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DELTA REPORT

10-K

OGN - ORGANON & CO.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	6314
CHANGES	276
DELETIONS	2688
ADDITIONS	3350

REFINITIV

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022 December 31, 2023

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. 001-40235

Organon & Co.

(Exact name of registrant as specified in its charter)

Delaware	**46-4838035**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

30 Hudson Street, Floor 33
Jersey City New Jersey 07302
(Address of principal executive offices) (zip code)

(Registrant's telephone number, including area code) **(551) 430-6900**

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 ($0.01 par value)	OGN	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant, computed by reference to the closing price at which the Common Stock was sold as of the end of the second fiscal quarter ended June 30, 2022 June 30, 2023, was $8.6 billion $5.3 billion.

The number of shares of Common Stock outstanding as of the close of business on February 22, 2023 February 20, 2024: 254,382,732 255,638,256

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III will be incorporated by reference from the Registrant's definitive proxy statement for its 2023 2024 Annual Meeting of Stockholders (the "2023 "2024 Proxy Statement"), which will be filed pursuant to Regulation 14A with the United States Securities and Exchange Commission ("SEC") within 120 days after the end of the fiscal year to which this report relates.

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The following notations in this Annual Report on Form 10-K (this "2022 "2023 Form 10-K") have the meanings as set forth below:

[1] Indicates, in this 2022 2023 Form 10-K, brand names of products, which are not available in the United States.

[2] Indicates brand names of products which are trademarks not owned by Organon. Specific trademark ownership information is included in the Exhibit Index at the end of this 2022 2023 Form 10-K.

PART I

Item 1. Business

Overview

Organon & Co. ("Organon" Organon," the "Company," "we," "our," or the "Company" "us") is a global health care company with a focus on improving the health of women throughout their lives. Organon develops We develop and delivers deliver innovative health solutions through a portfolio of prescription therapies and medical devices within women's health, biosimilars and established brands (the "Organon Products"). Organon has brands. We have a portfolio of more than 60 medicines and products across a range of therapeutic areas. The Company sells We sell these products through various channels including drug wholesalers and retailers, hospitals, government agencies and managed health care providers such as health maintenance organizations, pharmacy benefit managers and other institutions. The Company operates We operate six manufacturing facilities, which are

located in Belgium, Brazil, Indonesia, Mexico, the Netherlands and the United Kingdom. Unless otherwise indicated, trademarks appearing in italics throughout this document are trademarks of, or are used under license by, the Organon group of companies.

The Company's Our operations include the following product portfolios:

- *Women's Health*: Organon's Our women's health products are sold by prescription primarily in two therapeutic areas, contraception, with key brands such as *Nexplanon*® (etonogestrel implant) (sold as *Implanon NXT*™ [1] *NXT*™ in some countries outside the United States) and *NuvaRing*® (estonogestrel/ (etonogestrel / ethinyl estradiol vaginal ring), and fertility, with key brands such as *Follistim*® *AQ* *Follistim AQ*®(follitropin (follitropin beta injection) and (marketed in most countries outside the United States as *Elonva*™ *Puregon*[1](corifollitropin alfa) ™). *Nexplanon*, is a long-acting reversible contraceptive, which and is in a class of contraceptives that is recognized as one of the most effective types of hormonal contraception available to patients with a low long-term average cost. The Our other women's health products include the *Jada*® System, which is intended to provide control and treatment of abnormal postpartum uterine bleeding or hemorrhage when conservative management is warranted. Organon acquired *Jada*® through its acquisition of Alydia Health. *Elonva* is a sustained follicle stimulant for controlled ovarian stimulation in combination with a gonadotropin-releasing hormone ("GnRH") antagonist for the development of multiple follicles in women participating in assisted reproductive technologies. It is not approved or marketed in the United States but is available warranted, and marketed in certain European countries. In addition, Organon has a license from Daré Biosciences for the global commercial rights to *Xaciato*™ *Xaciato*® (clindamycin phosphate vaginal gel, 2%), an FDA-approved medication for the treatment of bacterial vaginosis ("BV") in females 12 years of age and older. Organon's mission is to be In October 2023, we launched *Xaciato* in the world's leading women's health company and to deliver a better and healthier every day for every woman. Organon plans to continue building on its strengths in reproductive health and fertility as it assembles a suite of health options that help address the areas of high unmet needs for women from adolescence to menopause and beyond. United States.

