sharing amounts recorded within *Cost of sales*. Profits from the collaboration are split equally between the partners. Reimbursements from Ridgeback for its share of research and development costs (deducted from Ridgeback's share of profits) are reflected as decreases to *Research and development* expenses.

Summarized financial information related to this collaboration is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	2025	2024	2025	2024
Net sales of *Lagevrio* recorded by Merck	$ 83	$ 110	$ 185	$ 460
Cost of sales [1]	44	96	97	287
Selling, general and administrative	14	16	28	32
Research and development	6	7	14	2

($ in millions)	June 30, 2025	December 31, 2024
Payables to Ridgeback included in *Accrued and other current liabilities* [2]	$ 31	$ 68

[1] *Includes cost of products sold by Merck, Ridgeback's share of profits, royalty expense, amortization of capitalized milestone payments and inventory reserves.*

[2] *Includes accrued royalties.*

Daiichi Sankyo

In 2023, Merck and Daiichi Sankyo entered into a global development and commercialization agreement for three of Daiichi Sankyo's DXd antibody drug conjugate (ADC) candidates: patritumab deruxtecan (HER3-DXd) (MK-1022), ifinatamab deruxtecan (I-DXd) (MK-2400) and raludotatug deruxtecan (R-DXd) (MK-5909). All three potentially first-in-class DXd ADCs are in various stages of clinical development for the treatment of multiple solid tumors both as monotherapy and/or in combination with other treatments. The companies will jointly develop and potentially commercialize these ADC candidates worldwide, except in Japan where Daiichi Sankyo will maintain exclusive rights. Daiichi Sankyo will be solely responsible for manufacturing and supply.

Under the terms of the agreement, Merck made payments to Daiichi Sankyo totaling $4.0 billion in 2023. These payments included $1.0 billion ($500 million each for patritumab deruxtecan and ifinatamab deruxtecan) which may be refundable on a pro-rated basis in the event of early termination of development with respect to either program. In addition, the agreement provided for a continuation payment of $750 million related to patritumab deruxtecan, which Merck paid in October 2024, and a continuation payment of $750 million related to raludotatug deruxtecan due from Merck in October 2025. If Merck does not make the remaining continuation payment for raludotatug deruxtecan, the rights for that program will revert to Daiichi Sankyo and the non-refundable upfront payments already paid will be retained by Daiichi Sankyo. The agreement also provides for contingent payments from Merck to Daiichi Sankyo of up to an additional $5.5 billion for each DXd ADC upon the successful achievement of certain sales-based milestones. In conjunction with this transaction, Merck recorded an aggregate pretax charge of $5.5 billion to *Research and development* expenses in 2023 for the $4.0 billion of upfront payments and the $1.5 billion of continuation payments.

Merck and Daiichi Sankyo equally share research and development costs, except for raludotatug deruxtecan, where Merck is responsible for 75% of the first $2.0 billion of research and development expenses. Merck includes its share of development costs associated with the collaboration as part of *Research and development* expenses. Following regulatory approval, Daiichi Sankyo will generally record sales worldwide (Daiichi Sankyo will be the principal on sales transactions) and the companies will equally share expenses as well as profits worldwide except for Japan where Daiichi Sankyo retains exclusive rights and Merck will receive a 5% sales-based royalty. Merck will record its share of product sales, net of cost of sales and commercialization costs, as alliance revenue.

In August 2024, Merck and Daiichi Sankyo expanded their agreement to include gocatamig (MK-6070), an investigational delta-like ligand 3 (DLL3) targeting T-cell engager, which Merck obtained through its acquisition of Harpoon (see Note 2). The companies are planning to evaluate gocatamig in combination with ifinatamab deruxtecan in certain patients with small-cell-lung cancer, as well as other potential combinations. Merck received an upfront cash payment of $170 million from Daiichi Sankyo (recorded within *Other (income) expense, net)* and has also satisfied a contingent quid obligation from the original collaboration agreement. The companies will jointly develop and commercialize gocatamig worldwide and share research and development, as well as commercialization expenses. Research and development expenses related to gocatamig in combination with ifinatamab deruxtecan will be shared in a manner consistent with the original agreement for ifinatamab deruxtecan. Merck will be solely responsible for manufacturing and supply of gocatamig. If approved, Merck will generally record sales for gocatamig worldwide (Merck will be the principal on sales transactions) and the companies will equally share expenses as well as profits worldwide, except for Japan where Merck retains exclusive rights and Daiichi Sankyo will receive a 5% sales-based royalty.

Summarized financial information related to this collaboration is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	2025	2024	2025	2024
Selling, general and administrative	$ 4	$ 14	$ 13	$ 16
Research and development	193	65	321	133

($ in millions)	June 30, 2025	December 31, 2024
Receivables from Daiichi Sankyo included in *Other current assets*	$ 21	$ 8
Payables to Daiichi Sankyo included in *Accrued and other current liabilities* [(1)]	850	817

[(1)] *Includes accrued continuation payment.*

Moderna, Inc.

In 2022, Merck exercised its option to jointly develop and commercialize intismeran autogene (V940/mRNA-4157), an investigational individualized neoantigen therapy, pursuant to the terms of an existing collaboration and license agreement with Moderna, Inc. (Moderna). Intismeran autogene is currently being evaluated in combination with *Keytruda* in multiple Phase 3 clinical trials. Merck and Moderna share costs and will share any profits equally under this worldwide collaboration. Merck records its share of development costs associated with the collaboration as part of *Research and development* expenses. Any reimbursements received from Moderna for research and development expenses are recognized as reductions to *Research and development* costs. Merck has also capitalized certain of the shared costs, mainly related to facility costs, which aggregated $232 million at June 30, 2025 and will be amortized over the assets' estimated useful lives.

Summarized financial information related to this collaboration is as follows:

($ in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Selling, general and administrative	$ 6	$ 4	$ 12	$ 6
Research and development	90	93	176	162

($ in millions)	June 30, 2025	December 31, 2024
Payables to Moderna included in *Accrued and other current liabilities*	$ 22	$ 57

Bristol-Myers Squibb Company

Reblozyl (luspatercept-aamt) is a first-in-class erythroid maturation recombinant fusion protein that is being commercialized through a global collaboration with Bristol-Myers Squibb Company (BMS). Reblozyl is approved in the U.S., Europe and certain other markets for the treatment of anemia in certain rare blood disorders and is also being evaluated for additional indications for hematology therapies. BMS is the principal on sales transactions for Reblozyl; however, Merck co-promotes Reblozyl (and may co-promote any future products approved under this collaboration) in North America, which is reimbursed by BMS. Merck receives tiered royalties ranging from 20% to 24% based on sales levels. This royalty will be reduced by 50% upon the earlier of patent expiry or generic entry on an indication-by-indication basis in each market. Additionally, Merck is eligible to receive future contingent sales-based milestone payments of up to $80 million. Alliance revenue related to this collaboration, consisting of royalties (recorded within *Sales*), was $107 million and $226 million in the second quarter and first six months of 2025, respectively, compared with $90 million and $161 million in the second quarter and first six months of 2024, respectively.

4. Restructuring

In July 2025, the Company approved a new restructuring program (2025 Restructuring Program) designed to position the Company for its next chapter of growth and to successfully advance its pipeline and launch new products across multiple therapeutic areas. As part of this program, the Company expects to eliminate certain positions in sales and administrative organizations, as well as research and development. The Company will, however, continue to hire employees into new roles across all strategic growth areas of the business. In addition, the Company will reduce its global real estate footprint and continue to optimize its manufacturing network, aligning the geography of its global manufacturing footprint to its customers and reflecting changes in the Company's business. Most actions contemplated under the 2025 Restructuring Program are expected to be largely completed by the end of 2027, with the exception of certain manufacturing actions, which are expected to be substantially completed by the end of 2029. The cumulative pretax costs to be incurred by the Company to implement the program are estimated to be approximately $3.0 billion, of which approximately 60% will be cash, relating primarily to employee separation expense and contractual termination costs. The remainder of the costs will be non-cash, relating primarily to the accelerated depreciation of facilities. The Company recorded total pretax costs of $649 million in the second quarter of 2025 related to the 2025 Restructuring Program.

In January 2024, the Company approved a restructuring program (2024 Restructuring Program) intended to continue the optimization of the Company's Human Health global manufacturing network as the future pipeline shifts to new modalities and also optimize the Animal Health global manufacturing network to improve supply reliability and increase efficiency. The actions contemplated under the 2024 Restructuring Program are expected to be substantially completed by the end of 2031, with the cumulative pretax costs to be incurred by the Company to implement the program estimated to be approximately $4.0 billion. Approximately 60% of the cumulative pretax costs will be non-cash, relating primarily to the accelerated depreciation of facilities to be closed or divested. The remainder of the costs will result in cash outlays, relating primarily to facility shut-down costs. The Company recorded total pretax costs of $130 million and $177 million in the second quarter of 2025 and 2024, respectively, and $235 million and $422 million in the first six months of 2025 and 2024, respectively, related to the 2024 Restructuring Program. Since inception of the 2024 Restructuring Program through June 30, 2025, Merck has incurred total cumulative pretax costs of $1.3 billion.

For segment reporting, restructuring charges are unallocated expenses.

The following tables summarize the charges related to restructuring program activities by type of cost:

($ in millions)	Three Months Ended June 30, 2025				Six Months Ended June 30, 2025			
	Accelerated Depreciation	Separation Costs	Other Exit Costs	Total	Accelerated Depreciation	Separation Costs	Other Exit Costs	Total
2025 Restructuring Program								
Cost of sales	$ —	$ —	$ 100	$ 100	$ —	$ —	$ 100	$ 100
Research and development	—	—	53	53	—	—	53	53
Restructuring costs	—	481	15	496	—	481	15	496
	—	481	168	649	—	481	168	649
2024 Restructuring Program								
Cost of sales	55	—	10	65	96	—	5	101
Selling, general and administrative	—	—	1	1	—	—	1	1
Restructuring costs	—	6	58	64	—	7	126	133
	55	6	69	130	96	7	132	235
	$ 55	$ 487	$ 237	$ 779	$ 96	$ 488	$ 300	$ 884

($ in millions)	Three Months Ended June 30, 2024				Six Months Ended June 30, 2024			
	Accelerated Depreciation	Separation Costs	Other Exit Costs	Total	Accelerated Depreciation	Separation Costs	Other Exit Costs	Total
2024 Restructuring Program								
Cost of sales	$ 66	$ —	$ —	$ 66	$ 131	$ —	$ 51	$ 182
Selling, general and administrative	—	—	31	31	—	—	36	36
Research and development	—	—	—	—	—	—	2	2
Restructuring costs	—	19	61	80	—	111	91	202
	$ 66	$ 19	$ 92	$ 177	$ 131	$ 111	$ 180	$ 422

Accelerated depreciation costs primarily relate to manufacturing, research and administrative facilities to be fully or partially closed or divested and equipment to be disposed of as part of the programs. Accelerated depreciation costs represent the difference between the depreciation expense to be recognized over the revised useful life of the asset, based upon the anticipated date the site will be closed or divested or the equipment disposed of, and depreciation expense as determined utilizing the useful life prior to the restructuring actions. All the sites will continue to operate up through the respective closure dates and, since future undiscounted cash flows are sufficient to recover the respective book values, Merck is recording accelerated depreciation over the revised useful life of the site assets. Anticipated site closure dates, particularly related to manufacturing locations, have been and may continue to be adjusted to reflect changes resulting from regulatory or other factors.

Separation costs are associated with actual headcount reductions, as well as involuntary headcount reductions which were probable and could be reasonably estimated.

Other exit costs in 2025 and 2024 include asset impairment, facility shut-down, contractual termination, and other related costs, as well as pretax gains and losses resulting from the sales of facilities and related assets. Additionally, other activity includes certain employee-related costs associated with pension and other postretirement benefit plans (see Note 9) and share-based compensation.

The following table summarizes the charges and spending related to restructuring program activities for the six months ended June 30, 2025:

($ in millions)	Accelerated Depreciation	Separation Costs	Other Exit Costs	Total
2025 Restructuring Program				
Restructuring reserves January 1, 2025	$ —	$ —	$ —	$ —
Expenses	—	481	168	649
Non-cash activity	—	—	(53)	(53)
Restructuring reserves June 30, 2025	$ —	$ 481	$ 115	$ 596
2024 Restructuring Program				
Restructuring reserves January 1, 2025	$ —	$ 564	$ —	$ 564
Expenses	96	7	132	235
(Payments) receipts, net	—	(23)	(126)	(149)
Non-cash activity	(96)	—	(6)	(102)
Restructuring reserves June 30, 2025	$ —	$ 548	$ —	$ 548

5. Financial Instruments

Derivative Instruments and Hedging Activities

The Company manages the impact of foreign exchange rate movements and interest rate movements on its earnings, cash flows and fair values of assets and liabilities through operational means and through the use of various financial instruments, including derivative instruments.

A significant portion of the Company's revenues and earnings in foreign affiliates is exposed to changes in foreign exchange rates. The objectives of and accounting related to the Company's foreign currency risk management program, as well as its interest rate risk management activities are discussed below.

Foreign Currency Risk Management

The Company has established revenue hedging, balance sheet risk management and net investment hedging programs to protect against volatility of future foreign currency cash flows and changes in fair value caused by changes in foreign exchange rates.

The objective of the revenue hedging program is to reduce the variability caused by changes in foreign exchange rates that would affect the U.S. dollar value of future cash flows derived from foreign currency denominated sales, primarily the euro, Japanese yen and Chinese renminbi. To achieve this objective, the Company will hedge a portion of its forecasted foreign currency denominated third-party and intercompany distributor entity sales (forecasted sales) that are expected to occur over its planning cycle, typically no more than two years into the future. The Company will layer in hedges over time, increasing the portion of forecasted sales hedged as it gets closer to the expected date of the forecasted sales. The portion of forecasted sales hedged is based on assessments of cost-benefit profiles that consider natural offsetting exposures, revenue and foreign exchange rate volatilities and correlations, and the cost of hedging instruments. The Company manages its anticipated transaction exposure principally with purchased local currency put options, forward contracts, and purchased collar options.

The fair values of these derivative contracts are recorded as either assets (gain positions) or liabilities (loss positions) in the Condensed Consolidated Balance Sheet. Changes in the fair value of derivative contracts are recorded each period in either current earnings or *Other comprehensive income* (*OCI*), depending on whether the derivative is designated as part of a hedge transaction and, if so, the type of hedge transaction. For derivatives that are designated as cash flow hedges, the unrealized gains or losses on these contracts are recorded in *Accumulated Other Comprehensive Loss* (*AOCL)* and reclassified into *Sales* when the hedged anticipated revenue is recognized. The amount reclassified into earnings as a result of the discontinuation of cash flow hedges because it was no longer deemed probable the forecasted hedged transactions would occur was not material for the second quarter or first six months of either 2025 or 2024. For those derivatives which are not designated as cash flow hedges, but serve as economic hedges of forecasted sales, unrealized gains or losses are recorded in *Sales* each period. The cash flows from both designated and non-designated contracts are reported as operating activities in the Condensed Consolidated Statement of Cash Flows. The Company does not enter into derivatives for trading or speculative purposes.

The Company manages operating activities and net asset positions at each local subsidiary in order to mitigate the effects of foreign exchange on monetary assets and liabilities. Monetary assets and liabilities denominated in a currency other than the functional currency of a given subsidiary are remeasured at spot rates in effect on the balance sheet date with the effects of changes in spot rates reported in *Other (income) expense, net*. The Company also uses a balance sheet risk management program to mitigate the exposure of such assets and liabilities from the effects of volatility in foreign exchange. Merck principally utilizes forward exchange contracts to offset the effects of foreign exchange on exposures when it is deemed economical to do so based on a cost-benefit analysis that considers the magnitude of the exposure, the volatility of the foreign exchange rate and the cost of the hedging instrument (primarily the euro, Swiss franc, Japanese yen, and Chinese renminbi). The forward contracts are not designated as hedges and are marked to market through *Other (income) expense, net*. Accordingly, fair value changes in the forward contracts help mitigate the changes in the value of the remeasured assets and liabilities attributable to changes in foreign currency exchange rates, except to the extent of the spot-forward differences. These differences are not significant due to the short-term nature of the contracts, which typically have average maturities at inception of less than six months. The cash flows from these contracts are reported as operating activities in the Condensed Consolidated Statement of Cash Flows.

The Company also uses forward exchange contracts to hedge a portion of its net investment in foreign operations against movements in foreign exchange rates. The forward contracts are designated as hedges of the net investment in a foreign operation. The unrealized gains or losses on these contracts are recorded in foreign currency translation adjustment within *OCI* and remain in *AOCL* until either the sale or complete or substantially complete liquidation of the subsidiary. The Company excludes certain portions of the change in fair value of its derivative instruments from the assessment of hedge effectiveness (excluded components). Changes in fair value of the excluded components are recognized in *OCI*. The Company recognizes in earnings the initial value of the excluded components on a straight-line basis over the life of the derivative instrument, rather than using the mark-to-market approach. The cash flows from these contracts are reported as investing activities in the Condensed Consolidated Statement of Cash Flows.

Foreign exchange risk is also managed through the use of foreign currency debt. Certain of the Company's senior unsecured euro-denominated notes have been designated as, and are effective as, economic hedges of the net investment in a foreign operation. Accordingly, foreign currency transaction gains or losses due to spot rate fluctuations on the euro-denominated debt instruments are included in foreign currency translation adjustment within *OCI*.

The effects of the Company's net investment hedges on *OCI* and the Condensed Consolidated Statement of Income are shown below:

	Amount of Pretax Loss (Gain) Recognized in Other Comprehensive Income [1]				Amount of Pretax Gain Recognized in *Other (income) expense, net* for Amounts Excluded from Effectiveness Testing			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	2025	2024	2025	2024	2025	2024	2025	2024
Net Investment Hedging Relationships								
Foreign exchange contracts	$ 38	$ 5	$ 65	$ 3	$ (5)	$ (1)	$ (8)	$ (1)
Euro-denominated notes	411	(34)	541	(96)	—	—	—	—

[1] *No amounts were reclassified from AOCL into income related to the sale of a subsidiary.*

Interest Rate Risk Management

The Company may use interest rate swap contracts on certain investing and borrowing transactions to manage its net exposure to interest rate changes and to reduce its overall cost of borrowing. The Company does not use leveraged swaps and, in general, does not leverage any of its investment activities that would put principal at risk.

At June 30, 2025, the Company was a party to seven pay-floating, receive-fixed interest rate swap contracts designated as fair value hedges of a portion of fixed-rate notes as detailed in the table below.

	June 30, 2025		
($ in millions)	Par Value of Debt	Number of Interest Rate Swaps Held	Total Swap Notional Amount
4.50% notes due 2033	$ 1,500	6	$ 1,500
5.00% notes due 2053	1,500	1	250

The interest rate swap contracts are designated hedges of the fair value changes in the notes attributable to changes in the benchmark Secured Overnight Financing Rate (SOFR) swap rate. The fair value changes in the notes attributable to changes in the SOFR swap rate are recorded in interest expense along with the offsetting fair value changes in the swap contracts. The cash flows from these contracts are reported as operating activities in the Condensed Consolidated Statement of Cash Flows. In August 2025, the Company entered into several forward starting swaps, each with a notional amount of $250 million.

