## Item 8. Financial Statements and Supplementary Data.

## (a) Financial Statements

The consolidated balance sheet of Merck & Co., Inc. and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2017, the notes to consolidated financial statements, and the report dated February 27, 2018 of PricewaterhouseCoopers LLP, independent registered public accounting firm, are as follows:

# **Consolidated Statement of Income**

Merck & Co., Inc. and Subsidiaries Years Ended December 31 (\$ in millions except per share amounts)

	2017	2016	2015
Sales	\$ 40,122	\$ 39,807	\$ 39,498
Costs, Expenses and Other			
Materials and production	12,775	13,891	14,934
Marketing and administrative	9,830	9,762	10,313
Research and development	10,208	10,124	6,704
Restructuring costs	776	651	619
Other (income) expense, net	12	720	1,527
	33,601	35,148	34,097
Income Before Taxes	6,521	4,659	5,401
Taxes on Income	4,103	718	942
Net Income	2,418	3,941	4,459
Less: Net Income Attributable to Noncontrolling Interests	24	21	17
Net Income Attributable to Merck & Co., Inc.	\$ 2,394	\$ 3,920	\$ 4,442
Basic Earnings per Common Share Attributable to Merck & Co., Inc. Common Shareholders	\$ 0.88	\$ 1.42	\$ 1.58
Earnings per Common Share Assuming Dilution Attributable to Merck & Co., Inc. Common Shareholders	\$ 0.87	\$ 1.41	\$ 1.56

## **Consolidated Statement of Comprehensive Income**

Merck & Co., Inc. and Subsidiaries Years Ended December 31 (\$ in millions)

	2017	2016	2015
Net Income Attributable to Merck & Co., Inc.	\$ 2,394	\$ 3,920	\$ 4,442
Other Comprehensive Income (Loss) Net of Taxes:			
Net unrealized loss on derivatives, net of reclassifications	(446)	(66)	(126)
Net unrealized loss on investments, net of reclassifications	(58)	(44)	(70)
Benefit plan net gain (loss) and prior service credit (cost), net of amortization	419	(799)	579
Cumulative translation adjustment	401	(169)	(208)
	316	(1,078)	175
Comprehensive Income Attributable to Merck & Co., Inc.	\$ 2,710	\$ 2,842	\$ 4,617

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

# **Consolidated Balance Sheet**

Merck & Co., Inc. and Subsidiaries

December 31

(\$ in millions except per share amounts)