- *Biosimilars*: Organon's Our current portfolio spans across immunology and oncology treatments. Organon plans to continue evaluating opportunities in other potential therapeutic areas, including ophthalmology, diabetes Our oncology biosimilars; *Ontruzant*® (trastuzumab-dttb) and neuroscience. Organon's oncology biosimilars *Aybintio*™ [1] (bevacizumab), have been launched in more than 20 countries and Organon's our immunology biosimilars biosimilars; *Brenzys*™ [1] (etarnarcept), *Renflexis*® (infliximab-abda) and *Hadlima*® (adalimumab-bwwd), have been launched in five countries. All five biosimilars in Organon's our portfolio have launched in Canada, and two biosimilars, three biosimilars; *Ontruzant*® *Ontruzant*(trastuzumab-dttb) , *Renflexis* and *Renflexis*® (infliximab-abda) Hadlima have been launched in the United States. Organon expects to grow its existing portfolio through future launches in other therapeutic areas, both through Organon's partnership with its development partners, Samsung Bioepis and Shanghai Henlius Biotech, Inc. ("Henlius"), and other potential partners. Organon's existing biosimilars portfolio positions the Company for success in this attractive and fast-growing area of health care with several major biologics that will lose patent protection in the next decade.

- *Established Brands*: Organon has We have a portfolio of established brands, which generally are beyond market exclusivity, including leading brands in cardiovascular, respiratory, dermatology and non-opioid pain management. A number of Organon's our established brands lost exclusivity years ago and have faced generic competition for some time, yet still contribute meaningful profitability. Organon intends to stimulate the performance of its established brands products through renewed focus and attention on strategic marketing to create a significant source of capital to fuel its growth aspirations. Organon believes its established brands products will, over time, continue to deliver meaningful revenue and operating profit that can be redirected into organic and inorganic growth opportunities in key product areas and geographies. Organon's established brands portfolio is supported by its large commercial and manufacturing capabilities, including a global network that enables Organon to distribute products to patients in more than 140 countries and territories. time.

Led by the women's health portfolio, coupled with an expanding biosimilars business and stable franchise of established medicines, Organon's our products produce strong sufficient cash flows to support investments in innovation and future growth opportunities

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in women's health. In addition, Organon is we are pursuing opportunities to collaborate with biopharmaceutical innovators looking to commercialize their products by leveraging its our scale and presence in fast growing international markets.

Organon has We have expanded its women's health and biosimiliars portfolio our product portfolios through the following recent 2023 acquisitions and licenses:

- In December 2023, we announced an agreement with Lilly to become the sole distributor and promoter for the migraine medicines *Emgality*® [2] (galcanezumab) and *Rayvow*™ [2] (lasmiditan) in Europe.

- In January 2023, we entered into a strategic investment with Claria Medical, Inc. ("Claria"), a privately-held company developing an investigational medical device that is currently being studied for use during minimally invasive laparoscopic hysterectomy.

- In July 2022, entered into a research collaboration and license agreement with Cirqle Biomedical ("Cirqle") for a novel investigational non-hormonal, on-demand contraceptive candidate.

- In June 2022, entered into a licensing agreement with Henlius, for commercialization rights for biosimilar candidates HLX11, referencing *Perjeta*[2] (pertuzumab), used for the treatment of certain patients with HER2+ breast cancer in combinations with trastuzumab and chemotherapy and HLX14, referencing *Prolia*[2]/*Xgeva*[2] (denosumab), used for the treatment of certain patients with osteoporosis with high risk of fracture and for the prevention of skeletal-related events in patients with multiple myeloma and in patients with bone metastasis from solid tumors.

- In March 2022, entered into a licensing agreement with Daré for global commercial rights to *Xaciato*. *Xaciato* is an FDA-approved medication for the treatment of bacterial vaginosis ("BV") in females 12 years of age and older. *Xaciato* received both Qualified Infectious Disease Product ("QIDP") and Fast Track designations from the FDA for the treatment of BV.