The table below presents the location of amounts recorded in the Condensed Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges:

	Carrying Amount of Hedged Liabilities		Cumulative Amount of Fair Value Hedging Adjustment Increase Included in the Carrying Amount	
($ in millions)	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Balance Sheet Caption				
Long-Term Debt	$ 1,814	$ 1,509	$ 75	$ 17

Presented in the table below is the fair value of derivatives on a gross basis segregated between those derivatives that are designated as hedging instruments and those that are not designated as hedging instruments:

		June 30, 2025			December 31, 2024		
		Fair Value of Derivative		U.S. Dollar Notional	Fair Value of Derivative		U.S. Dollar Notional
($ in millions)		Asset	Liability		Asset	Liability	
Derivatives Designated as Hedging Instruments	*Balance Sheet Caption*						
Interest rate swap contracts	Other Assets	$ 76	$ —	$ 1,750	$ 17	$ —	$ 1,500
Foreign exchange contracts	Other current assets	23	—	2,289	323	—	8,662
Foreign exchange contracts	Other Assets	29	—	2,076	66	—	2,125
Foreign exchange contracts	Accrued and other current liabilities	—	433	8,732	—	1	162
Foreign exchange contracts	Other Noncurrent Liabilities	—	16	556	—	1	16
		$ 128	$ 449	$ 15,403	$ 406	$ 2	$ 12,465
Derivatives Not Designated as Hedging Instruments	*Balance Sheet Caption*						
Foreign exchange contracts	Other current assets	$ 417	$ —	$ 15,819	$ 323	$ —	$ 12,544
Foreign exchange contracts	Other Assets	1	—	475	—	—	—
Foreign exchange contracts	Accrued and other current liabilities	—	405	12,522	—	343	13,551
Foreign exchange contracts	Other Noncurrent Liabilities	—	1	475	—	—	—
		$ 418	$ 406	$ 29,291	$ 323	$ 343	$ 26,095
		$ 546	$ 855	$ 44,694	$ 729	$ 345	$ 38,560

As noted above, the Company records its derivatives on a gross basis in the Condensed Consolidated Balance Sheet. The Company has master netting agreements with several of its financial institution counterparties (see *Concentrations of Credit Risk* below). The following table provides information on the Company's derivative positions subject to these master netting arrangements as if they were presented on a net basis, allowing for the right of offset by counterparty and cash collateral exchanged per the master agreements and related credit support annexes:

	June 30, 2025		December 31, 2024	
($ in millions)	Asset	Liability	Asset	Liability
Gross amounts recognized in the condensed consolidated balance sheet	$ 546	$ 855	$ 729	$ 345
Gross amounts subject to offset in master netting arrangements not offset in the condensed consolidated balance sheet	(445)	(445)	(299)	(299)
Cash collateral received/posted	(4)	(97)	(165)	—
Net amounts	$ 97	$ 313	$ 265	$ 46

The table below provides information regarding the location and amount of pretax gains and losses of derivatives designated in fair value or cash flow hedging relationships:

	Three Months Ended June 30,						Six Months Ended June 30,					
($ in millions)	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Financial Statement Caption in which Effects of Fair Value or Cash Flow Hedges are Recorded	Sales		Other (income) expense, net [1]		Other comprehensive income (loss)		Sales		Other (income) expense, net [1]		Other comprehensive income (loss)	
	$ 15,806	$ 16,112	$ (7)	$ 42	$ (456)	$ (87)	$ 31,335	$ 31,887	$ (43)	$ 12	$ (476)	$ (200)
Loss (gain) on fair value hedging relationships:												
Interest rate swap contracts												
Hedged items	—	—	20	4	—	—	—	—	58	(26)	—	—
Derivatives designated as hedging instruments	—	—	(19)	(4)	—	—	—	—	(58)	27	—	—
Impact of cash flow hedging relationships:												
Foreign exchange contracts												
Amount of (loss) gain recognized in *OCI* on derivatives	—	—	—	—	(542)	139	—	—	—	—	(743)	348
(Decrease) increase in *Sales* as a result of *AOCL* reclassifications	(23)	54	—	—	23	(54)	50	98	—	—	(50)	(98)
Interest rate contracts												
Amount of gain recognized in *Other (income) expense, net* on derivatives	—	—	—	—	—	—	—	—	(1)	(1)	—	—
Amount of loss recognized in *OCI* on derivatives	—	—	—	—	—	—	—	—	—	—	(1)	(1)

[1] *Interest expense is a component of* Other (income) expense, net.

The table below provides information regarding the income statement effects of derivatives not designated as hedging instruments:

		Amount of Derivative Pretax (Gain) Loss Recognized in Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)		2025	2024	2025	2024
Derivatives Not Designated as Hedging Instruments	*Income Statement Caption*				
Foreign exchange contracts [1]	Other (income) expense, net	$ (237)	$ 9	$ (256)	$ 75
Foreign exchange contracts [2]	Sales	17	(10)	34	(20)

[1] *These derivative contracts primarily mitigate changes in the value of remeasured foreign currency denominated monetary assets and liabilities attributable to changes in foreign currency exchange rates.*

[2] *These derivative contracts serve as economic hedges of forecasted transactions.*

At June 30, 2025, the Company estimates $473 million of pretax net unrealized losses on derivatives maturing within the next 12 months that hedge foreign currency denominated sales over that same period will be reclassified from *AOCL* to *Sales*. The amount ultimately reclassified to *Sales* may differ as foreign exchange rates change. Realized gains and losses are ultimately determined by actual foreign exchange rates at maturity.

Investments in Debt and Equity Securities

Information on investments in debt and equity securities is as follows:

	June 30, 2025				December 31, 2024			
	Amortized Cost	Gross Unrealized		Fair Value	Amortized Cost	Gross Unrealized		Fair Value
($ in millions)		Gains	Losses			Gains	Losses	
Commercial paper	$ 416	$ —	$ —	$ 416	$ 348	$ —	$ —	$ 348
U.S. government and agency securities	290	—	—	290	188	—	—	188
Foreign government bonds	1	—	—	1	—	—	—	—
Total debt securities	$ 707	$ —	$ —	$ 707	$ 536	$ —	$ —	$ 536
Publicly traded equity securities [(1)]				1,181				920
Total debt and publicly traded equity securities				$ 1,888				$ 1,456

[(1)] *Unrealized net gains of $147 million and $262 million were recorded in* Other (income) expense, net *in the second quarter and first six months of 2025, respectively, on equity securities still held at June 30, 2025. Unrealized net losses (gains) of $8 million and $(125) million were recorded in* Other (income) expense, net *in the second quarter and first six months of 2024, respectively, on equity securities still held at June 30, 2024.*

At June 30, 2025 and June 30, 2024, the Company also had $870 million and $936 million, respectively, of equity investments without readily determinable fair values included in *Other Assets*. The Company records unrealized gains on these equity investments based on favorable observable price changes from transactions involving similar investments of the same investee and records unrealized losses based on unfavorable observable price changes, which are included in *Other (income) expense, net*. During the first six months of 2025, the Company recorded unrealized losses of $33 million related to certain of these equity investments still held at June 30, 2025. During the first six months of 2024, the Company recorded unrealized gains of $61 million and unrealized losses of $5 million related to certain of these equity investments still held at June 30, 2024. Cumulative unrealized gains and cumulative unrealized losses based on observable price changes for investments in equity investments without readily determinable fair values still held at June 30, 2025 were $307 million and $131 million, respectively.

At June 30, 2025 and June 30, 2024, the Company also had $221 million and $278 million, respectively, recorded in *Other Assets* for equity securities held through ownership interests in investment funds. Losses (gains) recorded in *Other (income) expense, net* relating to these investment funds were $27 million and $(7) million for the second quarter of 2025 and 2024, respectively, and were $50 million and $(5) million for the first six months of 2025 and 2024, respectively.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value with Level 1 having the highest priority and Level 3 having the lowest:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity. Level 3 assets or liabilities are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as assets or liabilities for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements Using				Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
($ in millions)	June 30, 2025				December 31, 2024			
Assets								
Investments								
Commercial paper	$ —	$ 416	$ —	$ 416	$ —	$ 348	$ —	$ 348
U.S. government and agency securities	—	198	—	198	—	99	—	99
Foreign government bonds	—	1	—	1	—	—	—	—
Publicly traded equity securities	774	—	—	774	463	—	—	463
	774	615	—	1,389	463	447	—	910
Other assets [1]								
U.S. government and agency securities	92	—	—	92	89	—	—	89
Publicly traded equity securities [2]	407	—	—	407	457	—	—	457
	499	—	—	499	546	—	—	546
Derivative assets [3]								
Forward exchange contracts	—	411	—	411	—	499	—	499
Interest rate swaps	—	76	—	76	—	17	—	17
Purchased currency options	—	59	—	59	—	213	—	213
	—	546	—	546	—	729	—	729
Total assets	$ 1,273	$ 1,161	$ —	$ 2,434	$ 1,009	$ 1,176	$ —	$ 2,185
Liabilities								
Other liabilities								
Contingent consideration	$ —	$ —	$ —	$ —	$ —	$ —	$ 193	$ 193
Derivative liabilities [3]								
Forward exchange contracts	—	801	—	801	—	338	—	338
Written currency options	—	54	—	54	—	7	—	7
	—	855	—	855	—	345	—	345
Total liabilities	$ —	$ 855	$ —	$ 855	$ —	$ 345	$ 193	$ 538

[1] *Investments included in other assets are restricted as to use, including for the payment of benefits under employee benefit plans.*

[2] *Includes securities with an aggregate fair value of $81 million at December 31, 2024, which were subject to a contractual sale restriction that expired in April 2025.*

[3] *The fair value determination of derivatives includes the impact of the credit risk of counterparties to the derivatives and the Company's own credit risk, the effects of which were not significant.*

As of June 30, 2025 and December 31, 2024, *Cash and cash equivalents* included $7.3 billion and $12.3 billion of cash equivalents, respectively (which would be considered Level 2 in the fair value hierarchy).

Contingent Consideration

Summarized information about the changes in the fair value of liabilities for contingent consideration associated with business combinations is as follows:

($ in millions)	2025	2024
Fair value January 1	$ 193	$ 354
Changes in estimated fair value [1]	(52)	(3)
Payments [2]	(141)	(126)
Fair value June 30	$ —	$ 225

[1] *Recorded in* Cost of sales, Research and development *expenses, and* Other (income) expense, net. *Includes cumulative translation adjustments. Amount in 2025 includes the reversal of $45 million for a* Zerbaxa *sales-based milestone as it was determined that payment was not probable.*

[2] *Amount in both periods reflects payments related to the 2016 termination of the Sanofi Pasteur MSD joint venture. Amount in 2025 also includes a $25 million payment related to the achievement of a sales-based milestone for* Zerbaxa.

Other Fair Value Measurements

Some of the Company's financial instruments, such as cash and cash equivalents, receivables and payables, are reflected in the balance sheet at carrying value, which approximates fair value due to their short-term nature.

The estimated fair value of loans payable and long-term debt (including current portion) at June 30, 2025, was $31.3 billion compared with a carrying value of $35.4 billion and at December 31, 2024, was $32.6 billion compared with a carrying value of $37.1 billion. Fair value was estimated using recent observable market prices and would be considered Level 2 in the fair value hierarchy.

Concentrations of Credit Risk

On an ongoing basis, the Company monitors concentrations of credit risk associated with corporate and government issuers of securities and financial institutions with which it conducts business. Credit exposure limits are established to limit a concentration with any single issuer or institution. Cash and investments are placed in instruments that meet high credit quality standards as specified in the Company's investment policy guidelines.

The majority of the Company's accounts receivable arise from product sales in the U.S., Europe and China and are primarily due from drug wholesalers, distributors and retailers, hospitals and government agencies. The Company monitors the financial performance and creditworthiness of its customers so that it can properly assess and respond to changes in their credit profile. The Company also continues to monitor global economic conditions, including the volatility associated with international sovereign economies, and associated impacts on the financial markets and its business.

The Company has accounts receivable factoring agreements with financial institutions in certain countries to sell accounts receivable. The Company factored $1.6 billion and $2.1 billion of accounts receivable as of June 30, 2025 and December 31, 2024, respectively, under these factoring arrangements, which reduced outstanding accounts receivable. The cash received from the financial institutions is reported within operating activities in the Condensed Consolidated Statement of Cash Flows. In certain of these factoring arrangements, for ease of administration, the Company will collect customer payments related to the factored receivables, which it then remits to the financial institutions, generally within thirty days after receipt. As of June 30, 2025 and December 31, 2024, the Company had collected $43 million and $55 million, respectively, on behalf of the financial institutions, which is reflected as restricted cash in *Other current assets,* and the related obligation to remit the cash is recorded in *Accrued and other current liabilities*. The net cash flows related to these collections are reported as financing activities in the Condensed Consolidated Statement of Cash Flows. The cost of factoring such accounts receivable was *de minimis*.

Derivative financial instruments are executed under International Swaps and Derivatives Association master agreements. The master agreements with several of the Company's financial institution counterparties also include credit support annexes. These annexes contain provisions that require collateral to be exchanged depending on the value of the derivative assets and liabilities, the Company's credit rating, and the credit rating of the counterparty. Cash collateral advanced by the Company to counterparties was $97 million at June 30, 2025. Cash collateral received by the Company from various counterparties was $4 million and $165 million at June 30, 2025 and December 31, 2024, respectively. The obligation to return such collateral is recorded in *Accrued and other current liabilities*.

6. Inventories

Inventories consisted of:

($ in millions)	June 30, 2025	December 31, 2024
Finished goods	$ 2,142	$ 2,022
Raw materials and work in process	9,888	8,831
Supplies	312	289
Total	12,342	11,142
Decrease to LIFO cost	(859)	(840)
	$ 11,483	$ 10,302
Recognized as:		
Inventories	$ 6,601	$ 6,109
Other Assets	4,882	4,193

Amounts recognized as *Other Assets* are comprised almost entirely of raw materials and work in process inventories. At June 30, 2025 and December 31, 2024, these amounts included $4.3 billion and $3.8 billion, respectively, of inventories not expected to be sold within one year. In addition, these amounts included $572 million and $412 million at June 30, 2025 and December 31, 2024, respectively, of inventories produced in preparation for product launches (primarily MK-3475A, subcutaneous pembrolizumab).

7. Contingencies

The Company is involved in various claims and legal proceedings of a nature considered normal to its business, including product liability, intellectual property, commercial litigation, and securities litigation, as well as certain additional matters including governmental and environmental matters. In the opinion of the Company, it is unlikely that the resolution of these matters will be material to the Company's financial condition, results of operations or cash flows.

Given the nature of the litigation discussed below and the complexities involved in these matters, the Company is unable to reasonably estimate a possible loss or range of possible loss for such matters until the Company knows, among other factors, (i) what claims, if any, will survive dispositive motion practice, (ii) the extent of the claims, including the size of any potential class, particularly when damages are not specified or are indeterminate, (iii) how the discovery process will affect the

litigation, (iv) the settlement posture of the other parties to the litigation and (v) any other factors that may have a material effect on the litigation.

The Company records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available. Generally, for product liability claims, a portion of the overall accrual is actuarially determined and considers such factors as past experience, number of claims reported and estimates of claims incurred but not yet reported. Individually significant contingent losses are accrued when probable and reasonably estimable. Legal defense costs expected to be incurred in connection with a loss contingency are accrued when probable and reasonably estimable.

The Company's decision to obtain insurance coverage is dependent on market conditions, including cost and availability, existing at the time such decisions are made. The Company has evaluated its risks and has determined that the cost of obtaining product liability insurance outweighs the likely benefits of the coverage that is available and, as such, has no insurance for most product liabilities.

Product Liability Litigation

Dr. Scholl's Foot Powder

As previously disclosed, Merck is a defendant in product liability lawsuits in the U.S. arising from consumers' alleged exposure to talc in Dr. Scholl's foot powder, which Merck acquired through its merger with Schering-Plough Corporation and sold as part of the divestiture of Merck's consumer care business to Bayer in 2014. In these actions, plaintiffs allege that they were exposed to asbestos-contaminated talc and developed mesothelioma as a result. As of June 30, 2025, approximately 575 cases were pending against Merck in various state courts.

Gardasil/Gardasil 9

As previously disclosed, Merck is a defendant in product liability lawsuits in the U.S. involving *Gardasil* (Human Papillomavirus Quadrivalent [Types 6, 11, 16 and 18] Vaccine, Recombinant) and *Gardasil* 9 (Human Papillomavirus 9-valent Vaccine, Recombinant). As of June 30, 2025, approximately 125 cases were filed and are pending against Merck in either federal or state court. In these actions, plaintiffs allege, among other things, that they suffered various personal injuries after vaccination with *Gardasil* or *Gardasil* 9, with postural orthostatic tachycardia syndrome (POTS) as a predominate alleged injury.

In August 2022, the U.S. Judicial Panel on Multidistrict Litigation ordered that *Gardasil/Gardasil* 9 product liability cases pending in federal courts nationwide be transferred to Judge Robert J. Conrad in the Western District of North Carolina for coordinated pre-trial proceedings. In February 2024, the multidistrict litigation (*Gardasil* MDL) was reassigned to Judge Kenneth D. Bell. On March 11, 2025, the court granted Merck's motion for summary judgment in 16 bellwether cases on implied preemption grounds; plaintiffs have appealed to the Fourth Circuit. The parties' letter submissions on next steps in the *Gardasil* MDL proceeding in light of the court's decision were submitted on April 8, 2025. Expert discovery is set to commence on the remaining alleged conditions on September 2, 2025 with summary judgment briefing to follow.

On March 21, 2025, plaintiff's co-lead counsel in the *Gardasil* MDL filed a seven-plaintiff complaint in New Jersey state court. On March 24, 2025, Merck removed the case to federal court and has requested that the U.S. Judicial Panel on Multidistrict Litigation transfer the case to the *Gardasil* MDL. Plaintiffs have opposed transfer to the *Gardasil* MDL and have moved to have the case remanded to New Jersey state court.

On May 1, 2025, plaintiff's co-lead counsel in the *Gardasil* MDL filed a new six-plaintiff complaint in New Jersey state court. On May 30, 2025, Merck removed the case to federal court and has requested that the U.S. Judicial Panel on Multidistrict Litigation transfer the case to the *Gardasil* MDL. Plaintiffs have opposed transfer to the *Gardasil* MDL and have moved to have the case remanded to New Jersey state court.

On January 28, 2025, a trial commenced in California state court. Plaintiff claims that she suffers from POTS and fibromyalgia as a result of her *Gardasil* vaccinations. On February 14, 2025, after several weeks of trial and an opportunity to litigate plaintiff's claims before a jury, plaintiff's counsel approached Merck and proposed that the jury be discharged and the case adjourned. Merck agreed, subject to an explicit stipulation that Merck would provide no financial or other consideration in exchange for the agreement to adjourn. The case has thus been adjourned until a new trial date of September 15, 2025. Merck is vigorously defending this case and believes that evidence presented in court will show that *Gardasil* had no role in causing any of plaintiff's conditions.