Current Assets         Cash and cash equivalents         \$ 6,92         \$ 6,192         \$ 6,72         \$ 6,72         \$ 6,72         \$ 6,72         \$ 6,873         7,826         Accounts receivable (net of allowance for doubtful accounts of \$210 in 2017 and \$1915 in 2016 in 2016) in 2016 in 2		2017	2016
Cash and cash equivalents         \$ 6,992         \$ 6,515           Short-term investments         2,406         7,826           Accounts receivable (net of allowance for doubtful accounts of \$210 in 2017 and \$195 in 2016)         6,873         7,018           Inventories (excludes inventories of \$1,187 in 2017 and \$1,117 in 2016         5,096         4,866         4,866         7,018         1,329         1,326         3,014         1,466         3,061         4,866         3,014         1,461         1,462         1,461         1,462         1,461         1,462         1,462         1,461         1,462         1,462         1,462         1,462         1,462         1,462         1,462         1,462         1,472         1,472         1,472         1,472         1,472         1	Assets		
Short-term investments         2,406         7,826           Accounts receivable (net of allowance for doubtful accounts of \$210 in 2017 and \$195 in 2016)         6,873         7,018           Inventories (excludes inventories of \$1,187 in 2017 and \$1,117 in 2016 classified in Other assets - see Note 7)         5,096         4,866           Other current assets         4,299         4,389           Total current assets         24,766         30,614           Investments         11,2125         11,416           Property, Plant and Equipment (at cost)         365         412           Land         365         412           Buildings         11,726         11,439           Machinery, equipment and office furnishings         14,649         14,033           Construction in progress         2,301         18,71           Less: accumulated depreciation         16,002         15,749           Less: accumulated depreciation         18,284         18,162           Other Assets         6,075         5,854           Other Assets         6,075         5,854           Other Assets         5,075         5,854           Current Liabilities         1,220         1,220         1,220           Leasn payable and current portion of long-term debt         3,05			
Accounts receivable (net of allowance for doubtful accounts of \$10 in 2017 and \$19.5 in 2016)	<del>-</del>	. ,	
Assistant   Assi		2,406	7,826
classified in Other assets - see Note 7)         5,096         4,896         4,389         100         4,299         4,388         100         10		6,873	7,018
Total current assets         24,766         30,614           Investments         12,125         11,416           Property, Plant and Equipment (at cost)         365         412           Land         365         412           Buildings         11,726         11,439           Machinery, equipment and office furnishings         14,043         40,053           Construction in progress         2,301         1,871           Less: accumulated depreciation         16,602         15,749           Less: accumulated depreciation         16,602         15,749           Condwill         18,284         18,162           Other Assets         6,075         5,854           Other Assets         6,075         5,854           Current Liabilities         1,122         1,122           Loans payable and current portion of long-term debt         8 3,057         5 68           Trade accounts payable         3,057         5 68           Trade accounts payable         3,057         5 68           Trade accounts payable         1,027         1,204           Long-Term Debt         1,254         1,204           Long-Term Debt         21,353         2,224           Deferred Income Taxes	Inventories (excludes inventories of \$1,187 in 2017 and \$1,117 in 2016 classified in Other assets - see Note 7)	5,096	4,866
Investments	Other current assets	4,299	4,389
Property, Plant and Equipment (at cost)	Total current assets	24,766	30,614
Land         365         412           Buildings         11,726         11,439           Machinery, equipment and office furnishings         11,649         14,053           Construction in progress         2,301         1,871           Less: accumulated depreciation         16,602         15,749           Less: accumulated depreciation         18,284         18,162           Goodwill         18,284         18,162           Other Intangibles, Net         14,183         17,305           Other Assets         6,075         5,854           Current Liabilities         87,372         \$ 5,877           Loans payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         3,102         2,807           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,17         8,514	Investments	12,125	11,416
Buildings         11,726         11,439           Machinery, equipment and office furnishings         14,649         14,033           Construction in progress         23,011         1,871           Less: accumulated depreciation         16,662         15,749           Less: accumulated depreciation         12,439         12,026           Goodwill         12,439         12,026           Other Intangibles, Net         14,183         17,035           Other Assets         6,075         5,854           Comment Liabilities         6,075         5,854           Tradia accounts payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         16,427         10,227           Income taxes payable         708         2,239           Dividends payable         708         2,239           Total current liabilities         1,117         8,514	Property, Plant and Equipment (at cost)		
Machinery, equipment and office furnishings         14,649         14,053           Construction in progress         2,301         1,871           Less: accumulated depreciation         16,602         15,749           Condwill         12,439         12,026           Goodwill         18,284         18,162           Other Intangibles, Net         14,183         17,305           Other Assets         6,075         5,854           Current Liabilities         87,872         \$ 95,377           Liabilities and Equity         2         2,907         \$ 5,854           Current Liabilities         3,102         2,807         \$ 568           Trade accounts payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807         \$ 2,201           Accrued and other current liabilities         10,427         10,274 <t< td=""><td>Land</td><td>365</td><td>412</td></t<>	Land	365	412