Other

Spinoff from Merck

On June 2, 2021, Organon and Merck & Co. ("Merck") entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement"). Pursuant to the Separation and Distribution Agreement, Merck agreed to spin off the Organon Products into Organon, a new, publicly traded company (the "spinoff"). As a result, Organon became a standalone publicly traded company and on June 3, 2021 regular-way trading of Organon's Common Stock (the "Common Stock") commenced on the New York Stock Exchange under the ticker symbol "OGN."

The spinoff was completed pursuant to the Separation and Distribution Agreement and other agreements with Merck related to the spinoff including, but not limited to, a tax matters agreement (the "Tax Matters Agreement" or "TMA"), an employee matters agreement the ("Employee Matters Agreement") and a transition services agreement (the "Transition Services Agreement" or "TSA"). See Note 1 "Background and Nature of Operations" and Note 18 "Third-Party Arrangements and Related Party Disclosures" to the Consolidated Financial Statements included in this report for additional details.

($ in millions)		Year Ended December 31,			% Change		% Change Excluding Foreign Exchange		% Change	% Change Excluding Foreign Exchange
	($ in millions)	2022	2021	2020	2022 vs. 2021	2021 vs. 2020				
Products										
Proscar	*Proscar*	$101	$117	$176	(14) %	(9) %	(33) %	(37) %		

($ in millions)		Year Ended December 31,			% Change		% Change Excluding Foreign Exchange		% Change	% Change Excluding Foreign Exchange
	($ in millions)	2023	2022	2021	2023 vs. 2022	2022 vs. 2021				
Products										
Proscar	*Proscar*	$97	$101	$117	(3) %	(14)%	(9)%	1 %		

Organon is engaged in both developing and delivering innovative health solutions through a diverse portfolio of products. These products serving serve patient needs across multiple therapeutic areas and product categories, consisting of Women's Health, Biosimilars and Established Brands. These portfolios a

Worldwide sales of *Proscar*, a medicine for the treatment of symptomatic benign prostate enlargement, declined 14% for the year ended December 31, 2022 December 31, 2023, compared to 2021, primarily due to lower demand in China and the unfavorable impact of foreign exchange. 2022 were substantially consistent.

($ in millions)		Year Ended December 31,		
	($ in millions)	2022	2021	2020
Women's Health	**Women's Health**	$1,673	$1,612	$1,555
Biosimilars	**Biosimilars**	481	424	330
Established Brands	**Established Brands**	3,874	4,068	4,540

($ in millions)		Year Ended December 31,		
	($ in millions)	2023	2022	2021
Women's Health	**Women's Health**	$1,673	$1,673	$1,612
Biosimilars	**Biosimilars**	481	481	424
Established Brands	**Established Brands**	3,874	3,874	4,068

Costs, Expenses and Other

($ in millions)	Year Ended December 31,			% Change	
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
Cost of sales	$ 2,294	$ 2,382	$ 2,119	(4)%	12 %
Selling, general and administrative	1,704	1,668	1,356	2	23
Research and development	471	339	210	39	61
Acquired in-process research and development and milestones	107	104	—	3	*
Restructuring costs	28	3	60	*	(95)
Interest expense	422	258	—	64	*
Exchange losses	11	4	44	*	(91)
Other expense (income), net	15	17	(9)	(12)	*
	$ 5,052	$ 4,775	$ 3,780	6 %	26 %

In 2022, Organon 2023, we recorded revenues of $6.2 billion $6.3 billion. Organon operates We operate on a global scale and Organon's our global network enables it us to distribute products to patients in more than 140 countries and territories, with approximately 77% 76% of 2022 2023 revenues, or $4.7 billion $4.8 billion, generated outside the United States.

