

MERCK & CO., INC.

Kenilworth, N.J., USA

Pricing Action Transparency Report 2017

We have a long history of making our medicines and vaccines accessible and affordable through responsible pricing practices and industry-leading patient access programs. To help people better understand our pricing practices, in 2017 we began disclosing information about our price actions in the United States. The table below shows that our average annual net price increases (after taking sales deductions such as rebates, discounts and returns into account) across our portfolio have been in the low to mid-single digits from 2010-2016. In 2017, the average annual net price across our portfolio declined by 1.9 percent, reflecting specific in-year dynamics, including the impact of loss of patent protection for three major medicines. Additionally, our weighted average annual discount rate has been steadily increasing over time, reflecting the competitive market for branded medicines and the impact of the Affordable Care Act. In 2017, our gross US sales were reduced by 45.1% as a result of rebates, discounts and returns. This information will be updated annually on our Corporate Responsibility website.

	2010	2011	2012	2013	2014	2015	2016	2017
US Product Portfolio¹								
% Change vs. Prior Year²								
List Price Change (WAC) ³	7.4	9.5	9.2	9.6	10.5	9.8	9.6	6.6
Net Price ⁴ Change	3.4	5.1	6.2	5.5	3.7	5.5	5.5	(1.9)

	2010	2011	2012	2013	2014	2015	2016	2017
US Product Portfolio								
Avg. Discount ⁵ (%)	27.3	28.9	29.9	32.1	37.0	38.2	40.9	45.1

¹ US Product Portfolio includes human health pharmaceutical and vaccine products marketed by the company. The product sales utilized in the analysis represent ~97% of the total US Product Portfolio in 2010, increasing each year to approach 99.8% of coverage in 2017.

² Annual percent change vs. prior year was calculated at a product level and weighted across the company's US Product Portfolio.

³ Represents the year-over-year change in the average list price or wholesale acquisition cost (WAC).

⁴ Represents the year-over-year change in average net price, which is WAC less rebates, discounts and returns.

⁵ Weighted average annual discount is calculated by dividing annual rebates, discounts and returns by annual gross sales.

The amount of rebates, discounts and returns is estimated by the company and methodologies used may differ from methodologies used by other companies. These data are not audited and should be read in conjunction with the company's filings with the Securities and Exchange Commission.