As previously disclosed, there are fewer than 15 product liability cases pending outside the U.S.

Governmental Proceedings

As previously disclosed, from time to time, the Company's subsidiaries in China receive inquiries regarding their operations from various Chinese governmental agencies. Some of these inquiries may be related to matters involving other multinational pharmaceutical companies, as well as Chinese entities doing business with such companies. The Company's policy is to cooperate with these authorities and to provide responses as appropriate.

As previously disclosed, from time to time, the Company receives inquiries and is the subject of preliminary investigation activities from competition and other governmental authorities in markets outside the U.S. These authorities may include regulators, administrative authorities, and law enforcement and other similar officials, and these preliminary investigation activities may include site visits, formal or informal requests or demands for documents or materials, inquiries or interviews and

similar matters. Certain of these preliminary inquiries or activities may lead to the commencement of formal proceedings. Should those proceedings be determined adversely to the Company, monetary fines and/or remedial undertakings may be required.

Securities Litigation

As previously disclosed, in February 2025, a putative class action was filed against Merck and certain of its officers in the U.S. District Court for the District of New Jersey, *captioned Cronin v. Merck & Co., Inc., et al*., purportedly on behalf of all purchasers of Merck common stock between February 2022 and February 2025. Plaintiff alleges that Merck violated federal securities laws by making materially false and misleading statements and material omissions regarding demand for *Gardasil/Gardasil* 9 in China. Plaintiff seeks unspecified monetary damages, pre-judgment and post-judgment interest, and fees and costs. On April 7, 2025, the court entered a joint stipulation staying the defendants' deadline to respond to the complaint until after a lead plaintiff is appointed and requiring the parties to confer and jointly propose deadlines for amending and responding to the complaint within 14 days of the lead plaintiff appointment. Lead plaintiff motions were filed on April 14, 2025, and remain pending.

On July 18, 2025, purported Merck stockholder Terence Collins filed a derivative lawsuit in the U.S. District Court for the District of New Jersey, captioned *Collins v. Davis, et al*., against certain Merck officers and board members. The complaint asserts claims of violation of the Exchange Act, breach of fiduciary duty, waste of corporate assets, and unjust enrichment based on the same allegations as in the putative securities class action. On behalf of the Company, the complaint seeks unspecified monetary damages, corporate governance reforms, injunctive relief, restitution, and fees and costs.

Commercial and Other Litigation

Zetia Antitrust Litigation

As previously disclosed, Merck, MSD, Schering Corporation, Schering-Plough Corporation, and MSP Singapore Company LLC (collectively, the Merck Defendants) were defendants in a number of lawsuits filed in 2018 on behalf of direct and indirect purchasers of Zetia (ezetimibe) alleging violations of federal and state antitrust laws, as well as other state statutory and common law causes of action. The cases were consolidated in a federal multidistrict litigation (Zetia MDL) before Judge Rebecca Beach Smith in the Eastern District of Virginia. In April 2023, the Merck Defendants reached settlements with the direct purchaser and retailer plaintiffs and a settlement with the indirect purchaser class that the court approved in October 2023.

As previously disclosed, in 2020 and 2021, United HealthCare Services, Inc. (United HealthCare), Humana Inc. (Humana), Centene Corporation and others (Centene), and Kaiser Foundation Health Plan, Inc. (Kaiser) (collectively, the Insurer Plaintiffs), each filed a lawsuit in a jurisdiction outside of the Eastern District of Virginia against the Merck Defendants and others, making similar allegations as those made in the Zetia MDL, as well as additional allegations about Vytorin. These cases were transferred to the Eastern District of Virginia to proceed with the Zetia MDL.

In December 2023, the U.S. Judicial Panel on Multidistrict Litigation remanded the four Insurer Plaintiff cases to the transferor courts in the Northern District of California (Kaiser), the District of Minnesota (United HealthCare), and the District of New Jersey (Humana and Centene). The Merck Defendants filed motions to dismiss in each of the Insurer Plaintiff cases.

In December 2024, the district court in the District of New Jersey granted in part and denied in part the motions to dismiss in the Humana and Centene cases and, on January 29, 2025, Humana and Centene filed amended complaints. On March 5, 2025, the Merck Defendants filed motions to dismiss the amended complaints. On March 24, 2025, the Merck Defendants filed a third-party complaint against AmerisourceBergen Drug Corp., AmerisourceBergen Corp., and Cencora, Inc., (collectively, Cencora) seeking indemnification and a declaration of rights for Humana's direct purchaser claims. On June 23, 2025, Cencora moved to dismiss the third-party complaint or, in the alternative, to transfer the third-party action to the Eastern District of Virginia.

On February 25, 2025, the district court in the District of Minnesota granted in part and denied in part the motion to dismiss in the United HealthCare case. On March 11, 2025, the Merck Defendants filed an answer and affirmative defenses in response to United HealthCare's complaint. On March 24, 2025, the Merck Defendants filed a third-party complaint against Cardinal Health, Inc., Cardinal Health 110, LLC, and Cardinal Health 112, LLC (collectively, Cardinal), seeking indemnification and a declaration of rights for certain of United HealthCare's direct and indirect purchaser claims. On June 6, 2025, Cardinal filed a motion to dismiss the Merck Defendants' third-party complaint on forum grounds, or in the alternative, to stay the Merck Defendants' third-party claims pending arbitration.

On March 18, 2025, the district court in the Northern District of California granted in part and denied in part the motion to dismiss in the Kaiser case. The court granted Kaiser leave to amend its complaint, and Kaiser filed its second amended complaint on April 15, 2025. On May 20, 2025, the Merck Defendants moved to dismiss certain claims in the second amended complaint.

Patent Litigation

From time to time, generic and biosimilar manufacturers of pharmaceutical products file abbreviated New Drug Applications (ANDAs) and Biologics License Applications, respectively, with the U.S. Food and Drug Administration (FDA) seeking to market generic and biosimilar forms of the Company's products prior to the expiration of relevant patents owned by the Company. To protect its patent rights, the Company may file patent infringement lawsuits against such generic and biosimilar companies. Similar lawsuits defending the Company's patent rights may exist in other countries. The Company intends to vigorously defend its patents, which it believes are valid, against infringement by companies attempting to market products prior

to the expiration of such patents. As with any litigation, there can be no assurance of the outcomes, which, if adverse, could result in significantly shortened periods of exclusivity for these products and, with respect to products acquired through acquisitions accounted for as business combinations, potentially significant intangible asset impairment charges. In addition to these matters, the Company may be involved in other litigation involving its intellectual property and intellectual property owned or licensed by other companies.

Bridion — As previously disclosed, between January and November 2020, the Company received multiple Paragraph IV Certification Letters under the Hatch-Waxman Act notifying the Company that generic drug companies had filed applications to the FDA seeking pre-patent expiry approval to sell generic versions of *Bridion* (sugammadex) Injection. In March, April and December 2020, the Company filed patent infringement lawsuits in the U.S. District Courts for the District of New Jersey and the Northern District of West Virginia against those generic companies. All actions in the District of New Jersey were consolidated. The West Virginia case was jointly dismissed with prejudice in August 2022 in favor of proceeding in New Jersey. The remaining defendants in the New Jersey action have stipulated to infringement of the asserted claims and withdrew all remaining claims and defenses other than a defense seeking to shorten the patent term extension (PTE) of the sugammadex patent to December 2022. The U.S. District Court for the District of New Jersey held a one-day trial in December 2022 on this remaining PTE calculation defense.

In June 2023, the U.S. District Court for the District of New Jersey ruled in Merck's favor. The court held that Merck's calculation of PTE for the sugammadex patent covering the compound is not invalid and that the U.S. Patent & Trademark Office correctly granted a full five-year extension. Also in June 2023, the U.S. District Court for the District of New Jersey issued a final judgment prohibiting the FDA from approving any of the pending or tentatively approved generic applications until January 27, 2026, except for any subsequent agreements between defendants and Merck or further order by the court. In July 2023, the defendants filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit. Oral argument took place on February 4, 2025. On March 13, 2025, the Federal Circuit affirmed the district court's decision, holding that the patent term extension granted to the sugammadex patent covering *Bridion* was not invalid and that the patent is entitled to its full five-year patent term extension. The FDA has now granted *Bridion* six months of pediatric exclusivity. Thus, the Federal Circuit's decision secures *Bridion*'s exclusivity in the U.S. through July 27, 2026.

While the New Jersey action was pending, the Company settled with five generic companies providing that these generic companies can bring their generic versions of *Bridion* to the market in January 2026 (which may be delayed by any applicable pediatric exclusivity) or earlier under certain circumstances.

Januvia, Janumet, Janumet XR — As previously disclosed, the FDA granted pediatric exclusivity with respect to *Januvia* (sitagliptin), *Janumet* (sitagliptin/metformin HCl), and *Janumet XR* (sitagliptin and metformin HCl extended-release), which provides a further six months of exclusivity in the U.S. beyond the expiration of all patents listed in the FDA's Orange Book. Adding this exclusivity to the term of the key patent protection extended exclusivity on these products to January 2023. However, *Januvia*, *Janumet*, and *Janumet XR* contain sitagliptin phosphate monohydrate and the Company has another patent covering certain phosphate salt and polymorphic forms of sitagliptin that expires in May 2027, including pediatric exclusivity (salt/polymorph patent).

As previously disclosed, beginning in 2019, a number of generic drug companies filed ANDAs seeking approval of generic forms of *Januvia* and *Janumet* along with Paragraph IV certifications challenging the validity of the salt/polymorph patent. The Company has settled with over two dozen generic companies providing that these generic companies can bring their generic versions of *Januvia* and *Janumet* to the market in the U.S. in May 2026 or earlier under certain circumstances, and their generic versions of *Janumet XR* to the market in July 2026 or earlier under certain circumstances.

In March 2021, the Company filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Zydus Worldwide DMCC, Zydus Pharmaceuticals (USA) Inc., and Cadila Healthcare Ltd. (collectively, Zydus). In that lawsuit, the Company alleged infringement of the salt/polymorph patent based on the filing of Zydus's NDA seeking approval of a form of sitagliptin that is different from than that used in *Januvia*. In December 2022, the parties reached settlement that included dismissal of the case without prejudice enabling Zydus to seek final approval of a non-automatically substitutable product.

In January 2023, the Company received a Paragraph IV Certification Letter under the Hatch-Waxman Act notifying the Company that Zydus filed an ANDA seeking approval of sitagliptin/metformin HCl tablets. In March 2023, the parties reached settlement enabling Zydus to seek final approval of a non-automatically substitutable product containing a different form of sitagliptin than that used in *Janumet.* In November 2023, the Company received a Paragraph IV Certification Letter under the Hatch-Waxman Act notifying the Company that Zydus filed an ANDA seeking approval of sitagliptin/metformin HCl Extended Release tablets. In January 2024, the parties reached settlement enabling Zydus to seek final approval of a non-automatically substitutable version containing a different form of sitagliptin than that used in *Janumet XR*.

As a result of these settlement agreements related to the later expiring 2027 salt/polymorph patent directed to the specific sitagliptin salt form of the products, the Company expects that *Januvia* and *Janumet* will not lose market exclusivity in the U.S. until May 2026 and *Janumet XR* will not lose market exclusivity in the U.S. until July 2026, although Zydus has received FDA approval for a non-automatically substitutable form of sitagliptin that differs from the form in the Company's sitagliptin products.

In March 2024, the Company received another Paragraph IV Certification Letter under the Hatch-Waxman Act from Azurity Pharmaceuticals, Inc. (Azurity) asserting that a different sitagliptin product subject to its ANDA does not infringe the salt/polymorph patent. In May 2024, Merck filed a civil action in the U.S. District Court of Delaware alleging infringement. The case

was dismissed without prejudice in July 2024. Following the dismissal, the Company granted Azurity a covenant not to assert the salt/polymorph patent against the Azurity product that is the subject of such ANDA.

Supplementary Protection Certificates (SPCs) for *Janumet* expired in April 2023 for the majority of European countries. Prior to expiration, generic companies sought revocation of the *Janumet* SPCs in a number of European countries. In February 2022, a Finnish court referred certain questions to the Court of Justice of the European Union that could impact the validity of the *Janumet* SPCs in Europe. A decision rendered in December 2024 provides guidance on points of law and does not directly apply to the *Janumet* SPCs. Thus, additional proceedings in certain countries where generic companies were prevented from launching products during the SPC period may be necessary to determine whether the SPCs are valid and if not, whether damages are appropriate. Those countries include Belgium, Czech Republic, Ireland, Finland, France, Slovakia and Switzerland. If the *Janumet* SPCs are ultimately upheld, the Company has reserved its rights related to the pursuit of damages for those countries where a generic launched prior to expiry of the *Janumet* SPC.

In October 2023, the Company filed a patent infringement lawsuit against Sawai Pharmaceuticals Co., Ltd. and Medisa Shinyaku Co., Ltd (collectively, Defendants) in the Tokyo District Court seeking an injunction to stop the manufacture, sale and offer for sale of the Defendants' sitagliptin dihydrogen phosphate product, while the Company's patents and patent term extensions are in force. The lawsuit is in response to the Defendants' application for marketing authorization to sell a generic sitagliptin dihydrogen phosphate product, in the anhydrate form, which was approved in August 2023. Merck asserts that the Defendants' activity infringes a patent term extension associated with Merck's patent directed to the sitagliptin compound patent.

Keytruda — As previously disclosed, in November 2022, the Company filed a complaint against The Johns Hopkins University (JHU) in the U.S. District Court of Maryland. This action concerns a joint research collaboration between Merck and JHU regarding the use of *Keytruda* in certain indications. Merck and JHU partnered to design and conduct a clinical study administering *Keytruda* to cancer patients having tumors that had the genetic biomarker known as microsatellite instability-high (MSI-H) (the Joint Clinical Study). Subsequently JHU obtained a number of U.S. patents specifically relying on the Joint Clinical Study. Merck alleges that JHU breached the collaboration agreement by obtaining issuance of these patents without informing or involving Merck, which were licensed to others, and then trying to enforce these patents against Merck. Merck therefore brought an action for breach of contract, declaratory judgment of noninfringement, and promissory estoppel. JHU answered the complaint in April and May 2023, denying Merck's claims, and counterclaiming for willful infringement of nine issued U.S. patents, including a demand for damages. Between November 30, 2023, and March 13, 2024, the Company filed *inter partes* review petitions with the United States Patent Office's Patent Trial and Appeal Board (PTAB), challenging the patentability of all nine patents asserted in the district court. Between June 2024 and October 2024, the PTAB instituted a review of all nine challenged patents. In June 2024, the district court granted Merck's motion to stay the case in its entirety pending the outcome of the PTAB proceeding instituted in June 2024.

On June 9, 2025, the PTAB issued its final decision finding all claims of the first challenged JHU Patent (e.g., U.S. Patent No. 11,591,393) unpatentable. JHU has filed a request asking for the Director of the United States Patent & Trademark Office to review that decision.

Because the PTAB institution decisions for the nine different JHU patents were staggered between June 2024 and October 2024, the decision issued on June 9, 2025 is only with respect to the first challenged patent. The Company expects subsequent final decisions in the eight remaining proceedings in the fall. The district court's stay is expected to continue until at least the issuance of all subsequent final decisions.

Subcutaneous Pembrolizumab — Halozyme, Inc. has publicly alleged that certain patents in its modified hyaluronidase (MDASE) portfolio cover the Company's subcutaneous pembrolizumab candidate, which is currently under review by the FDA. In November 2024, the Company began filing a series of post grant review (PGR) petitions before the PTAB alleging that certain patents in the MDASE portfolio are invalid. On June 2, 2025, the PTAB instituted the first petition filed by the Company. Since then, the PTAB also instituted three additional petitions. Institution decisions on 10 additional patents in the MDASE portfolio are still pending.

On April 24, 2025, Halozyme, Inc. filed a complaint in the U.S. District Court for the District of New Jersey alleging that the Company's activities related to subcutaneous pembrolizumab infringe or will infringe 15 patents belonging to the MDASE portfolio, 12 of which are the subject of the Company's already filed PGR petitions. Although there are three patents that were not and cannot be challenged using the PGR process, the Company believes those patents are invalid and suffer from the same defects as the patents currently being challenged and those patents can be challenged in court proceedings if required.

Lynparza — As previously disclosed, between December 2022 and November 2024, AstraZeneca Pharmaceuticals LP received Paragraph IV Certification Letters under the Hatch-Waxman Act notifying AstraZeneca that Natco Pharma Limited, Sandoz Inc., Cipla USA, Inc and Cipla Limited (collectively Cipla), and Zydus Pharmaceuticals (USA) Inc. have filed separate applications to the FDA seeking pre-patent expiry approval to sell generic versions of Lynparza (olaparib) tablet. Between February 2023 and January 2025, AstraZeneca and the Company filed a series of patent infringement lawsuits in the U.S. District Court for the District of New Jersey against each generic company asserting a number of Orange-Book listed patents. The filing of the initial infringement suit generally stays FDA approval for 30 months from the date of the Paragraph IV notice or until an adverse court decision, if any, whichever may occur earlier. In these cases, however, none of the generic companies are challenging the patent specifically claiming the olaparib compound which expires in September 2027. Thus, the earliest date the FDA can approve any of the currently pending generic applications is September 2027. All cases have been consolidated and a trial is expected in 2026.

Other Litigation

There are various other pending legal proceedings involving the Company, principally product liability and intellectual property lawsuits. While it is not feasible to predict the outcome of such proceedings, in the opinion of the Company, either the likelihood of loss is remote or any reasonably possible loss associated with the resolution of such proceedings is not expected to be material to the Company's financial condition, results of operations or cash flows either individually or in the aggregate.

Legal Defense Reserves

Legal defense costs expected to be incurred in connection with a loss contingency are accrued when probable and reasonably estimable. Some of the significant factors considered in the review of these legal defense reserves are as follows: the actual costs incurred by the Company; the development of the Company's legal defense strategy and structure in light of the scope of its litigation; the number of cases being brought against the Company; the costs and outcomes of completed trials; and the most current information regarding anticipated timing, progression, and related costs of pre-trial activities and trials in the associated litigation. The amount of legal defense reserves as of June 30, 2025 and December 31, 2024 of approximately $255 million and $225 million, respectively, represents the Company's best estimate of the minimum amount of defense costs to be incurred in connection with its outstanding litigation; however, events such as additional trials and other events that could arise in the course of its litigation could affect the ultimate amount of legal defense costs to be incurred by the Company. The Company will continue to monitor its legal defense costs and review the adequacy of the associated reserves and may determine to increase the reserves at any time in the future if, based upon the factors set forth, it believes it would be appropriate to do so.