The following highlights key products in our portfolios:

($ in millions)	Year Ended December 31,			% Change	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Cost of sales	$ 2,515	$ 2,294	$ 2,382	10 %	(4)%
Selling, general and administrative	1,893	1,704	1,668	11	2
Research and development	528	471	339	12	39
Acquired in-process research and development and milestones	8	107	104	(93)	3
Restructuring costs	62	28	3	*	*
Interest expense	527	422	258	25	64
Exchange losses	42	11	4	*	*
Other expense, net	15	15	17	—	(12)
	$ 5,590	$ 5,052	$ 4,775	11 %	6 %

** Calculation not meaningful.*

Cost of Sales

Women's Health **Biosimilars** **Established Brands**

Cost of sales decreased 4% increased 10% for the year ended December 31, 2023, compared to the same period in 2021, 2022, primarily due to the impact foreign exchange translation, higher employee-related and material and distribution related costs, which increased as a result of lower supply sales compared to the prior year, pre-spin allocated costs related to the Separation in the prior year inflationary pressures, and a $24 million charge pertaining to unavoidable losses associated with a long-term vendor supply contract incurred during the prior year, offset by inventory charges of $36 million relating to a regulatory inspection finding at the Heist manufacturing location which impacts selected injectable steroids brands, product mix. During the year ended December 31, 2022, we recorded a $36 million inventory charge relating to the Market Action and 2021, the Company recorded an impairment charges charge of $9 million and $7 million, respectively, $9 million related to a product right for a biosimilar product. Cost of sales includes amortization of intangible assets which totaled $116 million $116 million in 2023, $116 million in 2022 $103 million and $103 million in 2021 and $86 million in 2020. 2021.

Selling, General and Administrative

Selling, general and administrative expenses increased 2% 11% for the year ended December 31, 2022 December 31, 2023, compared to 2022, due to selling higher employee-related costs, costs incurred in connection with the separation from Merck, which includes the implementation of the enterprise resource planning system, and promotional costs the $80 million charge related to our women's health portfolio, including costs related the Microspherix legal matter as discussed in Note 20, "Contingencies" to our recent acquisitions, the Consolidated Financial Statements. This was partially offset by pre-spin allocated costs related to the Separation during the prior year which were not incurred during the year ended December 31, 2022. lower promotional expenses.

Research and Development

Research and development expenses increased 39% 12% for the year ended December 31, 2022 December 31, 2023, compared to 2022, primarily due to higher costs associated with the Company's recent our acquisitions of clinical stage assets, increased clinical study activity and higher employee-related costs.

Acquired In-Process Research and Development and Milestones

For the year ended December 31, 2023, acquired in-process research and development and milestones of $8 million related to the Claria transaction. For the year ended December 31, 2022 acquired in-process research and development and milestones of $107 million represent represents the upfront and development milestones related to the our research collaboration and license agreement with Cirqle and our agreement with Henlius transactions. Acquired in-process research and development and milestones for the year ended December 31, 2021 license of $104 million represents the upfront milestones related to

Women's Health Portfolio

the licensing agreement for the global development, manufacturing and commercial rights to ebopiprant (OBE022) (the "ebopiprant license") and the acquisition of Forendo Pharma. certain biosimilar candidates.

approximately 40% 47%, generated outside the United States. Organon's Our women's health products are sold by prescription primarily in two therapeutic areas, contraception, with key brands such as *Nexplanon* and *NuvaRing®* *NuvaRing*, and fertility, with key brands such as *Follistim AQ* and *Elonva™ 1* *(corifolitropina alfa)*. Additionally, Organon continues we continue to assess commercialization opportunities in conditions that are either unique to women or disproportionally affecting affect women, such as *Jada,* acquired as a part of the our acquisition of Alydia Health and the licensing agreement with Daré for global commercial rights to *Xaciato*. Organon's Our women's health products are sold in over 90 markets worldwide, including the United States, China, Canada, Australia, Brazil, and Mexico as well as many other countries in the European Union (EU), South America, Asia, and Africa.

Restructuring Costs

During the year end December 31, 2022, the Company initiated restructuring activities to optimize its internal operations. The restructuring charges primarily relate to targeted reduction in headcount in selective territories outside of the U.S. in our commercial organizations. For the year ended December 31, 2022 December 31, 2023, we incurred $62 million of headcount-related restructuring expense, of which $58 million is due to activities initiated in the Company incurred $28 million fourth quarter related to headcount related restructuring activities. the ongoing optimization of our internal operations.