Construction in progress         2,301         1,871           29,041         27,775           Less: accumulated depreciation         16,602         15,749           Goodwill         12,439         12,026           Goodwill         18,284         18,162           Other Intangibles, Net         14,183         17,305           Other Assets         6,075         5,854           Correct         87,872         \$ 95,377           Liabilities and Equity         2         5,3057         \$ 568           Current Liabilities         3,102         2,807         \$ 568         \$ 2,239         \$ 568         \$ 2,239         \$ 2,2807         \$ 568         \$ 2,2807         \$ 568         \$ 2,2807         \$ 2,2807         \$ 568         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,2807         \$ 2,230         \$ 2,230         \$ 2,230         \$ 2,230         \$ 2,230         \$ 2,230         \$ 2,230         \$ 2,316         \$ 2,230         \$ 2,316         \$ 2,230         \$ 2,316         \$ 2,230         \$ 2,316         \$ 2,230         \$ 2,316         \$ 2,230         \$ 2,316         \$ 2,230         \$ 2,316         \$ 2,230	Buildings	11,726	11,439
Less: accumulated depreciation         29,041         27,775           Less: accumulated depreciation         16,602         15,749         12,026           Goodwill         18,284         18,162         14,183         17,305           Other Intangibles, Net         14,183         17,305         5,854         \$ 87,872         \$ 95,377           Liabilities and Equity         Current Liabilities           Loans payable and current portion of long-term debt         \$ 3,057         \$ 568         7 58	Machinery, equipment and office furnishings	14,649	14,053
Less: accumulated depreciation         16,602         15,449           Goodwill         12,439         12,029           Other Intangibles, Net         14,183         17,305           Other Assets         6,075         5,854           Councer Assets         6,075         5,854           Current Liabilities         87,872         95,377           Loans payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,224           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value         1,788         1,788           Authorized - 6,500,000,000 shares         1,816         1,788         1,788           Other paid-in capital         39,902         39,939     <	Construction in progress	2,301	1,871
12,439   12,026     18,284   18,162     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   18,787   18		29,041	27,775
12,439   12,026     18,284   18,162     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   17,305     14,183   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,787   18,788   18,614   17,204   18,788   18,614   17,204   18,788   18,614   17,204   18,788   18,614   18,788   18	Less: accumulated depreciation	16,602	15,749
Goodwill         18,284         18,162           Other Intangibles, Net         14,183         17,305           Other Assets         6,075         5,854           \$ 8,787         \$ 95,377           Liabilities and Equity         Current Liabilities           Loans payable and current portion of long-term debt         3,057         568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,17         8,514           Merck & Co., Inc. Stockholders' Equity         2,219         5,077           Other Noncurrent Liabilities         1,788         1,788           Other paid-in capital         39,902         39,939           Retained earnings         41,350         44,133           Other paid-in capital         39,902         39,939           Retained earnings <td></td> <td></td> <td>12,026</td>			12,026
Other Intangibles, Net         14,183         17,305           Other Assets         6,075         5,854           ** 87,872         95,377           Liabilities and Equity           Current Liabilities           Loans payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         34,514         1,788         1,788           Common stock, \$0.50 par value         39,902         39,393         39,393           Issued - 3,577,103,522 shares in 2017 and 2016         1,788         1,788         1,788           Other paid-in capital         39,902         39,393         39,393         44,133           Accumulated other comp	Goodwill		
Other Assets         6,075         5,854           8 87,872         95,377           Liabilities and Equity           Current Liabilities           Loans payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,17         8,514           Merck & Co., Inc. Stockholders' Equity         2           Common stock, \$0.50 par value         3,577,103,522 shares in 2017 and 2016         1,788         1,788           Issued - 3,577,103,522 shares in 2017 and 2016         1,788         1,788           Other paid-in capital         39,902         39,902           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         4,910         5,226	Other Intangibles, Net		
\$ 87,872         \$ 95,377           Liabilities and Equity           Current Liabilities         3,057         568           Trade accounts payable         3,02         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         2         2           Common stock, \$0.50 par value         3         1,788         1,788           Authorized - 6,500,000,000 shares         1,864         1,788         1,788           Issued - 3,577,103,522 shares in 2017 and 2016         39,902         39,939           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         44,910         5,226           78,130         80,634           Less treasury stock, at cost:         880,491,914 shares in 2017 and 828,372,200 shares in 2016			
Liabilities and Equity           Current Liabilities         3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         2         1,788         1,788           Common stock, \$0.50 par value         3,577,103,522 shares in 2017 and 2016         1,788         1,788           Other paid-in capital         39,902         39,939           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         (4,910)         (5,226           Total Merck & Co., Inc. stockholders' equity         34,336         40,088           Noncontrolling Interests         233         220           Total equity         34,569         40,308			
Current Liabilities         3,057         568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Otal current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         2         5,077           Common stock, \$0.50 par value         3,577,103,522 shares in 2017 and 2016         1,788         1,788           Other paid-in capital         39,902         39,939           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         (4,910)         (5,226           Test treasury stock, at cost:         880,491,914 shares in 2017 and 828,372,200 shares in 2016         43,794         40,546           Total Merck & Co., Inc. stockholders' equity         34,336         40,088           Noncontrolling Interests         233         220           Total equity         40,308	Liabilities and Equity	4 01,012	4 20,000
Loans payable and current portion of long-term debt         \$ 3,057         \$ 568           Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity			