8. Equity

	Three Months Ended June 30,								
	Common Stock		Other Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Non-controlling Interests	Total
($ and shares in millions except per share amounts)	Shares	Par Value				Shares	Cost		
Balance at April 1, 2024	3,577	$ 1,788	$ 44,598	$ 56,697	$ (5,274)	1,044	$ (57,445)	$ 60	$ 40,424
Net income attributable to Merck & Co., Inc.	—	—	—	5,455	—	—	—	—	5,455
Other comprehensive loss, net of taxes	—	—	—	—	(87)	—	—	—	(87)
Cash dividends declared on common stock ($0.77 per share)	—	—	—	(1,965)	—	—	—	—	(1,965)
Treasury stock shares purchased	—	—	—	—	—	2	(251)	—	(251)
Share-based compensation plans and other	—	—	(236)	—	—	(5)	302	—	66
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	6	6
Balance at June 30, 2024	3,577	$ 1,788	$ 44,362	$ 60,187	$ (5,361)	1,041	$ (57,394)	$ 66	$ 43,648
Balance at April 1, 2025	3,577	$ 1,788	$ 44,816	$ 66,097	$ (4,965)	1,061	$ (59,401)	$ 65	$ 48,400
Net income attributable to Merck & Co., Inc.	—	—	—	4,427	—	—	—	—	4,427
Other comprehensive loss, net of taxes	—	—	—	—	(456)	—	—	—	(456)
Cash dividends declared on common stock ($0.81 per share)	—	—	—	(2,047)	—	—	—	—	(2,047)
Treasury stock shares purchased	—	—	—	—	—	17	(1,345)	—	(1,345)
Share-based compensation plans and other	—	—	(172)	—	—	(4)	251	1	80
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	1	1
Balance at June 30, 2025	3,577	$ 1,788	$ 44,644	$ 68,477	$ (5,421)	1,074	$ (60,495)	$ 67	$ 49,060

($ and shares in millions except per share amounts)	Six Months Ended June 30, Common Stock Shares	Common Stock Par Value	Other Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Cost	Non-controlling Interests	Total
Balance at January 1, 2024	3,577	$ 1,788	$ 44,509	$ 53,895	$ (5,161)	1,045	$ (57,450)	$ 54	$ 37,635
Net income attributable to Merck & Co., Inc.	—	—	—	10,217	—	—	—	—	10,217
Other comprehensive loss, net of taxes	—	—	—	—	(200)	—	—	—	(200)
Cash dividends declared on common stock ($1.54 per share)	—	—	—	(3,925)	—	—	—	—	(3,925)
Treasury stock shares purchased	—	—	—	—	—	3	(373)	—	(373)
Share-based compensation plans and other	—	—	(147)	—	—	(7)	429	1	283
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	11	11
Balance at June 30, 2024	3,577	$ 1,788	$ 44,362	$ 60,187	$ (5,361)	1,041	$ (57,394)	$ 66	$ 43,648
Balance at January 1, 2025	3,577	$ 1,788	$ 44,704	$ 63,069	$ (4,945)	1,049	$ (58,303)	$ 59	$ 46,372
Net income attributable to Merck & Co., Inc.	—	—	—	9,506	—	—	—	—	9,506
Other comprehensive loss, net of taxes	—	—	—	—	(476)	—	—	—	(476)
Cash dividends declared on common stock ($1.62 per share)	—	—	—	(4,098)	—	—	—	—	(4,098)
Treasury stock shares purchased	—	—	—	—	—	29	(2,509)	—	(2,509)
Share-based compensation plans and other	—	—	(60)	—	—	(4)	317	—	257
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	8	8
Balance at June 30, 2025	3,577	$ 1,788	$ 44,644	$ 68,477	$ (5,421)	1,074	$ (60,495)	$ 67	$ 49,060

9. Pension and Other Postretirement Benefit Plans

The Company has defined benefit pension plans covering eligible employees in the U.S. and in certain of its international subsidiaries. The net periodic benefit cost (credit) of such plans consisted of the following components:

($ in millions)	Three Months Ended June 30, 2025 U.S.	2025 International	2024 U.S.	2024 International	Six Months Ended June 30, 2025 U.S.	2025 International	2024 U.S.	2024 International
Service cost	$ 90	$ 60	$ 86	$ 60	$ 180	$ 114	$ 173	$ 122
Interest cost	141	75	134	73	282	146	269	147
Expected return on plan assets	(210)	(152)	(207)	(137)	(420)	(295)	(417)	(278)
Amortization of unrecognized prior service credit	—	(4)	—	(3)	—	(8)	—	(6)
Net loss amortization	13	2	10	1	25	5	20	3
Termination benefits	—	—	—	—	—	—	4	—
	$ 34	$ (19)	$ 23	$ (6)	$ 67	$ (38)	$ 49	$ (12)

The Company provides medical benefits, principally to its eligible U.S. retirees and similar benefits to their dependents, through its other postretirement benefit plans. The net credit of such plans consisted of the following components:

($ in millions)	Three Months Ended June 30, 2025	2024	Six Months Ended June 30, 2025	2024
Service cost	$ 9	$ 8	$ 19	$ 15
Interest cost	16	14	31	28
Expected return on plan assets	(13)	(20)	(26)	(40)
Amortization of unrecognized prior service credit	(10)	(11)	(20)	(21)
Net gain amortization	(10)	(12)	(20)	(24)
	$ (8)	$ (21)	$ (16)	$ (42)

In connection with restructuring actions (see Note 4), termination charges were recorded on pension plans related to expanded eligibility for certain employees exiting Merck.

The components of net periodic benefit cost (credit) other than the service cost component are included in *Other (income) expense, net* (see Note 10), with the exception of certain amounts for termination benefits which are recorded in *Restructuring costs* if the event giving rise to the termination benefits related to restructuring actions.

10. Other (Income) Expense, Net

Other (income) expense, net, consisted of:

($ in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Interest income	$ (69)	$ (69)	$ (178)	$ (141)
Interest expense	305	310	618	613
Exchange losses	78	60	167	144
Income from investments in equity securities, net [1]	(100)	(56)	(189)	(200)
Net periodic defined benefit plan (credit) cost other than service cost	(152)	(159)	(300)	(319)
Other, net	(69)	(44)	(161)	(85)
	$ (7)	$ 42	$ (43)	$ 12

[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 gains and losses from ownership interests in investment funds are accounted for on a one quarter lag.*

Interest paid for the six months ended June 30, 2025 and 2024 was $616 million and $581 million, respectively.

11. Income Taxes

The effective income tax rates of 11.4% and 12.7% for the second quarter and first six months of 2025, respectively, reflect a 2.9 percentage point favorable impact and a 1.4 percentage point favorable impact, respectively, due to $146 million of tax benefits resulting primarily from favorable audit adjustments. The effective income tax rates in both the second quarter and first six months of 2025 also reflect the favorable impacts of geographical mix of income and expense, as well as certain discrete items.

The effective income tax rates of 9.1% and 12.4% for the second quarter and first six months of 2024, respectively, reflect a 4.3 percentage point favorable impact and a 2.2 percentage point favorable impact, respectively, due to a $259 million reduction in reserves for unrecognized income tax benefits resulting from the expiration in June 2024 of the statute of limitations for assessments related to the 2019 federal tax return year. The effective income tax rate for the first six months of 2024 also reflects a 0.7 percentage point unfavorable impact of a charge for the acquisition of Harpoon for which no tax benefit was recognized.

While many jurisdictions in which Merck operates have adopted the global minimum tax provision of the Organization for Economic Cooperation and Development (OECD) Pillar 2, effective for tax years beginning in January 2024, it resulted in a minimal impact to the Company's 2024 effective income tax rate due to the accounting for the tax effects of intercompany transactions. The Company expects the impact of the global minimum tax to be approximately 2% for full year 2025. In addition, in July 2025, H.R.1 - *One Big Beautiful Bill Act* (OBBBA) was enacted into law. The Company is currently evaluating the effects of the OBBBA but does not expect a material tax impact.

The Internal Revenue Service (IRS) is currently conducting examinations of the Company's tax returns for the years 2017 and 2018, including the one-time transition tax enacted under the Tax Cuts and Jobs Act of 2017 (TCJA). In April 2025, Merck received Notices of Proposed Adjustment (NOPAs) that would increase the amount of the one-time transition tax on certain undistributed earnings of foreign subsidiaries by approximately $1.3 billion. In addition, the NOPAs included penalties of approximately $260 million. These amounts are exclusive of any interest that may be due. The Company disagrees with the proposed adjustments and will vigorously contest the NOPAs through all available administrative and, if necessary, judicial proceedings. It is expected to take a number of years to reach resolution of this matter. If the Company is ultimately unsuccessful in defending its position, the impact could be material to its financial statements. The statute of limitations for assessments with respect to the 2019 and 2020 federal tax return years expired in June 2024 and October 2024, respectively. The IRS is also currently conducting examinations of the Company's tax returns for the years 2021 and 2022. In addition, various state and foreign examinations are in progress.

12. Earnings Per Share

The calculations of earnings per share are as follows:

($ and shares in millions except per share amounts)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Net Income Attributable to Merck & Co., Inc.	$ 4,427	$ 5,455	$ 9,506	$ 10,217
Average common shares outstanding	2,510	2,534	2,516	2,534
Common shares issuable [1]	3	10	6	10
Average common shares outstanding assuming dilution	2,513	2,544	2,522	2,544
Basic Earnings per Common Share Attributable to Merck & Co., Inc. Common Shareholders	$ 1.76	$ 2.15	$ 3.78	$ 4.03
Earnings per Common Share Assuming Dilution Attributable to Merck & Co., Inc. Common Shareholders	$ 1.76	$ 2.14	$ 3.77	$ 4.02

[1] *Issuable primarily under share-based compensation plans.*

For the second quarter of 2025 and 2024, 19 million and 7 million, respectively, and for the first six months of 2025 and 2024, 12 million and 5 million, respectively, of common shares issuable under share-based compensation plans were excluded from the computations of earnings per common share assuming dilution because the effect would have been antidilutive.

13. Other Comprehensive Income (Loss)

Changes in each component of other comprehensive income (loss) are as follows:

($ in millions)	Derivatives	Employee Benefit Plans	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
	Three Months Ended June 30,			
Balance April 1, 2024, net of taxes	$ 106	$ (2,798)	$ (2,582)	$ (5,274)
Other comprehensive income (loss) before reclassification adjustments, pretax	139	1	(157)	(17)
Tax	(29)	2	(7)	(34)
Other comprehensive income (loss) before reclassification adjustments, net of taxes	110	3	(164)	(51)
Reclassification adjustments, pretax	(55) [1]	(15) [2]	20	(50)
Tax	12	2	—	14
Reclassification adjustments, net of taxes	(43)	(13)	20	(36)
Other comprehensive income (loss), net of taxes	67	(10)	(144)	(87)
Balance June 30, 2024, net of taxes	$ 173	$ (2,808)	$ (2,726)	$ (5,361)
Balance April 1, 2025, net of taxes	$ 25	$ (2,345)	$ (2,645)	$ (4,965)
Other comprehensive income (loss) before reclassification adjustments, pretax	(542)	(1)	134	(409)
Tax	114	(1)	(172)	(59)
Other comprehensive income (loss) before reclassification adjustments, net of taxes	(428)	(2)	(38)	(468)
Reclassification adjustments, pretax	23 [1]	(8) [2]	—	15
Tax	(5)	2	—	(3)
Reclassification adjustments, net of taxes	18	(6)	—	12
Other comprehensive income (loss), net of taxes	(410)	(8)	(38)	(456)
Balance June 30, 2025, net of taxes	$ (385)	$ (2,353)	$ (2,683)	$ (5,421)

($ in millions)	Six Months Ended June 30, Derivatives	Employee Benefit Plans	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance January 1, 2024, net of taxes	$ (24)	$ (2,793)	$ (2,344)	$ (5,161)
Other comprehensive income (loss) before reclassification adjustments, pretax	348	6	(382)	(28)
Tax	(73)	(2)	(20)	(95)
Other comprehensive income (loss) before reclassification adjustments, net of taxes	275	4	(402)	(123)
Reclassification adjustments, pretax	(99) [1]	(30) [2]	20	(109)
Tax	21	11	—	32
Reclassification adjustments, net of taxes	(78)	(19)	20	(77)
Other comprehensive income (loss), net of taxes	197	(15)	(382)	(200)
Balance June 30, 2024, net of taxes	$ 173	$ (2,808)	$ (2,726)	$ (5,361)
Balance January 1, 2025, net of taxes	$ 242	$ (2,327)	$ (2,860)	$ (4,945)
Other comprehensive income (loss) before reclassification adjustments, pretax	(743)	(2)	334	(411)
Tax	156	(1)	(157)	(2)
Other comprehensive income (loss) before reclassification adjustments, net of taxes	(587)	(3)	177	(413)
Reclassification adjustments, pretax	(51) [1]	(18) [2]	—	(69)
Tax	11	(5)	—	6
Reclassification adjustments, net of taxes	(40)	(23)	—	(63)
Other comprehensive income (loss), net of taxes	(627)	(26)	177	(476)
Balance June 30, 2025, net of taxes	$ (385)	$ (2,353)	$ (2,683)	$ (5,421)

[1] *Primarily relates to foreign currency cash flow hedges that were reclassified from* AOCL *to* Sales.

[2] *Includes net amortization of prior service cost, actuarial gains and losses, settlements and curtailments included in net periodic benefit cost (see Note 9).*

14. Segment Reporting

The Company's operations are principally managed on a product basis and include two operating segments, Pharmaceutical and Animal Health, both of which are reportable segments.

The Pharmaceutical segment includes human health pharmaceutical and vaccine products. Human health pharmaceutical products consist of therapeutic and preventive agents, generally sold by prescription, for the treatment of human disorders. The Company sells these human health pharmaceutical products primarily to drug wholesalers and retailers, hospitals, government agencies and managed health care providers such as health maintenance organizations, pharmacy benefit managers and other institutions. Human health vaccine products consist of preventive pediatric, adolescent and adult vaccines. The Company sells these human health vaccines primarily to physicians, wholesalers, distributors and government entities. A large component of pediatric and adolescent vaccine sales are made to the U.S. Centers for Disease Control and Prevention Vaccines for Children program, which is funded by the U.S. government. Additionally, the Company sells vaccines to the Federal government for placement into vaccine stockpiles.

The Animal Health segment discovers, develops, manufactures and markets a wide range of veterinary pharmaceutical and vaccine products, as well as health management solutions and services, for the prevention, treatment and control of disease in all major livestock and companion animal species. The Company also offers an extensive suite of digitally connected identification, traceability and monitoring products. The Company sells its products to veterinarians, distributors, animal producers, farmers and pet owners.

Sales of the Company's products were as follows:

	Three Months Ended June 30,						Six Months Ended June 30,					
	2025			2024			2025			2024		
($ in millions)	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Pharmaceutical:												
Oncology												
Keytruda	$ 4,749	$ 3,207	$ 7,956	$ 4,412	$ 2,858	$ 7,270	$ 9,057	$ 6,104	$ 15,161	$ 8,531	$ 5,686	$ 14,217
Alliance revenue-Lynparza [(1)]	174	195	370	153	165	317	319	363	682	288	321	609
Alliance revenue-Lenvima [(1)]	183	83	265	177	73	249	368	155	523	349	155	504
Welireg	138	24	162	116	10	126	261	39	300	194	17	211
Alliance revenue-Reblozyl [(2)]	88	19	107	75	15	90	189	37	226	133	28	161
Vaccines												
Gardasil/Gardasil 9	545	581	1,126	536	1,941	2,478	1,082	1,371	2,453	1,024	3,702	4,727
ProQuad/M-M-R II/*Varivax*	481	128	609	490	127	617	903	245	1,148	928	259	1,187
Vaxneuvance	136	93	229	99	90	189	275	184	459	260	148	408
RotaTeq	60	61	121	107	56	163	225	125	349	257	123	379
Capvaxive	129	—	129	—	—	—	235	1	236	—	—	—
Pneumovax 23	5	33	38	11	48	59	3	76	79	17	103	120
Hospital Acute Care												
Bridion	411	50	461	351	104	455	789	113	902	680	215	895
Prevymis	115	113	228	90	98	188	217	219	436	165	197	362
Dificid	83	13	96	79	12	92	155	24	179	147	17	165
Zerbaxa	45	29	74	33	28	62	87	57	145	67	51	118
Cardiovascular												
Winrevair	323	12	336	70	—	70	591	24	615	70	—	70
Alliance revenue-Adempas/Verquvo [(3)]	108	15	123	98	8	106	205	23	229	188	16	203
Adempas	—	80	80	—	72	72	—	147	147	—	142	142
Virology												
Lagevrio	30	52	83	15	95	110	66	119	185	60	400	460
Isentress/Isentress HD	48	38	86	43	46	89	99	77	176	93	107	200
Delstrigo	14	70	83	14	45	60	29	121	150	26	89	116
Pifeltro	25	16	41	27	12	39	57	29	86	56	25	81
Neuroscience												
Belsomra	18	21	40	19	34	53	31	58	90	33	66	99
Immunology												
Simponi	—	—	—	—	172	172	—	—	—	—	356	356
Remicade	—	—	—	—	35	35	—	—	—	—	74	74
Diabetes												
Januvia	216	155	372	177	227	405	561	360	921	361	463	824
Janumet	68	184	251	17	208	224	133	366	498	55	420	475
Other pharmaceutical [(4)]	136	450	584	190	430	618	317	997	1,313	354	899	1,252
Total Pharmaceutical segment sales	8,328	5,722	14,050	7,399	7,009	14,408	16,254	11,434	27,688	14,336	14,079	28,415
Animal Health:												
Livestock	190	771	961	168	669	837	384	1,501	1,885	334	1,352	1,686
Companion Animal	309	376	685	287	358	645	617	732	1,349	595	712	1,307
Total Animal Health segment sales	499	1,147	1,646	455	1,027	1,482	1,001	2,233	3,234	929	2,064	2,993
Total segment sales	8,827	6,869	15,696	7,854	8,036	15,890	17,255	13,667	30,922	15,265	16,143	31,408
Other [(5)]	9	100	110	22	200	222	104	310	413	89	390	479
	$ 8,836	$ 6,969	$ 15,806	$ 7,876	$ 8,236	$ 16,112	$ 17,359	$ 13,977	$ 31,335	$ 15,354	$ 16,533	$ 31,887

U.S. plus international may not equal total due to rounding.

[(1)] Alliance revenue for Lynparza and Lenvima represents Merck's share of profits, which are product sales net of cost of sales and commercialization costs (see Note 3).

[(2)] Alliance revenue for Reblozyl represents royalties (see Note 3).

[(3)] Alliance revenue for Adempas/Verquvo 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 (see Note 3).

[(4)] Other pharmaceutical primarily reflects sales of other human health pharmaceutical products, including products within the franchises not listed separately.

[(5)] Other is primarily comprised of miscellaneous corporate revenue, including revenue hedging activities which increased sales by $16 million and $118 million for the six months ended June 30, 2025 and 2024, respectively, as well as revenue from third-party manufacturing arrangements (including sales to Organon & Co.). Other for the six months ended June 30, 2025 and 2024 also includes $100 million and $76 million, respectively, related to upfront and milestone payments received by Merck for out-licensing arrangements.