Contraception

Interest Expense

Organon's Our contraception portfolio currently consists of the following products, which work to prevent pregnancy primarily by suppressing ovulation:

For Interest expense increased 25% for the year ended December 31, 2022 December 31, 2023, interest expense increased, compared to 2022, due to the $9.5 billion of debt, which was incurred by the Company during the second quarter of 2021, increased interest rates, and debt fees and discounts expensed as part of the prepayment on the U.S. Dollar-denominated term loan and the impact of exchange rates.

Nexplanon is a prescription medication for the prevention of pregnancy in women lasting women. The annual cost in in three years and is reversible upon removal. *Nexplanon* is a small, thin, and flexible arm implant that is placed discreetly under the skin of the inner, upper non-dominant arm by a health care provider. It is a progestin-only, radiopaque, removable implant, containing 68 mg of etonogestrel that is pre-loaded into an applicator and applicator. It is typically prescribed in to women who are not looking to become pregnant in the near future and do not want to take a daily contraceptive.

NuvaRing is a monthly vaginal contraceptive ring with a combination of progestin and estrogen used to prevent pregnancy in women. *NuvaRing* typically is prescribed for women that want a monthly contraceptive option.

Exchange Losses (Gains)

For the year ended December 31, 2022 December 31, 2023, the change in exchanges exchange losses (gains) was driven by foreign currency exchange translation losses and the exchange rate impact on of the portion of Euro-denominated debt not designated as a net investment hedge and in the fluctuations in foreign exchange prior year period.

(design) is a progestin-only, daily pill used to prevent pregnancy in women. Progestin-only pills by women wanting who want hormonal contraception but for whom estrogen-containing contraceptives may not be medically appropriate. *Cerazette®* *Cerazette* is not approved or marketed in the United States but is available in certain countries outside the United States.

Other expense (income), net

For the year ended December 31, 2022 December 31, 2023, other expense, net remained relatively consistent with the prior year.

Marvelon (desogestrel and ethinyl estradiol) pills are both combinations of progestin and estrogen, and are used as daily pills to prevent pregnancy. *Marvelon* contains a higher daily dose of estrogen than *Mercilon*. *Marvelon* and *Mercilon* are not approved or marketed in the United States but are available in certain countries outside the United States, including now in China and Vietnam as a result of a recent the transaction with Bayer Healthcare where Organon in which we gained rights to *Marvelon* and *Mercilon* in these markets.

Taxes on Income

The effective income tax rates were 18.3% (52.2)% and 11.7% 18.3% for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. These effective income tax rates reflect the beneficial impact of foreign earnings, offset by the impact of U.S. inclusions under the Global Intangible Low-Taxed Income regime. The effective income tax rate for regime and a partial valuation allowance recorded against non-deductible U.S. interest expense. In the year ended 2021 also reflected fourth quarter of 2023, we recorded a $75 million $476 million tax benefit relating to comprised of a portion gross benefit of $686 million, net of a $210 million valuation allowance, resulting from the termination of a Swiss tax arrangement. Our valuation allowance was determined based on expected future income and the terms of the non-U.S. step-up of remaining tax basis, as well as the income tax benefit recognized in connection with the conclusion of the Internal Revenue Service ("IRS") examination of Merck's 2015-2016 U.S. federal income tax returns. As a result of that examination conclusion, we reflected an allocation from Merck of $18 million in the Consolidated Financial Statements representing our portion of the payment made to the IRS. Our portion of reserves for unrecognized tax benefits for the years under examination exceeded the allocated adjustments relating to this examination period. Therefore, for the year ended December 31, 2021, we reflected a $29 million net tax benefit. This net benefit reflects reductions in reserves for unrecognized tax benefits and other related liabilities for tax positions relating to the years that were under examination. arrangement.

On August 16, 2022, the U.S. United States enacted the Inflation Reduction Act of 2022. Provisions of the bill that related to include the minimum tax on book income at 1% excise tax on stock buybacks and certain tax incentives to promote clean energy. There are no impacts of the legislation to the 2022, 2023 results. The Company is currently assessing We will continue to assess future impacts of this recently enacted legislation.

