



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attachment.

Blank lines for listing Internal Revenue Code sections.

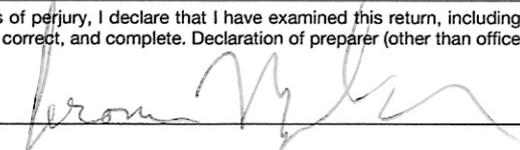
18 Can any resulting loss be recognized? ▶ See attachment.

Blank lines for providing information on resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment.

Blank lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here** Signature ▶  Date ▶ 6-17-2021

Print your name ▶ Jerome Mychalowych Title ▶ SVP Corporate Tax

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Merck & Co., Inc.

Distribution of Organon & Co. Common Stock

Attachment to Form 8937

**Disclaimer: The information in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account the specific circumstances that may apply to particular categories of Merck & Co., Inc. (“Merck”) shareholders. Each Merck shareholder is urged to consult his, her or its own tax advisor regarding the consequences of the transactions described herein, including the impact on tax basis resulting therefrom.**

**Part II**

**Line 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action.**

On June 2, 2021 (the “Distribution Date”), Merck distributed 100% of the outstanding shares of common stock of Organon & Co. (“Organon”) pro rata to Merck shareholders of record as of the close of business on May 17, 2021 (the “Record Date,” and such distribution, the “Distribution”). In the Distribution, each shareholder who held Merck common stock on the Record Date and did not sell them in the “regular way”<sup>1</sup> before the close of business on the Distribution Date received one-tenth of a share of Organon common stock for each share of Merck common stock owned on the Record Date.

No fractional shares of Organon common stock were issued. All fractional shares of Organon common stock that Merck shareholders otherwise would have been entitled to receive as a result of the Distribution were aggregated into whole shares and sold on the open market, and the resulting cash proceeds of the sale were paid to such shareholders.

**Line 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

As a result of the Distribution, Merck shareholders will be required to allocate their aggregate tax basis in their Merck common stock held immediately before the Distribution among (i) the shares of Organon common stock received in the Distribution (including any fractional shares of Organon common stock for which cash was received), and (ii) the Merck common stock in respect of which such Organon common stock was received in proportion to their relative fair market values immediately after the Distribution.

**Line 16 – Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

U.S. federal income tax laws provide that the allocation of the aggregate tax basis discussed under Line 15 above shall be allocated in the Distribution based on the fair market value of the resulting Merck and Organon shares received. The tax laws do not, however, provide any further guidance on the determination of fair market value. You should consult your tax advisor to determine the appropriate fair market values. One method to determine the fair market value is to use the NYSE closing prices of the Merck and Organon common stock on June 3, 2021, the first trading day after the distribution. The NYSE closing price of a share of Merck common stock on June 3, 2021 was \$73.91. The NYSE closing price of a share of Organon common stock on June 3, 2021 was \$37.00. Based on these prices for the purposes of determining fair market value and the distribution ratio of one-tenth of a share of Organon for each share of Merck common stock held, a Merck shareholder’s pre-distribution tax basis in

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<sup>1</sup> Shares of Merck common stock that traded in the “regular-way” market on the New York Stock Exchange until the close of business on the Distribution Date traded with an entitlement to shares of Organon common stock distributed on the Distribution Date.

each Merck shares should be allocated 95.23% to the Merck share and 4.77% to the Organon share received (including any Organon fractional shares for which cash was received) with respect to the Merck share.

For example, if a Merck shareholder owned a single block of 1,025 shares of Merck common stock with a basis of \$10 per share and received 102 shares of Organon common stock in the Distribution as well as cash for the 0.5 Organon fractional share, 95.23% of the aggregate tax basis of \$10,250, or \$9,761.08, would be allocated to the 1,025 shares of Merck common stock, resulting in a tax basis of \$9.52 per share of Merck common stock. The remaining 4.77% of the aggregate tax basis, or \$488.93, would be allocated to the 102.5 shares of Organon common stock. This results in a tax basis of approximately \$4.77 per share, with approximately \$486.54 allocated to the 102 shares received of Organon common stock and approximately \$2.39 allocated to the Organon fractional share in respect of which cash is received.

Merck shareholders who acquired blocks of Merck common stock at different times or at different prices should perform the foregoing allocation separately with respect to each such block of Merck common stock in consultation with their own tax advisors. Other valuation methodologies may exist, and shareholders are urged to consult their tax advisors regarding these basis allocation calculations. Merck shareholders are not bound by the approach illustrated above and may, in consultation with their own tax advisors, use another approach in determining fair market values for Merck common stock and Organon common stock.

**Line 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

The applicable Internal Revenue Code sections upon which the tax treatment is based are sections 355, 358, 368, 1001, and 1223.

**Line 18 – Can any resulting loss be recognized?**

Generally, no gain or loss will be recognized for tax purposes as a result of the Distribution. A Merck shareholder who receives cash in lieu of a fractional share of Organon common stock will recognize gain or loss equal to the difference between the amount of cash received and the tax basis in the fractional share. The deductibility of capital losses is subject to limitations.

**Line 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The Distribution occurred on June 2, 2021. As a result, the basis adjustments in the shares of Merck common stock and Organon common stock should be reported in the taxable year that includes this date. In the case of shareholders who are calendar year taxpayers, the Distribution is reportable in the tax year ending December 31, 2021.