Product sales are recorded net of the provision for discounts, including chargebacks, which are customer discounts that occur when a contracted customer purchases through an intermediary wholesale purchaser, and rebates that are owed based upon definitive contractual agreements or legal requirements with private sector and public sector (Medicaid and Medicare Part D) benefit providers, after the final dispensing of the product by a pharmacy to a benefit plan participant. These discounts, in the aggregate, reduced U.S. sales by $2.5 billion and $3.3 billion for the three months ended June 30, 2025 and 2024, respectively, and $4.7 billion and $6.6 billion for the six months ended June 30, 2025 and 2024, respectively.

Consolidated sales by geographic area where derived are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	2025	2024	2025	2024
United States	$ 8,836	$ 7,876	$ 17,359	$ 15,354
Europe, Middle East and Africa	3,659	3,515	7,109	7,078
Latin America	859	858	1,651	1,655
Asia Pacific (other than China and Japan)	785	748	1,474	1,472
Japan	626	686	1,295	1,507
China	446	1,817	1,148	3,589
Other	595	612	1,299	1,232
	$ 15,806	$ 16,112	$ 31,335	$ 31,887

A reconciliation of segment profits to *Income Before Taxes* is as follows:

	Three Months Ended June 30,						Six Months Ended June 30,					
	2025			2024			2025			2024		
($ in millions)	Pharma-ceutical	Animal Health	Total	Pharma-ceutical	Animal Health	Total	Pharma-ceutical	Animal Health	Total	Pharma-ceutical	Animal Health	Total
Segment sales	$ 14,050	$ 1,646	$ 15,696	$ 14,408	$ 1,482	$ 15,890	$ 27,688	$ 3,234	$ 30,922	$ 28,415	$ 2,993	$ 31,408
Less segment costs: [1]												
Cost of sales	1,601	659		1,708	612		3,174	1,258		3,414	1,225	
Selling, general and administrative	1,456	284		1,514	270		2,858	544		2,943	523	
Research and development [2]	—	110		—	91		—	205		—	181	
Other segment items [3]	(21)	—		(14)	1		(70)	1		(46)	—	
Total segment profits	$ 11,014	$ 593	$ 11,607	$ 11,200	$ 508	$ 11,708	$ 21,726	$ 1,226	$ 22,952	$ 22,104	$ 1,064	$ 23,168
Other profits			30			129			231			274
Unallocated:												
Interest income			69			69			178			141
Interest expense			(305)			(310)			(618)			(613)
Amortization			(601)			(614)			(1,198)			(1,087)
Depreciation			(455)			(450)			(896)			(902)
Research and development			(3,844)			(3,360)			(7,321)			(7,209)
Restructuring costs			(560)			(80)			(629)			(202)
Other unallocated, net			(942)			(1,086)			(1,797)			(1,895)
			$ 4,999			$ 6,006			$ 10,902			$ 11,675

[1] *The significant expense categories and amounts align with the segment level information that is regularly provided to the chief operating decision maker.*

[2] *Human health-related research and development expenses incurred by Merck Research Laboratories are not allocated to segment profits as noted below.*

[3] *Includes equity (income) loss from affiliates and other miscellaneous non-operating expenses.*

Pharmaceutical segment profits are comprised of segment sales less standard costs, as well as selling, general and administrative expenses directly incurred by the segment. Animal Health segment profits are comprised of segment sales, less all cost of sales, as well as selling, general and administrative expenses and research and development costs directly incurred by the segment. The chief operating decision maker (Merck's Chief Executive Officer) uses segment profit to allocate resources predominately during the planning and forecasting process. For internal management reporting presented to the chief operating decision maker, Merck does not allocate the remaining cost of sales not included in segment profits as described above, research and development expenses incurred by Merck Research Laboratories (the Company's research and development division that focuses on human health-related activities), or general and administrative expenses not directly incurred by the segments, nor the cost of financing these activities. Separate divisions maintain responsibility for monitoring and managing these costs, including depreciation related to fixed assets utilized by these divisions and, therefore, they are not included in segment profits. In addition, costs related to restructuring activities, as well as the amortization of intangible assets and amortization of purchase accounting adjustments are not allocated to segments.

Other profits are primarily comprised of miscellaneous corporate profits, as well as operating profits (losses) related to third-party manufacturing arrangements.

Other unallocated, net, includes expenses from corporate and manufacturing cost centers, intangible asset impairment charges, gains or losses on sales of businesses, expense or income related to changes in the estimated fair value measurement of liabilities for contingent consideration, and other miscellaneous income or expense items.

Equity income from affiliates and depreciation included in segment profits is as follows:

	Three Months Ended June 30,						Six Months Ended June 30,					
	2025			2024			2025			2024		
($ in millions)	Pharma-ceutical	Animal Health	Total	Pharma-ceutical	Animal Health	Total	Pharma-ceutical	Animal Health	Total	Pharma-ceutical	Animal Health	Total
Equity income from affiliates	$ 29	$ —	$ 29	$ 29	$ —	$ 29	$ 86	$ —	$ 86	$ 77	$ —	$ 77
Depreciation	1	62	63	1	67	68	2	122	124	2	125	127

Property, plant and equipment, net, by geographic area where located is as follows:

($ in millions)	June 30, 2025	December 31, 2024
United States	$ 15,182	$ 14,724
Europe, Middle East and Africa	8,554	7,548
Asia Pacific (other than China and Japan)	966	982
China	204	202
Japan	144	143
Latin America	135	133
Other	51	47
	$ 25,236	$ 23,779

The Company does not disaggregate assets on a products and services basis for internal management reporting and, therefore, such information is not presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Development Transactions

Below is a summary of significant business development activity thus far in 2025.

In July 2025, Merck entered into a definitive agreement to acquire Verona Pharma plc (Verona Pharma), a biopharmaceutical company focused on respiratory diseases, for $107 per American Depository Share (each of which represents eight Verona Pharma ordinary shares) for a total transaction value of approximately $10 billion. Through this acquisition, Merck will acquire Ohtuvayre (ensifentrine), a first-in-class selective dual inhibitor of phosphodiesterases 3 and 4 (PDE3 and PDE4), which was approved in the U.S. in June 2024 for the maintenance treatment of chronic obstructive pulmonary disease (COPD) in adult patients and is also being evaluated in clinical trials for the treatment of non-cystic fibrosis bronchiectasis. Closing of the acquisition is expected in the fourth quarter of 2025, but is subject to certain conditions, including approval under the Hart-Scott-Rodino Antitrust Improvements Act, approval of Verona Pharma's shareholders, sanction by the High Court of Justice of England and Wales and other customary conditions. If the proposed transaction closes, the Company expects to capitalize most of the purchase price as an intangible asset for Ohtuvayre.

Also in July 2025, the technology transfer for MK-2010 (LM-299), a novel investigational PD-1/vascular endothelial growth factor (VEGF) bispecific antibody that was licensed from LaNova Medicines Ltd (LaNova) in 2024, was completed. Accordingly, Merck will make a $300 million payment to LaNova, which will be recorded as a charge to *Research and development* expenses in the third quarter of 2025, or approximately $0.09 per share.

In May 2025, Merck and Jiangsu Hengrui Pharmaceuticals Co., Ltd. (Hengrui Pharma) closed an exclusive license agreement for MK-7262 (HRS-5346), an investigational oral small molecule Lipoprotein(a) inhibitor, which is currently being evaluated in a Phase 2 clinical trial in China. Under the agreement, Hengrui Pharma granted Merck exclusive rights to develop, manufacture and commercialize MK-7262 (HRS-5346) worldwide, excluding the Greater China region. Merck recorded a pretax charge of $200 million to *Research and development* expenses in the second quarter of 2025, or approximately $0.07 per share, for the upfront payment. Hengrui Pharma is also eligible to receive future contingent payments associated with certain developmental, regulatory and sales-based milestones, as well as tiered royalties on future net sales of MK-7262 (HRS-5346), if approved.

In March 2025, Merck acquired the Dundalk, Ireland facility of WuXi Vaccines (a wholly owned subsidiary of WuXi Biologics), which was accounted for as an asset acquisition. Merck paid $437 million at closing which, combined with previous consideration transferred under a prior manufacturing arrangement with WuXi Vaccines related to this facility, resulted in $759 million being recorded as assets under construction within *Property, Plant and Equipment*. There are no future contingent payments associated with the acquisition.

Pricing and Tariffs

Global efforts toward health care cost containment continue to exert pressure on product pricing and market access worldwide. Changes to the U.S. health care system as part of health care reform, as well as increased purchasing power of entities that negotiate on behalf of Medicare, Medicaid, and private sector beneficiaries, have contributed to pricing pressure. In 2021, the U.S. Congress passed the American Rescue Plan Act, which included a provision that eliminated the statutory cap on rebates drug manufacturers pay to Medicaid beginning in January 2024. As a result of this provision, the Company paid state Medicaid programs more in rebates than it received on Medicaid sales of *Januvia* (sitagliptin), *Janumet* (sitagliptin and metformin HCl) and *Janumet* XR (sitagliptin and metformin HCl extended release) in 2024.

In 2022, the U.S. Congress passed the Inflation Reduction Act (IRA), which made significant changes to how drugs are covered and paid for under the Medicare program, including the creation of financial penalties for drugs whose prices rise faster than the rate of inflation, redesign of the Medicare Part D program to require manufacturers to bear more of the liability for certain drug benefits (which has taken effect in 2025), and government price-setting for certain Medicare Part D drugs (starting in 2026) and Medicare Part B drugs (starting in 2028). Government price setting may also impact pricing in the private market negatively affecting the Company's performance. In 2023, the U.S. Department of Health and Human Services (HHS), through the Centers for Medicare & Medicaid Services (CMS), selected *Januvia* for the first year of the IRA's "Drug Price Negotiation Program" (Program). Pursuant to the IRA's Program, a government price was set for *Januvia*, which will become effective on January 1, 2026. In January 2025, the U.S. Department of HHS, through the CMS, announced that *Janumet* and *Janumet* XR would be in included in the second year of the IRA's Program, with government price setting to become effective on January 1, 2027. As a result of the passage of H.R.1 - *One Big Beautiful Bill Act* (OBBBA), the Company believes that *Keytruda* will not be eligible to be selected in 2026 for government price setting under the IRA, which would become effective on January 1, 2028. Instead, *Keytruda* will now be eligible to be selected in 2027 for government price setting to become effective on January 1, 2029. The Company has sued the U.S. government regarding the IRA's Program.

Additionally, increased utilization of the 340B Federal Drug Discount Program and restrictions on the Company's ability to identify inappropriate discounts are having a negative impact on Company performance. Furthermore, the Executive Branch and Congress continue to discuss legislation designed to control health care costs, including the cost of drugs. In several international markets, government-mandated pricing actions have reduced prices of generic and patented drugs. In addition, the Company's sales performance in the first six months of 2025 was negatively affected by other cost-reduction measures taken by governments and other third parties to lower health care costs.

The Company anticipates all of these actions and additional actions in the future will continue to negatively affect sales and profits.

The U.S. government has implemented tariffs on certain foreign imports into the U.S. The impact of the tariffs on Merck's business depends on a number of factors including the duration, scope and amount of the tariffs, as well as the extent of any measures that have been or will be taken by any affected countries, including tariffs imposed by foreign governments. At this time, the Company anticipates that tariffs implemented to date will result in approximately $200 million of additional expenses in 2025 (which will be primarily reflected within *Cost of sales*). However, future changes to tariffs could have a further adverse effect on the Company's business. In particular, the U.S. government has indicated that it intends to impose tariffs on pharmaceutical products.

In addition, in May 2025, the U.S. government announced an executive order that seeks to impose a "Most Favored Nation" drug pricing policy. The policy would tie drug reimbursement in the U.S. to the drug price in certain foreign developed countries and could result in reduced prices and reimbursement for certain of the Company's products in the U.S. The impact of this executive order to the Company is uncertain and will be dependent upon many factors, including if and how this drug pricing policy is implemented.

Operating Results

Sales

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
United States	$ 8,836	$ 7,876	12 %	12 %	$ 17,359	$ 15,354	13 %	13 %
International	6,969	8,236	(15)%	(15)%	13,977	16,533	(15)%	(13)%
Total	$ 15,806	$ 16,112	(2)%	(2)%	$ 31,335	$ 31,887	(2)%	— %

U.S. plus international may not equal total due to rounding.

Worldwide sales were $15.8 billion and $31.3 billion in the second quarter and first six months of 2025, respectively, declines of 2% compared with the same periods of 2024. The declines reflect lower sales in vaccines, immunology, and virology, partially offset by growth in oncology, cardiovascular, and animal health. Higher revenue in diabetes also partially offset the sales decline in the first six months of 2025.

The declines in vaccines revenue in both the second quarter and first six months of 2025 were primarily due to lower combined *Gardasil* (Human Papillomavirus Quadrivalent [Types 6, 11, 16 and 18] Vaccine and Recombinant)/*Gardasil* 9 (Human Papillomavirus 9-valent Vaccine, Recombinant) sales, partially offset by the U.S. launch of *Capvaxive* (Pneumococcal 21-valent Conjugate Vaccine). The declines in immunology in both periods resulted from the transfer of marketing rights for *Simponi* (golimumab) and *Remicade* (infliximab) back to Johnson & Johnson on October 1, 2024, and the declines in virology were primarily due to lower sales of *Lagevrio* (molnupiravir). Growth in the oncology franchise in both the second quarter and first six months of 2025 was largely due to the performance of *Keytruda* (pembrolizumab) and *Welireg* (belzutifan), as well as higher alliance revenue from Lynparza (olaparib). Growth in the cardiovascular franchise in both periods was largely attributable to the ongoing launch of *Winrevair* (sotatercept-csrk). The increase in diabetes franchise sales in the first six months of 2025 was due to *Januvia*.

See Note 14 to the condensed consolidated financial statements for details on sales of the Company's products. A discussion of performance for select products in the franchises follows. All product or service marks appearing in type form different from that of the surrounding text are trademarks or service marks owned, licensed to, promoted or distributed by Merck, its subsidiaries or affiliates, except as noted. All other trademarks or service marks are those of their respective owners.

Pharmaceutical Segment

Oncology

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Keytruda	$ 7,956	$ 7,270	9 %	9 %	$ 15,161	$ 14,217	7 %	8 %
Alliance Revenue - Lynparza [1]	370	317	17 %	15 %	682	609	12 %	12 %
Alliance Revenue - Lenvima [1]	265	249	6 %	5 %	523	504	4 %	4 %
Welireg	162	126	29 %	29 %	300	211	42 %	43 %
Alliance Revenue - Reblozyl [2]	107	90	19 %	19 %	226	161	40 %	40 %

[1] *Alliance revenue for Lynparza and Lenvima represents Merck's share of profits, which are product sales net of cost of sales and commercialization costs (see Note 3 to the condensed consolidated financial statements).*

[2] *Alliance revenue for Reblozyl represents royalties (see Note 3 to the condensed consolidated financial statements).*

Keytruda is an anti-PD-1 (programmed death receptor-1) therapy that has been approved in over 40 indications in the U.S., including 18 tumor types and 2 tumor-agnostic indications, and has similarly been approved in markets worldwide for many

of these indications. The *Keytruda* clinical development program includes studies across a broad range of cancer types. See “Research and Development Update” below.

Global sales of *Keytruda* grew 9% and 7% in the second quarter and first six months of 2025, respectively. *Keytruda* sales growth in the U.S. in both periods reflects higher demand and pricing. U.S. sales growth in the year-to-date period reflects an approximate $200 million negative impact due to the timing of wholesaler purchases. Demand in the U.S. in both periods was driven by increased utilization across the multiple approved metastatic indications, in particular for the treatment of certain types of urothelial and endometrial cancers, as well as higher demand across earlier-stage indications, including in certain types of non-small-cell lung cancer (NSCLC), renal cell carcinoma (RCC), cervical cancer, and high-risk early-stage triple-negative breast cancer (TNBC). *Keytruda* sales growth in international markets reflects higher demand predominately for the TNBC, NSCLC and RCC earlier-stage indications, as well as uptake in urothelial, gastric, and cervical cancer metastatic indications. The 2025 launch and reimbursement of new indications for *Keytruda* in the European Union (EU) is having a negative impact on pricing in those markets. In addition, a biosimilar of *Keytruda* has launched in Argentina.

Keytruda has received the following regulatory approvals thus far in 2025.

Date	Approval
January 2025	China’s National Medical Products Administration (NMPA) approval in combination with enfortumab vedotin, an antibody-drug conjugate, for the treatment of adults with locally advanced or metastatic urothelial carcinoma, based on the KEYNOTE-A39 trial that was conducted in collaboration with Seagen (now Pfizer Inc.) and Astellas.
April 2025	European Commission (EC) approval in combination with pemetrexed and platinum chemotherapy for the first-line treatment of adult patients with unresectable non epithelioid malignant pleural mesothelioma, based on the IND.227/KEYNOTE-483 trial.
May 2025	Japan’s Ministry of Health, Labor and Welfare (MHLW) approval in combination with trastuzumab and chemotherapy for the first-line treatment of patients with unresectable, advanced or recurrent HER2 positive gastric or gastroesophageal junction adenocarcinoma, based on the KEYNOTE-811 trial.
May 2025	Japan’s MHLW approval in combination with pemetrexed and platinum chemotherapy for unresectable, advanced or recurrent metastatic malignant pleural mesothelioma, based on the IND.227/KEYNOTE-483 trial.
June 2025	U.S. Food and Drug Administration (FDA) approval for the treatment of adult patients with resectable locally advanced head and neck squamous cell carcinoma whose tumors express PD-L1 CPS (≥1) as determined by an FDA-approved test, as a single agent as neoadjuvant treatment, continued as adjuvant treatment in combination with radiotherapy with or without cisplatin and then as a single agent, based on the KEYNOTE-689 trial.

The Company is a party to license agreements pursuant to which the Company pays royalties on net sales of *Keytruda*. Under the terms of the more significant of these agreements, Merck pays a royalty of 2.5% on worldwide net sales of *Keytruda*; this royalty expires on December 31, 2026. The Company pays an additional 2% royalty on worldwide net sales of *Keytruda* to another third party, the termination date of which varies by country; this royalty expired in the U.S. in September 2024 and will expire on varying dates in major European markets in the second half of 2025. The royalty expenses are included in *Cost of sales*.

Lynparza is an oral poly (ADP-ribose) polymerase (PARP) inhibitor being developed and commercialized as part of a collaboration with AstraZeneca PLC (AstraZeneca) (see Note 3 to the condensed consolidated financial statements). Lynparza is approved for the treatment of certain types of advanced or recurrent ovarian, early or metastatic breast, metastatic pancreatic and metastatic castration-resistant prostate cancers. Alliance revenue related to Lynparza increased 17% and 12% in the second quarter and first six months of 2025, respectively, primarily due to higher demand in several international markets and in the U.S. In January 2025, China’s NMPA approved Lynparza as adjuvant treatment for adult patients with germline *BRCA*-mutated, human epidermal growth factor receptor 2 (HER2)-negative high-risk early breast cancer, based on the OlympiA trial.