Income/Loss from Discontinued Operations

The historical results of certain Merck non-U.S. legal entities that were contributed to Organon in connection with the Separation included operations related to other Merck products that were retained by Merck. The Merck Retained Products business of the Transferred Entities were contributed by Organon to Merck and its affiliates. Accordingly, the historical results of operations of the Merck Retained Products have been reflected as discontinued operations in the Consolidated Financial Statements for the years ended December 31, 2021 and 2020.

Postpartum Hemorrhage

Organon's postpartum hemorrhage portfolio currently consists of We acquired *Jada*, which Organon acquired as part of Organon's our acquisition of Alydia Health in June 2021. *Jada* is intended to provide control and treatment of abnormal postpartum uterine bleeding or hemorrhage when conservative management is warranted. *Jada* uses a low-level vacuum to encourage the physiologic contraction of the uterus to control bleeding.

Analysis of Liquidity and Capital Resources

Liquidity and Capital Resources

Jada was first cleared by the FDA for use in the United States in August of 2020. In September 2021, technological updates to *Jada* received clearance in the United States from the U.S. F[illegible] ing of the device officially launched in [illegible]

As of December 31, 2022 December 31, 2023, Organon we had cash and cash equivalents of $706 million $693 million. On June 6, 2022, the Company made a discretionary prepayment of $100 million on the U.S. Dollar-denominated term loan. The Company has We have historically generated and expects expect to continue to generate positive cash flow from operations. We plan to continue to fund our ongoing operating, investing and financing requirements mainly through cash flows from operations, available liquidity through cash on hand, available capacity under our Revolving Credit Facility and access to capital markets.

[illegible] alth authorities to gain marketing authorization for *Jada* globally. We anticipate receiving additional approvals throughout Asia, Middle East, Latin America, Europe, and Canada in select markets starting in 2023. 2024.

Working capital was $1.4 billion as of December 31, 2022 and $1.2 billion as of December 31, 2021. The increase in working capital of continuing operations was primarily driven by a decrease in trade accounts payable.

Net cash provided by operating activities was $858 million for the year ended December 31, 2022 compared to $2.2 billion for the same period in the prior year. The decrease in cash provided by operating activities in 2022 was primarily attributable to the decrease in trade payables, including balances with Merck.

Net cash used in investing activities was $420 million for the year ended December 31, 2022 compared to $481 million for the same period in the prior year, primarily reflecting the asset acquisition of *Marvelon* and *Mercilon* and licensing agreements with Daré, Henlius and Cirqle in the year ended December 31, 2022 and the asset acquisitions of Alydia Health and Forendo Pharma and the ebopiprant license in the year ended December 31, 2021.

Biosimilars Portfolio

Net cash used in financing activities was $433 million for the year ended December 31, 2022 compared to $977 million for the same period in the prior year. The change in cash used in financing activities reflects the settlement of the transactions with Merck in connection with the Separation in 2021 and the prior year issuance of long term debt, partially offset by the payment of dividends in the current year.

In 2022, Organon's 2023, our biosimilars portfolio accounted for $481 million $593 million, or approximately 6% 9%, of our total revenues, with $237 million $295 million, or approximately 49% 50%, generated outside the United States. The assets in Organon's our biosimilars portfolio, and Organon's coupled with our commercial experience in biosimilars, provides provide an opportunity to benefit from future growth anticipated in this area.

Our ability to fund our operations and anticipated capital needs is reliant upon the generation of cash from operations, supplemented as necessary by periodic utilization of our Revolving Credit Facility. Our principal uses of cash in the future will be primarily to fund our operations, working capital needs, capital expenditures, repayment of borrowings, payment of dividends and strategic business development transactions. We believe that our financing arrangements, future cash from operations, and access to capital markets will provide adequate resources to fund our future cash flow needs.

Working capital was $1.6 billion and $1.4 billion as of December 31, 2023 and December 31, 2022, respectively. The increase in working capital was primarily driven by an increase in inventory and the timing of collection of receivables.