Trade accounts payable         3,102         2,807           Accrued and other current liabilities         10,427         10,274           Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value         8,000,000,000 shares         1,788         1,788           I ssued - 3,577,103,522 shares in 2017 and 2016         1,788         1,788         1,788           Other paid-in capital         39,902         39,939           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         (4,910)         (5,226           Less treasury stock, at cost:         880,491,914 shares in 2017 and 828,372,200 shares in 2016         43,794         40,546           Total Merck & Co., Inc. stockholders' equity         34,336         40,088           Noncontrolling Interests         233         220           Total equity         34,569         40,308		\$ 3.057	\$ 568
Accrued and other current liabilities       10,427       10,274         Income taxes payable       708       2,239         Dividends payable       1,320       1,316         Total current liabilities       18,614       17,204         Long-Term Debt       21,353       24,274         Deferred Income Taxes       2,219       5,077         Other Noncurrent Liabilities       11,117       8,514         Merck & Co., Inc. Stockholders' Equity       2       2       2       2       2       2       3,507       3,514       3,514       3,788       1,788 <t< td=""><td>The state of the s</td><td></td><td></td></t<>	The state of the s		
Income taxes payable         708         2,239           Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         2         2         2         3,514	± •		
Dividends payable         1,320         1,316           Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value         \$ 1,788         1,788			
Total current liabilities         18,614         17,204           Long-Term Debt         21,353         24,274           Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value           Authorized - 6,500,000,000 shares         Issued - 3,577,103,522 shares in 2017 and 2016         1,788         1,788           Other paid-in capital         39,902         39,939           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         (4,910)         (5,226           Test treasury stock, at cost:         80,491,914 shares in 2017 and 828,372,200 shares in 2016         43,794         40,546           Total Merck & Co., Inc. stockholders' equity         34,336         40,088           Noncontrolling Interests         233         220           Total equity         34,569         40,308	· ·		
Long-Term Debt       21,353       24,274         Deferred Income Taxes       2,219       5,077         Other Noncurrent Liabilities       11,117       8,514         Merck & Co., Inc. Stockholders' Equity       Common stock, \$0.50 par value         Authorized - 6,500,000,000 shares       Issued - 3,577,103,522 shares in 2017 and 2016       1,788       1,788         Other paid-in capital       39,902       39,939         Retained earnings       41,350       44,133         Accumulated other comprehensive loss       (4,910)       (5,226         Less treasury stock, at cost:       880,491,914 shares in 2017 and 828,372,200 shares in 2016       43,794       40,546         Total Merck & Co., Inc. stockholders' equity       34,336       40,088         Noncontrolling Interests       233       220         Total equity       34,569       40,308			
Deferred Income Taxes         2,219         5,077           Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value           Authorized - 6,500,000,000 shares         Issued - 3,577,103,522 shares in 2017 and 2016         1,788         1,788           Other paid-in capital         39,902         39,939           Retained earnings         41,350         44,133           Accumulated other comprehensive loss         (4,910)         (5,226           Eess treasury stock, at cost:         880,491,914 shares in 2017 and 828,372,200 shares in 2016         43,794         40,546           Total Merck & Co., Inc. stockholders' equity         34,336         40,088           Noncontrolling Interests         233         220           Total equity         34,569         40,308			
Other Noncurrent Liabilities         11,117         8,514           Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value			
Merck & Co., Inc. Stockholders' Equity         Common stock, \$0.50 par value       Authorized - 6,500,000,000 shares         Issued - 3,577,103,522 shares in 2017 and 2016       1,788       1,992       39,902       39,939       Retained earnings       41,350       41,350       41,350       41,313       80,634         Less treasury stock, at cost:       880,491,914 shares in 2017 and 828,372,200 shares in 2016       43,336       40,546			
Common stock, \$0.50 par value         Authorized - 6,500,000,000 shares       1,788       1,788         Issued - 3,577,103,522 shares in 2017 and 2016       39,902       39,939         Other paid-in capital       39,902       39,939         Retained earnings       41,350       44,133         Accumulated other comprehensive loss       (4,910)       (5,226         Less treasury stock, at cost:       880,491,914 shares in 2017 and 828,372,200 shares in 2016       43,794       40,546         Total Merck & Co., Inc. stockholders' equity       34,336       40,088         Noncontrolling Interests       233       220         Total equity       34,569       40,308		11,117	0,314
Issued - 3,577,103,522 shares in 2017 and 2016       1,788       1,788         Other paid-in capital       39,902       39,939         Retained earnings       41,350       44,133         Accumulated other comprehensive loss       (4,910)       (5,226         Less treasury stock, at cost:             880,491,914 shares in 2017 and 828,372,200 shares in 2016       43,794       40,546         Total Merck & Co., Inc. stockholders' equity       34,336       40,088         Noncontrolling Interests       233       220         Total equity       34,569       40,308	Common stock, \$0.50 par value		
Other paid-in capital       39,902       39,939         Retained earnings       41,350       44,133         Accumulated other comprehensive loss       (4,910)       (5,226         78,130       80,634         Less treasury stock, at cost:	Issued - 3,577,103,522 shares in 2017 and 2016	1,788	1,788
Retained earnings       41,350       44,133         Accumulated other comprehensive loss       (4,910)       (5,226         78,130       80,634         Less treasury stock, at cost:		39,902	39,939
Accumulated other comprehensive loss       (4,910)       (5,226)         Result of the comprehensive loss       78,130       80,634         Less treasury stock, at cost:	1 1	,	
Total Merck & Co., Inc. stockholders' equity       34,336       40,088         Noncontrolling Interests       233       220         Total equity       34,569       40,308		(4,910)	(5,226)
Less treasury stock, at cost:       43,794       40,546         880,491,914 shares in 2017 and 828,372,200 shares in 2016       34,336       40,088         Total Merck & Co., Inc. stockholders' equity       34,336       40,088         Noncontrolling Interests       233       220         Total equity       34,569       40,308	•		
Total Merck & Co., Inc. stockholders' equity         34,336         40,088           Noncontrolling Interests         233         220           Total equity         34,569         40,308		ŕ	40,546
Noncontrolling Interests         233         220           Total equity         34,569         40,308		34.336	40.088
Total equity 34,569 40,308			
		\$ 87,872	\$ 95,377