Lenvima (lenvatinib) is an oral receptor tyrosine kinase inhibitor being developed and commercialized as part of a collaboration with Eisai Co., Ltd. (Eisai) (see Note 3 to the condensed consolidated financial statements). Lenvima is approved for the treatment of certain types of thyroid cancer, RCC, hepatocellular carcinoma (HCC), in combination with everolimus for certain patients with advanced RCC, and in combination with *Keytruda* for certain patients with advanced endometrial carcinoma or advanced RCC. Alliance revenue related to Lenvima increased 6% and 4% in the second quarter and first six months of 2025, respectively, primarily due to higher sales in the U.S. reflecting increased demand that was partially offset by lower pricing. In June 2025, Lenvima plus *Keytruda* was approved in China in combination with transarterial chemoembolization for the treatment of patients with unresectable, non-metastatic HCC based on the LEAP-012 clinical trial.

Sales of *Welireg*, for the treatment of adult patients with certain von Hippel-Lindau (VHL) disease-associated tumors, certain adult patients with previously treated advanced RCC, and certain patients with pheochromocytoma and paraganglioma, rose 29% and 42% in the second quarter and first six months of 2025, respectively. Sales growth was primarily due to higher demand in the U.S. and early launch uptake in certain EU markets, partially offset by lower pricing in the U.S.

Welireg has received the following regulatory approvals thus far in 2025.

Date	Approval
February 2025	EC conditional approval as monotherapy for the treatment of adult patients with VHL disease who require therapy for associated, localized RCC, central nervous system hemangioblastomas, or pancreatic neuroendocrine tumors, and for whom localized procedures are unsuitable, based on the LITESPARK-004 trial.

February 2025	EC conditional approval for the treatment of adult patients with advanced clear cell RCC that progressed following two or more lines of therapy that included a PD-1 or PD-L1 inhibitor and at least two vascular endothelial growth factor targeted therapies, based on the LITESPARK-005 trial.
May 2025	FDA approval for the treatment of adult and pediatric patients (12 years and older) with locally advanced, unresectable, or metastatic pheochromocytoma and paraganglioma, based on the LITESPARK-015 trial.
June 2025	Japan's MHLW approval as monotherapy for the treatment of adult patients with VHL disease-associated tumors, based on the LITESPARK-004 trial.
June 2025	Japan's MHLW approval for the treatment of adults with radically unresectable or metastatic RCC that has progressed after chemotherapy, based on the LITESPARK-005 trial.

The EC conditional approvals of *Welireg* noted above will be valid for one year, subject to yearly renewal, pending certain additional clinical data. Timing for commercial availability of *Welireg* in individual EU countries will depend on multiple factors, including the completion of national reimbursement procedures.

Reblozyl (luspatercept-aamt) is a first-in-class erythroid maturation recombinant fusion protein that is being commercialized through a global collaboration with Bristol-Myers Squibb Company (BMS) (see Note 3 to the condensed consolidated financial statements). Reblozyl is approved for the treatment of anemia in certain rare blood disorders. Alliance revenue related to this collaboration (consisting of royalties) increased 19% and 40% in the second quarter and first six months of 2025, respectively, primarily due to strong underlying sales performance.

Vaccines

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Gardasil/Gardasil 9	$ 1,126	$ 2,478	(55)%	(55)%	$ 2,453	$ 4,727	(48)%	(48)%
ProQuad	273	239	15 %	14 %	395	443	(11)%	(11)%
M-M-R II	95	113	(15)%	(16)%	264	217	22 %	22 %
Varivax	240	266	(10)%	(10)%	489	527	(7)%	(7)%
Vaxneuvance	229	189	21 %	20 %	459	408	13 %	13 %
Capvaxive	129	—	—	—	236	—	—	—

Combined worldwide sales of *Gardasil* and *Gardasil* 9, vaccines to help prevent certain cancers and other diseases caused by certain types of human papillomavirus (HPV), declined 55% in the second quarter of 2025 primarily driven by lower demand in China (discussed below) and in Japan, reflecting in part that the last date to initiate the first dose in Japan's national immunization program catch-up cohort was in March 2025. Timing of public sector purchases in certain international markets also contributed to the second quarter 2025 *Gardasil/Gardasil* 9 sales decline. Sales performance in the U.S. in the second quarter of 2025 reflects higher pricing and demand, which was largely offset by the unfavorable effect of public sector buying patterns. *Gardasil/Gardasil* 9 sales declined 48% in the first six months of 2025 primarily driven by lower demand in China (discussed below), partially offset by higher demand in certain international markets, as well as higher sales in the U.S. Sales performance in the U.S. in the first six months of 2025 reflects higher pricing and demand, which was partially offset by the unfavorable effect of public sector buying patterns. Beginning in mid-2024, the Company observed a significant decline in shipments from its distributor and commercialization partner in China, Chongqing Zhifei Biological Products Co., Ltd. (Zhifei), to disease and control prevention institutions and correspondingly into the points of vaccination compared with prior quarters of 2024, resulting in above normal inventory levels at Zhifei. Accordingly, the Company shipped less than its contracted doses to Zhifei in the latter part of 2024. Lower demand in China persisted and, at the end of 2024, overall channel inventory levels in China remained elevated at above normal levels. Therefore, the Company made a decision to temporarily pause shipments to China beginning in February 2025 and, given continued lower demand and elevated inventory levels in China thus far in 2025, the Company has determined it will not make any further shipments to China through at least the end of 2025. As a result, combined sales of *Gardasil/Gardasil* 9 will decline significantly in 2025 compared with 2024. In January 2025, China's NMPA approved *Gardasil* for use in males 9-26 years of age to help prevent certain HPV-related cancers and diseases. In April 2025, China's NMPA approved *Gardasil* 9 for use in males 16-26 years of age to help prevent certain HPV-related cancers and diseases.

Gardasil 9 is currently indicated in the U.S. for a two-dose regimen in adolescents aged 9-14 and a three-dose regimen for those aged 15-45. The U.S. Centers for Disease Control and Prevention's (CDC) Advisory Committee on Immunization Practices (ACIP) has stated that it intends to discuss and, potentially, vote on a change to the dose recommendation, which could include a reduction in the number of recommended doses. A number of countries outside the U.S., predominately low- and middle-income countries, have implemented a reduced dosing schedule for HPV vaccination.

The Company is a party to license agreements pursuant to which the Company pays royalties on sales of *Gardasil/Gardasil* 9. Under the terms of the more significant of these agreements, Merck pays a 7% royalty on net sales of *Gardasil/Gardasil* 9 in the U.S.; this royalty expires in December 2028. The royalty expenses are included in *Cost of sales*.

Global sales of *ProQuad* (Measles, Mumps, Rubella and Varicella Virus Vaccine Live), a pediatric combination vaccine to help protect against measles, mumps, rubella and varicella, increased 15% in the second quarter of 2025 and

declined 11% in the first six months of 2025. As a result of manufacturing delays, in January 2025, the Company borrowed doses of *ProQuad* from the CDC Pediatric Vaccine Stockpile (CDC Stockpile), which are being used to support routine vaccination in the U.S. The Company partially replenished the borrowing in the second quarter of 2025, which increased U.S. sales of *ProQuad* by $24 million. The net effect of the borrowing and partial replenishment resulted in a $49 million reduction of *ProQuad* sales in the first six months of 2025. Worldwide sales of *M-M-R* II (Measles, Mumps and Rubella Virus Vaccine Live), a vaccine to help protect against measles, mumps and rubella, declined 15% in the second quarter of 2025 primarily due to lower sales in the U.S. reflecting private sector buy-out, partially offset by higher demand due to measles outbreaks. Sales of *M-M-R* II grew 22% in the first six months of 2025 primarily due to higher sales in the U.S. largely reflecting higher pricing and increased demand due to measles outbreaks. Global sales of *Varivax* (Varicella Virus Vaccine Live), a vaccine to help prevent chickenpox (varicella), declined 10% and 7% in the second quarter and first six months of 2025, respectively, primarily due to lower sales in the U.S. largely driven by unfavorable CDC Stockpile activity and lower demand, partially offset by higher pricing. The unfavorable impact to *Varivax* sales from CDC Stockpile activity was offset by other CDC Stockpile activity as noted below. The Company has experienced manufacturing delays related to *ProQuad* and *Varivax*. As a result, the Company anticipates that some international markets will experience supply constraints during 2025.

Worldwide sales of *Vaxneuvance* (Pneumococcal 15-valent Conjugate Vaccine), a vaccine to help protect against invasive pneumococcal disease caused by certain serotypes, grew 21% in the second quarter of 2025 primarily due to approximately $60 million of favorable CDC Stockpile activity in the U.S. and higher demand in certain international markets, partially offset by lower demand in the U.S. and Japan due to competitive pressure. The benefit to *Vaxneuvance* sales from CDC Stockpile activity was offset by a drawdown of CDC Stockpile inventory for *Varivax* (noted above) and *RotaTeq* (Rotavirus Vaccine, Live Oral, Pentavalent), which resulted in a net neutral transaction. Worldwide sales of *Vaxneuvance* grew 13% in the first six months of 2025 reflecting favorable CDC stockpile activity in the U.S. and continued uptake following launches in the pediatric indication in Europe and certain countries in the Asia Pacific region, partially offset by lower demand in the U.S. and Japan due to competitive pressure. Merck is a party to license agreements pursuant to which the Company pays royalties on sales of *Vaxneuvance*. Under the terms of the most significant of these agreements, Merck pays a royalty of 7.25% on net sales of *Vaxneuvance* through 2026; this royalty will decline to 2.5% on net sales from 2027 through 2035. The royalty expenses are included in *Cost of sales*.

Sales of *Capvaxive* were $129 million and $236 million in the second quarter and first six months of 2025, respectively, due to continued uptake following launch in the U.S. in the third quarter of 2024. In June 2024, the FDA approved *Capvaxive* for the prevention of invasive pneumococcal disease and pneumococcal pneumonia caused by certain serotypes in individuals 18 years of age and older. In March 2025, the EC approved *Capvaxive*. The timing of availability of *Capvaxive* in individual EU countries will depend on multiple factors including the completion of reimbursement procedures. The FDA and EC approvals were supported by results from the STRIDE clinical program, which evaluated *Capvaxive* in both vaccine-naïve and vaccine-experienced adult patient populations. Merck is a party to license agreements pursuant to which the Company pays royalties on sales of *Capvaxive*. Under the terms of the most significant of these agreements, Merck pays a royalty of 7.25% on net sales of *Capvaxive* through 2026; this royalty will decline to 2.5% on net sales from 2027 through 2035. The royalty expenses are included in Cost of sales.

In June 2025, the CDC's ACIP voted to recommend *Enflonsia* (clesrovimab-cfor), a preventive, long-acting monoclonal antibody, as an option for the prevention of respiratory syncytial virus (RSV) lower respiratory tract disease in infants younger than 8 months of age who are born during or entering their first RSV season. The ACIP's recommendation for *Enflonsia* is provisional and will be official once reviewed and finalized by the CDC Director. The ACIP also voted to include *Enflonsia* in the Vaccines for Children Program. The FDA approved *Enflonsia* earlier in June 2025 based on the pivotal CLEVER and SMART clinical trials. *Enflonsia* became available for ordering by physicians and health care administrators in July 2025, with shipments expected to be delivered before the start of the 2025-2026 RSV season.

Hospital Acute Care

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Bridion	$ 461	$ 455	1 %	1 %	$ 902	$ 895	1 %	1 %
Prevymis	228	188	21 %	20 %	436	362	20 %	21 %
Dificid	96	92	5 %	5 %	179	165	8 %	9 %

Worldwide sales of *Bridion* (sugammadex), for the reversal of two types of neuromuscular blocking agents used during surgery, grew 1% in both the second quarter and first six months of 2025 as higher demand and pricing in the U.S. was offset by lower demand in most international markets due to generic competition, particularly in Japan and the EU. The patents that provided market exclusivity for *Bridion* in the EU and Japan expired in July 2023 and January 2024, respectively. Accordingly, the Company is experiencing sales declines of *Bridion* in these markets and expects the declines to continue.

Worldwide sales of *Prevymis* (letermovir), a medicine for prophylaxis (prevention) of cytomegalovirus (CMV) infection and disease in certain high risk adult and pediatric recipients of an allogenic hematopoietic stem cell transplant and for prophylaxis of CMV disease in certain high risk adult and pediatric recipients of a kidney transplant, grew 21% and 20% in the second quarter and first six months of 2025, respectively, largely due to higher demand in the U.S. and EU, partially offset by lower demand in China due to generic competition.

Worldwide sales of *Dificid* (fidaxomicin), a medicine for the treatment of *C. difficile*-associated diarrhea, grew 5% and 8% in the second quarter and first six months of 2025, respectively, primarily due to higher sales in the U.S. Timing of purchases in certain international markets also contributed to sales growth in the first six months of 2025. *Dificid* lost market exclusivity in the U.S. in July 2025; accordingly, the Company anticipates a significant decline in U.S. sales of *Dificid* for the remainder of 2025 and thereafter.

Cardiovascular

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Winrevair	$ 336	$ 70	*	*	$ 615	$ 70	*	*
Alliance Revenue - Adempas/Verquvo [(1)]	123	106	16 %	16 %	229	203	12 %	12 %
Adempas	80	72	10 %	6 %	147	142	4 %	4 %

** > 100%*

[(1)] Alliance revenue for Adempas and Verquvo 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 (see Note 3 to the condensed consolidated financial statements).

Sales of *Winrevair* were $336 million and $615 million in the second quarter and first six months of 2025, respectively, primarily reflecting continued uptake in the U.S. since launch in the second quarter of 2024. In March 2024, the FDA approved *Winrevair* for the treatment of adults with pulmonary arterial hypertension (PAH) (World Health Organization [WHO] Group 1) to increase exercise capacity, improve WHO functional class (FC), and reduce the risk of clinical worsening events. In August 2024, the EC approved *Winrevair*, in combination with other PAH therapies, for the treatment of PAH in adult patients with WHO FC II to III, to improve exercise capacity. The FDA and EC approvals were based on the STELLAR trial. *Winrevair* has since launched in certain international markets, including certain markets in the EU. Timing for commercial availability of *Winrevair* in the remaining EU countries will depend on multiple factors, including the completion of national reimbursement procedures, which is expected to occur in the second half of 2025. In June 2025, Japan's MHLW approved sotatercept for the treatment of adults with PAH where it will be marketed under the trademark *Airwin*. *Winrevair* is the subject of a licensing agreement pursuant to which Merck pays a 22% royalty on net sales of *Winrevair* to BMS. The royalty expenses are included in *Cost of sales*.

Adempas (riociguat) and Verquvo (vericiguat) are part of a worldwide collaboration with Bayer AG (Bayer) to market and develop soluble guanylate cyclase (sGC) modulators (see Note 3 to the condensed consolidated financial statements). Adempas is approved for the treatment of certain types of PAH and chronic pulmonary hypertension. Verquvo is approved to reduce the risk of cardiovascular death and heart failure hospitalization following a hospitalization for heart failure or need for outpatient intravenous diuretics in adults with symptomatic chronic heart failure and reduced ejection fraction. Alliance revenue from the collaboration grew 16% and 12% in the second quarter and first six months of 2025, respectively, primarily reflecting higher demand in Bayer's marketing territories. Revenue also includes sales of Adempas and Verquvo in Merck's marketing territories. Sales of Adempas in Merck's marketing territories increased 10% and 4% in the second quarter and first six months of 2025, respectively, largely due to higher demand.

Virology

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Lagevrio	$ 83	$ 110	(25)%	(27)%	$ 185	$ 460	(60)%	(59)%

Lagevrio is an investigational oral antiviral COVID-19 medicine being developed in a collaboration with Ridgeback Biotherapeutics LP (Ridgeback) (see Note 3 to the condensed consolidated financial statements). Sales of *Lagevrio* decreased 25% and 60% in the second quarter and first six months of 2025, respectively, primarily due to lower demand in several markets in the Asia Pacific region, particularly in Japan, driven largely by declining COVID-19 cases.

Immunology

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Simponi	$ —	$ 172	(100)%	(100)%	$ —	$ 356	(100)%	(100)%
Remicade	—	35	(100)%	(100)%	—	74	(100)%	(100)%

Simponi and *Remicade* are treatments for certain inflammatory diseases that the Company marketed in Europe, Russia and Türkiye. The Company's marketing rights with respect to these products reverted to Johnson & Johnson on October 1, 2024, subsequent to which the Company is no longer recognizing sales of these products.

Diabetes

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Januvia/Janumet	$ 623	$ 629	(1)%	— %	$ 1,419	$ 1,299	9 %	11 %

Worldwide combined sales of *Januvia* and *Janumet*, medicines that help lower blood sugar levels in adults with type 2 diabetes, in the second quarter of 2025 were comparable with sales in the same period of 2024. Lower demand in China, the ongoing impacts of generic competition in most other international markets, and lower demand in the U.S. due to competitive pressure were largely offset by higher net pricing in the U.S. Global combined sales of *Januvia* and *Janumet* increased 9% in the first six months of 2025 primarily due to higher net pricing in the U.S., including a favorable true-up to customer discounts, partially offset by the ongoing impacts of generic competition in most international markets, continuing volume declines in the U.S. due to competitive pressure, as well as lower demand in China.

The American Rescue Plan Act enacted in the U.S. in 2021 included a provision that eliminated the statutory cap on rebates drug manufacturers pay to Medicaid beginning in January 2024. As a result of this provision, the Company paid state Medicaid programs more in rebates than it received on Medicaid sales of *Januvia*, *Janumet* and *Janumet* XR in 2024. In early 2025, Merck lowered the list price of the *Januvia* family of products to more closely align them with net prices. The lower list price has reduced the rebate amount Merck pays to Medicaid, resulting in higher realized net pricing. The Company expects higher U.S. net sales of these products for full year 2025 compared with full year 2024.

While the key U.S. patent for *Januvia*, *Janumet* and *Janumet* XR claiming the sitagliptin compound expired in January 2023, as a result of favorable court rulings and settlement agreements related to a later expiring patent directed to the specific sitagliptin salt form of the products (see Note 7 to the condensed consolidated financial statements), the Company expects that *Januvia* and *Janumet* will not lose market exclusivity in the U.S. until May 2026 and *Janumet XR* will not lose market exclusivity in the U.S. until July 2026, although a non-automatically substitutable form of sitagliptin that differs from the form in the Company's sitagliptin products has been approved by the FDA. Additionally, in 2023, the U.S. Department of HHS, through the CMS, announced that *Januvia* would be included in the first year of the IRA's Program. Pursuant to the IRA's Program, a government price was set for *Januvia*, which will become effective on January 1, 2026. Also, in January 2025, the U.S. Department of HHS, through the CMS, announced that *Janumet* and *Janumet XR* would be included in the second year of the IRA's Program, with government price setting to become effective on January 1, 2027. The Company has sued the U.S. government regarding the IRA's Program. As a result of the anticipated patent expiries in 2026, the government price setting to take effect in 2026 and 2027 noted above, as well as ongoing competitive pressure, the Company anticipates significant sales declines for *Januvia*, *Janumet and Janumet XR* in the U.S. in 2026 and thereafter.

Animal Health Segment

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange	Six Months Ended June 30, 2025	2024	% Change	% Change Excluding Foreign Exchange
Livestock	$ 961	$ 837	15 %	16 %	$ 1,885	$ 1,686	12 %	16 %
Companion Animal	685	645	6 %	6 %	1,349	1,307	3 %	4 %
	$ 1,646	$ 1,482	11 %	11 %	$ 3,234	$ 2,993	8 %	11 %

Sales of livestock products grew 15% and 12% in the second quarter and first six months of 2025, respectively, primarily due to higher demand across all species, as well as the inclusion of sales from the July 2024 acquisition of the aqua business of Elanco Animal Health Incorporated. Sales in 2025 also benefited from improved supply.

Sales of companion animal products grew 6% and 3% in the second quarter and first six months of 2025, respectively, due to higher pricing. Sales in 2025 also benefited from improved supply. Sales of the *Bravecto* (fluralaner) line of products were $335 million in the second quarter of 2025, representing growth of 1% compared with the second quarter of 2024, both nominally and excluding the effect of foreign exchange. Sales of *Bravecto* were $662 million for the first six months of 2025, essentially flat compared with the corresponding prior year period, or growth of 1% excluding the unfavorable effect of foreign exchange.

In July 2025, the FDA approved *Bravecto Quantum* (fluralaner for extended-release injectable suspension), a once-yearly injectable product to treat and protect dogs from fleas and ticks. Also in July 2025, the EC approved *Numelvi* (atinvicitinib) tablets for dogs, a once-daily, second-generation Janus kinase (JAK) inhibitor indicated for the treatment of pruritus associated with allergic dermatitis including atopic dermatitis and treatment of clinical manifestations of atopic dermatitis.

Costs, Expenses and Other

($ in millions)	Three Months Ended June 30, 2025	2024	% Change	Six Months Ended June 30, 2025	2024	% Change
Cost of sales	$ 3,557	$ 3,745	(5)%	$ 6,976	$ 7,285	(4)%
Selling, general and administrative	2,649	2,739	(3)%	5,202	5,221	— %
Research and development	4,048	3,500	16 %	7,669	7,492	2 %
Restructuring costs	560	80	*	629	202	*
Other (income) expense, net	(7)	42	*	(43)	12	*
	$ 10,807	$ 10,106	7 %	$ 20,433	$ 20,212	1 %

** > 100%*

Cost of Sales

Cost of sales declined 5% and 4% in the second quarter and first six months of 2025, respectively. *Cost of sales* includes the amortization of intangible assets recorded in connection with acquisitions, collaborations, and licensing arrangements, which totaled $599 million and $603 million in the second quarter of 2025 and 2024, respectively, and $1.2 billion and $1.1 billion in the first six months of 2025 and 2024, respectively. Also included in *Cost of sales* are expenses associated with restructuring activities, which amounted to $165 million and $66 million in the second quarter of 2025 and 2024, respectively, and $201 million and $182 million in the first six months of 2025 and 2024, respectively, primarily reflecting accelerated depreciation and asset impairment charges related to manufacturing facilities to be fully or partially closed or divested, as well as contractual termination costs. Separation costs associated with manufacturing-related headcount reductions have been incurred and are reflected in *Restructuring costs* as discussed below.

Gross margin was 77.5% in the second quarter of 2025 compared with 76.8% in the second quarter of 2024. The gross margin improvement was primarily due to the favorable effect of product mix, partially offset by higher restructuring costs and inventory write-offs. Gross margin was 77.7% in the first six months of 2025 compared with 77.2% in the first six months of 2024. The gross margin improvement was primarily due to the favorable effect of product mix, partially offset by higher amortization of intangible assets and inventory write-offs.

Selling, General and Administrative

Selling, general and administrative (SG&A) expenses declined 3% in the second quarter of 2025 primarily due to lower administrative, restructuring, and promotional costs. SG&A expenses in the first six months of 2025 were comparable with the corresponding period of 2024 as lower restructuring costs and the favorable effect of foreign exchange were largely offset by higher administrative and promotional costs.

Research and Development

Research and development (R&D) expenses increased 16% in the second quarter of 2025 primarily due to a $200 million charge for an upfront payment made in connection with the closing of a license agreement with Hengrui Pharma, increased clinical development spending, higher compensation and benefit costs (reflecting in part increased headcount), and higher restructuring costs.

R&D expenses increased 2% in the first six months of 2025 primarily due to increased clinical development spending, higher compensation and benefit costs (reflecting in part increased headcount), and higher restructuring costs. The increase in R&D expenses for first six months of 2025 was partially offset by lower charges for business development transactions, which in 2025 include a $200 million charge related to the closing of a license agreement with Hengrui Pharma and a $100 million charge associated with the achievement of a developmental milestone related to the 2024 acquisition of Eyebiotech Limited (EyeBio), compared with a $656 million charge in the first six months of 2024 for the acquisition of Harpoon Therapeutics, Inc. (Harpoon).

R&D expenses are comprised of the costs directly incurred by Merck Research Laboratories (MRL), the Company's research and development division that focuses on human health-related activities, which were $2.8 billion and $2.5 billion for the second quarter of 2025 and 2024, respectively, and $5.3 billion and $4.9 billion for the first six months of 2025 and 2024, respectively. Also included in R&D expenses are Animal Health research costs, upfront and milestone payments for collaboration and licensing agreements (including the charges related to Hengrui Pharma and EyeBio noted above), charges for transactions accounted for as asset acquisitions (including the charge for the acquisition of Harpoon noted above), and costs incurred by other divisions in support of R&D activities, including depreciation, production and general and administrative, which in the aggregate were $1.2 billion and $955 million for the second quarter of 2025 and 2024, respectively, and $2.3 billion and $2.5 billion for the first six months of 2025 and 2024, respectively.

Restructuring Costs

In July 2025, the Company approved a new restructuring program (2025 Restructuring Program) designed to position the Company for its next chapter of growth and to successfully advance its pipeline and launch new products across multiple therapeutic areas. As part of this program, the Company expects to eliminate certain positions in sales and administrative organizations, as well as research and development. The Company will, however, continue to hire employees into new roles across all strategic growth areas of the business. In addition, the Company will reduce its global real estate footprint and

continue to optimize its manufacturing network, aligning the geography of its global manufacturing footprint to its customers and reflecting changes in the Company's business. Most actions contemplated under the 2025 Restructuring Program are expected to be largely completed by the end of 2027, with the exception of certain manufacturing actions, which are expected to be substantially completed by the end of 2029. The cumulative pretax costs to be incurred by the Company to implement the program are estimated to be approximately $3.0 billion, of which approximately 60% will be cash, relating primarily to employee separation expense and contractual termination costs. The remainder of the costs will be non-cash, relating primarily to the accelerated depreciation of facilities. The Company expects the actions under the 2025 Restructuring Program to result in annual cost savings of approximately $1.7 billion, which will be substantially realized by the end of 2027. The 2025 Restructuring Program is part of the Company's multiyear optimization initiative anticipated to achieve $3.0 billion in annual cost savings by the end of 2027, which will be fully reinvested into strategic growth areas of the business.

In January 2024, the Company approved a restructuring program (2024 Restructuring Program) intended to continue the optimization of the Company's Human Health global manufacturing network as the future pipeline shifts to new modalities and also optimize the Animal Health global manufacturing network to improve supply reliability and increase efficiency. The actions contemplated under the 2024 Restructuring Program are expected to be substantially completed by the end of 2031, with the cumulative pretax costs to be incurred by the Company to implement the program estimated to be approximately $4.0 billion. Approximately 60% of the cumulative pretax costs will be non-cash, relating primarily to the accelerated depreciation of facilities to be closed or divested. The remainder of the costs will result in cash outlays, relating primarily to facility shut-down costs. The Company expects the actions under the 2024 Restructuring Program will result in cumulative annual net cost savings of approximately $750 million by the end of 2031.

Restructuring costs, primarily representing separation and other costs associated with these restructuring activities, were $560 million and $80 million for the second quarter of 2025 and 2024, respectively, and $629 million and $202 million for the first six months of 2025 and 2024, respectively. Separation costs incurred were associated with actual headcount reductions, as well as estimated expenses under existing severance programs for involuntary headcount reductions that were probable and could be reasonably estimated. Other expenses in *Restructuring costs* include facility shut-down and other related costs, as well as employee-related costs such as curtailment, settlement, and termination charges associated with pension and other postretirement benefit plans and share-based compensation plan costs. For segment reporting, restructuring costs are unallocated expenses.

Additional costs associated with the Company's restructuring activities are included in *Cost of sales*, *Selling, general and administrative* expenses and *Research and development* costs. The Company recorded aggregate pretax costs of $779 million and $177 million in the second quarter of 2025 and 2024, respectively, and $884 million and $422 million for the first six months of 2025 and 2024, respectively, related to restructuring program activities. See Note 4 to the condensed consolidated financial statements for additional details.

Other (Income) Expense, Net

Other (income) expense, net was $7 million of income in the second quarter of 2025 compared with $42 million of expense in the second quarter of 2024. The favorable quarter-over-quarter change was primarily due to higher income from investments in equity securities. *Other (income) expense, net* was $43 million of income in the first six months of 2025 compared with $12 million of expense in the first six months of 2024. The favorable period-over-period change primarily reflects lower net interest expense.

For details on the components of *Other (income) expense, net* see Note 10 to the condensed consolidated financial statements.

Segment Profits

($ in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Pharmaceutical segment profits	$ 11,014	$ 11,200	$ 21,726	22,104
Animal Health segment profits	593	508	1,226	1,064
Non-segment activity	(6,608)	(5,702)	(12,050)	(11,493)
Income Before Taxes	$ 4,999	$ 6,006	$ 10,902	$ 11,675

Pharmaceutical segment profits are comprised of segment sales less standard costs, as well as SG&A expenses directly incurred by the segment. Animal Health segment profits are comprised of segment sales, less all cost of sales, as well as SG&A and R&D expenses directly incurred by the segment. For internal management reporting presented to the chief operating decision maker, Merck does not allocate the remaining cost of sales not included in segment profits as described above, R&D expenses incurred by MRL, or general and administrative expenses not directly incurred by the segments, nor the cost of financing these activities. Separate divisions maintain responsibility for monitoring and managing these costs, including depreciation related to fixed assets utilized by these divisions and, therefore, they are not included in segment profits. Also excluded from the determination of segment profits are costs related to restructuring activities and acquisition- and divestiture-related costs, including the amortization of intangible assets and amortization of purchase accounting adjustments, intangible asset impairment charges, and expense or income related to changes in the estimated fair value measurement of liabilities for contingent consideration. Additionally, segment profits do not reflect other expenses from corporate and manufacturing cost

centers and other miscellaneous income or expense. These unallocated items are reflected in “Non-segment activity” in the above table. Also included in “Non-segment activity” are miscellaneous corporate profits (losses), as well as operating profits (losses) related to third-party manufacturing arrangements.

Pharmaceutical segment profits declined 2% in the second quarter of 2025, primarily due to lower sales, partially offset by lower administrative and selling costs, and the favorable effect of foreign exchange. Pharmaceutical segment profits declined 2% in the first six months of 2025, primarily due to lower sales and the unfavorable effect of foreign exchange, partially offset by lower administrative and selling costs. Animal Health segment profits rose 17% and 15% in the second quarter and first six months of 2025, respectively, primarily due to higher sales, partially offset by higher R&D, selling and administrative costs. The increase in Animal Health segment profits for the first six months of 2025 was also partially offset by the unfavorable effect of foreign exchange.

Taxes on Income

The effective income tax rates of 11.4% and 12.7% for the second quarter and first six months of 2025, respectively, reflect a 2.9 percentage point favorable impact and a 1.4 percentage point favorable impact, respectively, due to $146 million of tax benefits resulting primarily from favorable audit adjustments. The effective income tax rates in both the second quarter and first six months of 2025 also reflect the favorable impacts of geographical mix of income and expense, as well as certain discrete items.

The effective income tax rates of 9.1% and 12.4% for the second quarter and first six months of 2024, respectively, reflect a 4.3 percentage point favorable impact and a 2.2 percentage point favorable impact, respectively, due to a $259 million reduction in reserves for unrecognized income tax benefits resulting from the expiration in June 2024 of the statute of limitations for assessments related to the 2019 federal tax return year. The effective income tax rate for the first six months of 2024 also reflects a 0.7 percentage point unfavorable impact of a charge for the acquisition of Harpoon for which no tax benefit was recognized.

While many jurisdictions in which Merck operates have adopted the global minimum tax provision of the Organization for Economic Cooperation and Development (OECD) Pillar 2, effective for tax years beginning in January 2024, it resulted in a minimal impact to the Company’s 2024 effective income tax rate due to the accounting for the tax effects of intercompany transactions. The Company expects the impact of the global minimum tax to be approximately 2% for full year 2025. In addition, in July 2025, the OBBBA was enacted into law. The Company is currently evaluating the effects of the OBBBA but does not expect a material tax impact.

The Internal Revenue Service (IRS) is currently conducting examinations of the Company’s tax returns for the years 2017 and 2018, including the one-time transition tax enacted under the Tax Cuts and Jobs Act of 2017 (TCJA). In April 2025, Merck received Notices of Proposed Adjustment (NOPAs) that would increase the amount of the one-time transition tax on certain undistributed earnings of foreign subsidiaries by approximately $1.3 billion. In addition, the NOPAs included penalties of approximately $260 million. These amounts are exclusive of any interest that may be due. The Company disagrees with the proposed adjustments and will vigorously contest the NOPAs through all available administrative and, if necessary, judicial proceedings. It is expected to take a number of years to reach resolution of this matter. If the Company is ultimately unsuccessful in defending its position, the impact could be material to its financial statements. The statute of limitations for assessments with respect to the 2019 and 2020 federal tax return years expired in June 2024 and October 2024, respectively. The IRS is also currently conducting examinations of the Company’s tax returns for the years 2021 and 2022. In addition, various state and foreign examinations are in progress.

Non-GAAP Income and Non-GAAP EPS

Non-GAAP income and non-GAAP earnings per share (EPS) are alternative views of the Company’s performance that Merck is providing because management believes this information enhances investors’ understanding of the Company’s results since management uses non-GAAP measures to assess performance. Non-GAAP income and non-GAAP EPS exclude certain items because of the nature of these items and the impact that they have on the analysis of underlying business performance and trends. The excluded items (which should not be considered non-recurring) consist of acquisition- and divestiture-related costs, restructuring costs, income and losses from investments in equity securities, and certain other items. These excluded items are significant components in understanding and assessing financial performance.

Non-GAAP income and non-GAAP EPS are important internal measures for the Company. Senior management receives a monthly analysis of operating results that includes a non-GAAP EPS metric. Management uses non-GAAP measures internally for planning and forecasting purposes and to measure the performance of the Company along with other metrics. In addition, annual employee compensation, including senior management’s compensation, is derived in part using a non-GAAP pretax income metric. Since non-GAAP income and non-GAAP EPS are not measures determined in accordance with GAAP, they have no standardized meaning prescribed by GAAP and, therefore, may not be comparable to the calculation of similar measures of other companies. The information on non-GAAP income and non-GAAP EPS should be considered in addition to, but not as a substitute for or superior to, net income and EPS prepared in accordance with generally accepted accounting principles in the U.S. (GAAP).

A reconciliation between GAAP financial measures and non-GAAP financial measures is as follows:

($ in millions except per share amounts)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Income before taxes as reported under GAAP	$ 4,999	$ 6,006	$ 10,902	$ 11,675
Increase (decrease) for excluded items:				
Acquisition- and divestiture-related costs	594	633	1,241	1,129
Restructuring costs	779	177	884	422
Income from investments in equity securities, net	(61)	(49)	(168)	(165)
Non-GAAP income before taxes	6,311	6,767	12,859	13,061
Income tax provision as reported under GAAP	571	545	1,388	1,447
Estimated tax benefit on excluded items [1]	227	148	340	257
Tax benefits resulting primarily from favorable audit adjustments	146	—	146	—
Tax benefit resulting from the expiration of the statute of limitations for assessments related to the 2019 federal tax return year	—	259	—	259
Non-GAAP income tax provision	944	952	1,874	1,963
Non-GAAP net income	5,367	5,815	10,985	11,098
Less: Net income attributable to noncontrolling interests as reported under GAAP	1	6	8	11
Non-GAAP net income attributable to Merck & Co., Inc.	$ 5,366	$ 5,809	$ 10,977	$ 11,087
EPS assuming dilution as reported under GAAP [2]	$ 1.76	$ 2.14	$ 3.77	$ 4.02
EPS difference	0.37	0.14	0.58	0.34
Non-GAAP EPS assuming dilution [2]	$ 2.13	$ 2.28	$ 4.35	$ 4.36

[1] *The estimated tax impact on the excluded items is determined by applying the statutory rate of the originating territory of the non-GAAP adjustments.*

[2] *GAAP and non-GAAP EPS were negatively affected in the second quarter of 2025 by $0.07 per share, and for the first six months of 2025 and 2024 by $0.07 and $0.26 per share, respectively, of charges for certain upfront payments related to collaborations and licensing arrangements, as well as charges related to pre-approval assets obtained in transactions accounted for as asset acquisitions.*

Acquisition- and Divestiture-Related Costs

Non-GAAP income and non-GAAP EPS exclude the impact of certain amounts recorded in connection with acquisitions and divestitures of businesses. These amounts include the amortization of intangible assets, as well as intangible asset impairment charges, and expense or income related to changes in the estimated fair value measurement of liabilities for contingent consideration. Also excluded are integration, transaction, and certain other costs associated with acquisitions and divestitures. Non-GAAP income and non-GAAP EPS also exclude amortization of intangible assets related to collaborations and licensing arrangements.

Restructuring Costs

Non-GAAP income and non-GAAP EPS exclude costs related to restructuring actions (see Note 4 to the condensed consolidated financial statements). These amounts include employee separation costs and accelerated depreciation associated with facilities to be fully or partially closed or divested. Accelerated depreciation costs represent the difference between the depreciation expense to be recognized over the revised useful life of the asset, based upon the anticipated date the site will be closed or divested or the equipment disposed of, and depreciation expense as determined utilizing the useful life prior to the restructuring actions. Restructuring costs also include asset impairment, facility shut-down, contractual termination, and other related costs, as well as employee-related costs such as curtailment, settlement, and termination charges associated with pension and other postretirement benefit plans and share-based compensation costs.

Income and Losses from Investments in Equity Securities

Non-GAAP income and non-GAAP EPS exclude realized and unrealized gains and losses from investments in equity securities either owned directly or through ownership interests in investment funds.

Certain Other Items

Non-GAAP income and non-GAAP EPS exclude certain other items. These items are adjusted for after evaluating them on an individual basis, considering their quantitative and qualitative aspects. Typically, these items are unusual in nature, significant to the results of a particular period or not indicative of future operating results. Excluded from non-GAAP income and non-GAAP EPS in 2025 are tax benefits resulting primarily from favorable audit adjustments. Excluded from non-GAAP income and non-GAAP EPS in 2024 is a benefit due to a reduction in reserves for unrecognized income tax benefits resulting from the expiration of the statute of limitations for assessments related to the 2019 federal tax return year.

Research and Development Update

The Company currently has several candidates under regulatory review in the U.S. and internationally.