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

# **Consolidated Statement of Cash Flows**

Merck & Co., Inc. and Subsidiaries Years Ended December 31 (\$ in millions)

	2017	2016	2015
Cash Flows from Operating Activities			
Net income	\$ 2,418	\$ 3,941	\$ 4,459
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,637	5,441	6,375
Intangible asset impairment charges	646	3,948	162
Provisional charge for one-time transition tax related to the enactment of U.S. tax legislation	5,347	_	_
Charge for future payments related to AstraZeneca collaboration license options	500	_	_
Charge related to the settlement of worldwide Keytruda patent litigation	_	625	_
Foreign currency devaluation related to Venezuela	_	_	876
Net charge related to the settlement of Vioxx shareholder class action litigation			680
Equity income from affiliates	(42)	(86)	(205)
Dividends and distributions from equity method affiliates	2	16	50
Deferred income taxes	(2,621)	(1,521)	(764)
Share-based compensation	312	300	299
Other	269	313	874
Net changes in assets and liabilities:			
Accounts receivable	297	(619)	(480)
Inventories	(145)	206	805
Trade accounts payable	254	278	(37)
Accrued and other current liabilities	(922)	(2,018)	(8)
Income taxes payable	(3,291)	124	(266)
Noncurrent liabilities	(123)	(809)	(277)
Other	(1,091)	237	(5)
Net Cash Provided by Operating Activities	6,447	10,376	12,538
Cash Flows from Investing Activities			· · · · · · · · · · · · · · · · · · ·
Capital expenditures	(1,888)	(1,614)	(1,283)
Purchases of securities and other investments	(10,739)	(15,651)	(16,681)
Proceeds from sales of securities and other investments	15,664	14,353	20,413
Acquisition of Cubist Pharmaceuticals, Inc., net of cash acquired			(7,598)
Acquisitions of other businesses, net of cash acquired	(396)	(780)	(146)
Dispositions of businesses, net of cash divested	_	_	316
Other	38	482	221
Net Cash Provided by (Used in) Investing Activities	2,679	(3,210)	(4,758)
Cash Flows from Financing Activities		( ) )	( ) )
Net change in short-term borrowings	(26)	_	(1,540)
Payments on debt	(1,103)	(2,386)	(2,906)
Proceeds from issuance of debt		1,079	7,938
Purchases of treasury stock	(4,014)	(3,434)	(4,186)
Dividends paid to stockholders	(5,167)	(5,124)	(5,117)
Proceeds from exercise of stock options	499	939	485
Other	(195)	(118)	(61)
Net Cash Used in Financing Activities	(10,006)	(9,044)	(5,387)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	457	(131)	(1,310)
Net (Decrease) Increase in Cash and Cash Equivalents	(423)	(2,009)	1,083
Cash and Cash Equivalents at Beginning of Year	6,515	8,524	7,441
Cash and Cash Equivalents at End of Year	\$ 6,092	\$ 6,515	\$ 8,524
Chair and Chair Equitation in Diffe of Tour	J 0,072	\$ 0,515	ψ 0,22T

 $\label{thm:consolidated financial statement.} The \ accompanying \ notes \ are \ an \ integral \ part \ of \ this \ consolidated \ financial \ statement.$