MK-3475A, pembrolizumab with berahyaluronidase alfa (MK-5180) for subcutaneous administration (subcutaneous pembrolizumab), is being evaluated for noninferiority with respect to pharmacokinetics to intravenous *Keytruda* in metastatic NSCLC. The FDA accepted for review a Biologics License Application (BLA) seeking approval of MK-3475A across all previously

approved solid tumor indications for *Keytruda* and set a Prescription Drug User Fee Act (PDUFA), or target action, date of September 23, 2025. The application is supported by data from the pivotal 3475A-D77 Phase 3 trial. Additionally, the European Medicines Agency (EMA) has validated an extension application to introduce a new pharmaceutical form and new route of administration for *Keytruda*.

MK-8591A, doravirine/islatravir, is an investigational, once-daily, oral, two-drug regimen for adults with HIV-1 infection that is virologically suppressed on antiretroviral therapy under review by the FDA. The FDA set a PDUFA date of April 28, 2026 for the new drug application, which is based on findings of the Phase 3 MK-8591A-051 and MK-8591A-052 clinical trials. MK-8591A is also under review in Japan.

V116, *Capvaxive*, a 21-valent pneumococcal conjugate vaccine designed to help prevent invasive pneumococcal disease and pneumococcal pneumonia caused by certain serotypes in adults, is under review in Japan. The application is supported by results from the STRIDE clinical program, which evaluated V116 in both vaccine-naïve and vaccine-experienced adult patient populations.

MK-1654, *Enflonsia*, a prophylactic long-acting monoclonal antibody designed to protect infants from respiratory syncytial virus (RSV) disease during their first RSV season is under review in the EU and Japan.

MK-3475, *Keytruda*, is an anti-PD-1 therapy approved for the treatment of many cancers that is in clinical development for expanded indications. These studies encompass more than 30 cancer types including: biliary, estrogen receptor positive breast, triple-negative breast, cervical, colorectal, endometrial, esophageal, gastric, glioblastoma, head and neck, hepatocellular, Hodgkin lymphoma, non-Hodgkin lymphoma, non-small-cell lung, small-cell lung, melanoma, malignant pleural mesothelioma, ovarian, prostate, renal, and urothelial, several of which are currently in Phase 3 clinical development.

Keytruda is under review in the EU and Japan for the treatment of patients with resectable locally advanced head and neck squamous cell carcinoma as neoadjuvant treatment, then continued as adjuvant treatment in combination with standard of care radiotherapy with or without cisplatin and then as a single agent. The applications are based on data from the Phase 3 KEYNOTE-689 trial.

In July 2025, Merck announced the FDA granted priority review for a new supplemental BLA seeking approval to update the *Winrevair* U.S. product label based on the Phase 3 ZENITH trial. The FDA set a PDUFA date of October 25, 2025. In ZENITH, *Winrevair* demonstrated a 76% reduction in the risk of a composite of all-cause death, lung transplantation, and hospitalization for PAH ≥24 hours compared to placebo. Improvement was observed early in treatment with increasing benefit throughout the study. The ZENITH trial was stopped early by an independent data monitoring committee for overwhelming efficacy.

In June 2025, Merck announced positive topline results from the first two of three Phase 3 clinical trials evaluating the safety and efficacy of MK-0616, enlicitide decanoate, an investigational, oral proprotein convertase subtilisin/kexin type 9 (PCSK9) inhibitor being evaluated for the treatment of adults with hyperlipidemia on lipid-lowering therapies, including at least a statin. The CORALreef HeFH and CORALreef AddOn trials successfully met their primary and all key secondary endpoints, demonstrating statistically significant and clinically meaningful greater reductions in low-density lipoprotein cholesterol (LDL-C) for enlicitide compared to placebo (CORALreef HeFH) and compared to other oral non-statin therapies (CORALreef AddOn). Results from the three Phase 3 trials in the CORALreef clinical development program will be presented at a future scientific congress.

In May 2025, Merck and Daiichi Sankyo announced that the BLA seeking accelerated approval in the U.S. for MK-1022, patritumab deruxtecan (HER3-DXd), based on the HERTHENA-Lung01 Phase 2 trial for the treatment of adult patients with locally advanced or metastatic EGFR-mutated NSCLC previously treated with two or more systemic therapies, was voluntarily withdrawn. The decision to withdraw the BLA was based on topline overall survival results from the confirmatory HERTHENA-Lung02 Phase 3 trial where overall survival did not meet statistical significance, as well as discussions with the FDA. The decision is unrelated to the Complete Response Letter that was received in June 2024 outlining findings pertaining to an inspection of a third-party manufacturing facility. Patritumab deruxtecan is a specifically engineered HER3 directed DXd antibody drug conjugate (ADC) discovered by Daiichi Sankyo and being developed jointly with Merck. A comprehensive global clinical development program is underway evaluating the efficacy and safety of patritumab deruxtecan across cancers. Trials in combination with other anticancer treatments are also underway.

A pre-specified interim analysis of the Phase 3 KEYNOTE-937 study found that compared to placebo, *Keytruda* did not show a statistically significant improvement in the primary endpoint of recurrence-free survival for certain patients with HCC. Also, a pre-specified interim analysis of the Phase 3 LEAP-014 trial found that *Keytruda* plus Lenvima, in combination with platinum-based chemotherapy, did not show a statistically significant improvement in its primary endpoint of overall survival compared to *Keytruda* plus chemotherapy for the first-line treatment of patients with metastatic esophageal squamous cell carcinoma.

The chart below reflects the Company's research pipeline as of August 1, 2025. Candidates shown in Phase 3 include the date such candidate entered into Phase 3 development. Candidates shown in Phase 2 include the most advanced compound with a specific mechanism or, if listed compounds have the same mechanism, they are each currently intended for commercialization in a given therapeutic area. Small molecules and biologics are given MK-number designations and vaccine candidates are given V-number designations. Except as otherwise noted, candidates in Phase 1, additional indications in the same therapeutic area (other than with respect to cancer and immunology) and additional claims, line extensions or formulations for in-line products are not shown.

Phase 2

Alzheimer's Disease
- MK-1167
- MK-2214

Cancer
- MK-1022 (patritumab deruxtecan)[1][3]
  - Biliary
  - Bladder
  - Cervical
  - Colorectal
  - Endometrial
  - Esophageal
  - Gastric
  - Head and Neck
  - Hepatocellular
  - Melanoma
  - Non-Small-Cell lung
  - Ovarian
  - Pancreatic
  - Prostate
- MK-2400 (ifinatamab deruxtecan)[1]
  - Biliary
  - Bladder
  - Breast
  - Cervical
  - Colorectal
  - Endometrial
  - Head and Neck
  - Hepatocellular
  - Melanoma
  - Non-Small-Cell Lung
  - Ovarian
  - Pancreatic

Cancer
- MK-2870 (sacituzumab tirumotecan)[1][3]
  - Biliary
  - Bladder
  - Colorectal
  - Neoplasm Malignant
  - Pancreatic
- MK-3475 *Keytruda*
  - Prostate
- MK-3475A (subcutaneous pembrolizumab)
  - Cutaneous Squamous Cell
  - Hematological Malignancies
- MK-5909 (raludotatug deruxtecan)[1]
  - Biliary
  - Bladder
  - Cervical
  - Colorectal
  - Endometrial
  - Gastric
  - Non-Small-Cell Lung
  - Ovarian
  - Pancreatic
  - Renal Cell
  - Small-Cell Lung
- MK-6482 *Welireg*
  - Breast
- V940 (intismeran autogene)[1][2]
  - Bladder
  - Renal Cell

Eye Disorders
- MK-8748

HIV-1 Infection
- MK-8591B (islatravir+ulonivirine)

Immunology
- MK-7240 (tulisokibart)
  - Hidradenitis Suppurativa
  - Systemic Sclerosis

Metabolic Dysfunction-Associated Steatohepatitis (MASH)
- MK-6024 (efinopegdutide)

Pulmonary Hypertension-Chronic Obstructive Pulmonary Disease
- MK-5475

Pulmonary Hypertension Due To Left Heart Disease
- MK-7962 *Winrevair*

Phase 3 (Phase 3 entry date)

Antiviral COVID-19
- MK-4482 *Lagevrio* (U.S.) (May 2021)[1][4]

Cancer
- MK-1022 (patritumab deruxtecan)[1]
  - Breast (July 2025)
- MK-1026 (nemtabrutinib)
  - Hematological Malignancies (March 2023)
- MK-1084[2]
  - Colorectal (July 2025)
  - Non-Small-Cell Lung (May 2024)
- MK-1308A (quavonlimab+pembrolizumab)
  - Renal Cell (April 2021)
- MK-2140 (zilovertamab vedotin)
  - Hematological Malignancies (September 2024)
- MK-2400 (ifinatamab deruxtecan)[1]
  - Esophageal (March 2025)
  - Prostate (May 2025)
  - Small-Cell Lung (July 2024)
- MK-2870 (sacituzumab tirumotecan)[1][3]
  - Breast (April 2024)
  - Cervical (July 2024)
  - Endometrial (December 2023)
  - Gastric (May 2024)
  - Non-Small-Cell Lung (November 2023)
  - Ovarian (April 2025)
- MK-3475 *Keytruda*
  - Hepatocellular (May 2016) (EU)
  - Ovarian (December 2018)
  - Small-Cell Lung (May 2017)
- MK-3543 (bomedemstat)
  - Myeloproliferative Disorders (December 2023)
- MK-5684 (opevesostat)
  - Prostate (December 2023)
- MK-7339 Lynparza[1][2]
  - Non-Small-Cell Lung (June 2019)
  - Small-Cell Lung (December 2020)
- V940 (intismeran autogene)[1][2]
  - Melanoma (July 2023)
  - Non-Small-Cell Lung (December 2023)

Dengue Fever Virus Vaccine
- V181 (June 2025)

Diabetic Macular Edema
- MK-3000[5]

HIV-1 Infection
- MK-8591A (doravirine+islatravir) (February 2020) (EU)
- MK-8591D (islatravir+lenacapavir) (October 2024)[1][6]

HIV-1 Pre-Exposure Prophylaxis
- MK-8527 (July 2025)

Hypercholesterolemia
- MK-0616 (enlicitide decanoate) (August 2023)

Immunology
- MK-7240 (tulisokibart)
  - Crohn's Disease (June 2024)
  - Ulcerative Colitis (October 2023)

Under Review

New Molecular Entities

Cancer
- MK-3475A (subcutaneous pembrolizumab)
  - Previously Approved Solid Tumors (U.S.)
  - Previously Approved Tumors (EU)

HIV-1 Infection
- MK-8591A (doravirine+islatravir) (U.S.) (JPN)

Pneumococcal Vaccine Adult
- V116 *Capvaxive* (JPN)

Respiratory Syncytial Virus
- MK-1654 *Enflonsia* (EU) (JPN)

Certain Supplemental Filings

Cancer
- MK-3475 *Keytruda*
  - • Resectable Locally Advanced Head and Neck Squamous Cell Carcinoma (KEYNOTE-689) (EU) (JPN)

Pulmonary Arterial Hypertension
- MK-7962 *Winrevair* (ZENITH) (U.S.)

Footnotes:

[1] Being developed in a collaboration.

[2] Being developed in combination with *Keytruda*.

[3] Being developed as monotherapy and/or in combination with *Keytruda.*

[4] Available in the U.S. under Emergency Use Authorization.

[5] Program is in a Phase 2/3 study that commenced in August 2024.

[6] On FDA partial clinical hold for higher doses of islatravir than those used in current clinical trials.

Analysis of Liquidity and Capital Resources

($ in millions)	June 30, 2025	December 31, 2024
Cash and investments	$ 9,396	$ 14,152
Working capital	11,028	10,362
Total debt to total liabilities and equity	30.1 %	31.7 %

Cash provided by operating activities was $5.8 billion in the first six months of 2025 compared with $8.7 billion in the first six months of 2024. Cash provided by operating activities was reduced by $1.7 billion and $370 million for upfront and milestone payments related to certain collaborations, licensing agreements, and acquisitions in the first six months of 2025 and 2024, respectively. Cash provided by operating activities continues to be the Company's primary source of funds to finance operating needs, with excess cash serving as the primary source of funds to finance business development transactions, capital expenditures, dividends paid to shareholders and treasury stock purchases.

Cash used in investing activities was $2.3 billion in the first six months of 2025 compared with $2.4 billion in the first six months of 2024. The lower use of cash in investing activities was primarily due to lower cash used for acquisitions and higher proceeds from sales of securities and other investments, partially offset by higher purchases of securities and other investments, and higher capital expenditures (including the acquisition of a facility from WuXi Vaccines discussed in Note 2 to the condensed consolidated financial statements).

Cash used in financing activities was $9.3 billion in the first six months of 2025 compared with $1.6 billion in the first six months of 2024. The higher use of cash in financing activities was primarily due to lower proceeds from long-term debt, higher purchases of treasury stock, higher payments on long-term debt, higher dividends paid to shareholders and lower proceeds from the exercise of stock options.

The Company has accounts receivable factoring agreements with financial institutions in certain countries to sell accounts receivable. The Company factored $1.6 billion and $2.1 billion of accounts receivable at June 30, 2025 and December 31, 2024, respectively, under these factoring arrangements, which reduced outstanding accounts receivable. The cash received from the financial institutions is reported within operating activities in the Condensed Consolidated Statement of Cash Flows. In certain of these factoring arrangements, for ease of administration, the Company will collect customer payments related to the factored receivables, which it then remits to the financial institutions. The net cash flows relating to these collections are reported as financing activities in the Condensed Consolidated Statement of Cash Flows.

In February 2025, the Company's $2.5 billion, 2.75% notes matured in accordance with their terms and were repaid. In March 2024, the Company's $750 million, 2.90% notes matured in accordance with their terms and were repaid.

Dividends paid to stockholders were $4.1 billion and $3.9 billion for the first six months of 2025 and 2024, respectively. In January 2025, Merck's Board of Directors declared a quarterly dividend of $0.81 per share on the Company's outstanding common stock for the second quarter that was paid in April 2025. In May 2025, Merck's Board of Directors declared a quarterly dividend of $0.81 per share on the Company's outstanding common stock for the third quarter that was paid in July 2025.

In 2018, Merck's Board of Directors authorized purchases of up to $10 billion of Merck's common stock for its treasury. In January 2025, Merck's Board of Directors authorized purchases of up to an additional $10 billion of Merck's common stock for its treasury. The treasury stock purchase authorizations have no time limit and will be made over time in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions. During the first six months of 2025, the Company purchased $2.5 billion (29 million shares) of its common stock for its treasury under these programs. The Company expects the pace of share repurchases to continue at this level for the remainder of 2025. As of June 30, 2025, the Company's remaining share repurchase authorization was $9.9 billion.

The Company has a $6.0 billion credit facility that matures in May 2030. The facility provides backup liquidity for the Company's commercial paper borrowing facility and is to be used for general corporate purposes. The Company has not drawn funding from this facility.

Critical Accounting Estimates

The Company's significant accounting policies, which include management's best estimates and judgments, are included in Note 2 to the consolidated financial statements for the year ended December 31, 2024 included in Merck's Form 10-K filed on February 25, 2025. A discussion of accounting estimates considered critical because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates is included in the Critical Accounting Estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in Merck's Form 10-K. There have been no significant changes in the Company's critical accounting estimates since December 31, 2024.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards, see Note 1 to the condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in market risk exposures that affect the disclosures presented in "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" in the Company's 2024 Form 10-K filed on February 25, 2025.

Item 4. Controls and Procedures

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures over financial reporting. Based on their evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2025, the Company's disclosure controls and procedures are effective. For the second quarter of 2025, there were no changes in internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This report and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements," all of which are based on management's current expectations and are subject to risks and uncertainties which may cause results to differ materially from those set forth in the statements. One can identify these forward-looking statements by their use of words such as "anticipates," "expects," "plans," "will," "estimates," "forecasts," "projects" and other words of similar meaning, or negative variations of any of the foregoing. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results, product approvals, product potential, or development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ materially from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

The Company does not assume the obligation to update any forward-looking statement. One should carefully evaluate such statements in light of factors, including risk factors, described in the Company's filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q and 8-K. In Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed on February 25, 2025, the Company discusses in more detail various important risk factors that could cause actual results to differ from expected or historic results. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. One should understand that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties.

PART II - Other Information

Item 1. Legal Proceedings

The information called for by this Item is incorporated herein by reference to Note 7 included in Part I, Item 1, Financial Statements (unaudited) — Notes to Condensed Consolidated Financial Statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer purchases of equity securities for the three months ended June 30, 2025 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

				($ in millions)
Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [1]
April 1 - April 30	5,233,310	$80.96	5,233,310	$10,813
May 1 - May 31	6,028,900	$78.29	6,028,900	$10,341
June 1 - June 30	5,623,624	$79.14	5,623,624	$9,896
Total	16,885,834	$79.40	16,885,834	

[1] Shares purchased during the period were made as part of a plans approved by the Board of Directors in both October 2018 and January 2025, each to purchase up to $10 billion of Merck's common stock for its treasury.

Item 5. Other Information

Insider Trading Arrangements

During the three months ended June 30, 2025, none of the Company's directors or executive officers adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements.

Item 6. Exhibits

Number		Description
3.1	—	Restated Certificate of Incorporation of Merck & Co., Inc. (November 3, 2009) – Incorporated by reference to Merck & Co., Inc.'s Current Report on Form 8-K filed on November 4, 2009 (No. 1-6571)
3.2	—	By-Laws of Merck & Co., Inc. (effective November 19. 2024) – Incorporated by reference to Merck & Co., Inc.'s Current Report on Form 8-K filed on November 22, 2024 (No. 1-6571)
31.1	—	Rule 13a – 14(a)/15d – 14(a) Certification of Chief Executive Officer
31.2	—	Rule 13a – 14(a)/15d – 14(a) Certification of Chief Financial Officer
32.1	—	Section 1350 Certification of Chief Executive Officer
32.2	—	Section 1350 Certification of Chief Financial Officer
101.INS	—	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	—	XBRL Taxonomy Extension Schema Document.
101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document.
104	—	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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 thereunto duly authorized.

MERCK & CO., INC.

Date: August 5, 2025

/s/ Jennifer Zachary
JENNIFER ZACHARY
Executive Vice President and General Counsel

Date: August 5, 2025

/s/ Dalton Smart
DALTON SMART
Senior Vice President Finance - Global Controller

Exhibit 31.1

CERTIFICATION

I, Robert M. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merck & Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2025

By: /s/ Robert M. Davis
ROBERT M. DAVIS
Chairman, Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION

I, Caroline Litchfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merck & Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2025

By: /s/ Caroline Litchfield

CAROLINE LITCHFIELD
Executive Vice President, Chief Financial Officer

Exhibit 32.1

Section 1350
Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Merck & Co., Inc. (the “Company”), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2025

/s/ Robert M. Davis

Name: ROBERT M. DAVIS
Title: Chairman, Chief Executive Officer and President

Exhibit 32.2

Section 1350
Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Merck & Co., Inc. (the “Company”), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 5, 2025

/s/ Caroline Litchfield

Name: CAROLINE LITCHFIELD
Title: Executive Vice President, Chief Financial Officer