Net cash provided by operating activities was $799 million for the year ended December 31, 2023 compared to $858 million for the same period in the prior year. The decrease in cash provided by operating activities was primarily attributable to the changes in working capital balances, offset by an increase in net income.

Organon's Our biosimilars portfolio consists of therapies in immunology and oncology for which it has we have worldwide commercialization rights with certain geographic exceptions Net cash used in investing activities was $260 million for the year ended December 31, 2023 compared to $420 million for the same period in the prior year, primarily reflecting lower investment in business development transactions in the year ended December 31, 2023 compared to the prior year, partially offset by an increase in capital expenditures.

adalimumab), *Brenzys*™ [1] (Originator brand name: *Enbrel*®; generic name: etanercept), and *Renflexis*® (Originator brand name: *Remicade*®; generic name: infliximab) and, . The Net cash used in financing activities was $569 million for the year ended December 31, 2023 compared to $433 million for the same period in the prior year. The increase in cash used in financing activities was driven by the $250 million voluntary prepayment on the U.S. Dollar-denominated term loan in 2023 compared to the $100 million voluntary prepayment in 2022.

The following table lists Organon's commercialized biosimilars with reference to the biologic product and the launch or anticipated launch date of the biosimilar:

Organon's Biosimilar	Biologic Product	Launch of Organon's Biosimilar
Hadlima	*Humira*	United States—July 2023; and Europe—October 2018, and related product launches in the fourth quarter of 2018 through 2021; and Canada—February 2021.
Brenzys	*Enbrel*	United States—July 2021; Australia—August 2021; and Canada—August 2021
Renflexis	*Remicade*	Europe—March 2016; Australia—January 2020; United States—April 2020; Brazil—August 2020; and Canada—August 2022.

Capital expenditures were $196 million $251 million and $192 million $196 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Capital expenditures in 2022 2023 and 2021 2022 reflect investments in new capital projects focused primarily on establishing Organon us as an independent Company. We estimate that we will continue to invest in new capital projects in 2023, 2024, for ongoing projects to standup Organon, including related to cloud enablement in the middle of 2023. Hong

In 2022, the armed conflict between Ukraine As part of our post-spinoff plan, we have approved an initiative to further optimize our manufacturing and Russia escalated, which may adversely impact Organon's business. Specifically, trade sanctions, travel bans and asset and financial freezes announced by the United States, European Union and other countries against Russian entities and designated individuals, as well as counter-measures announced by Russia, have impacted and may supply network. As part of this initiative, we will continue to impact many global businesses in direct separate our supply chain through planned exits from supply agreements from Merck through 2031. This will enable us to redefine our appropriate sourcing strategy, and indirect ways (including, move to fit-for-purpose supply chains, while focusing on delivering efficiencies. We anticipate we will incur costs associated with this separation, including but not limited to product shipping delays, supply shortages, delays in accelerated depreciation, exit premiums and fees, technology transfer costs, stability and qualification batch costs, one-time resourcing costs, regulatory approvals and audits, constraints in energy supply, currency exchange rates filing costs, capital investment, and exchange controls). Such actions may negatively impact inventory stock bridges.

Hadlima (SB5)

Hadlima (adalimumab-bwwd) is a tumor necrosis factor ("TNF") antagonist biosimilar to AbbVie's *Humira* (adalimumab) product, approved for use in certain patients for the treatment of rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, adult Crohn's disease, ulcerative colitis, and plaque psoriasis. Organon's current United States label for *Hadlima* does not include hidradenitis psoriasis, suppurativa and uveitis indications. Organon has uveitis. We have worldwide commercialization rights to *Hadlima* in countries outside the EU, Korea, China, Turkey, and Russia. Samsung Bioepis reached a global settlement with AbbVie permitting Organon us to launch *Hadlima* outside of the United States starting in 2021 and in the United States in June 2023 and outside the United States starting in 2021. July 2023. *Hadlima* is currently approved in the

For the financial institutions, vendors, manufacturers, suppliers, partners year ended December 31, 2023 and other third parties with whom Organon conducts business. Organon 2022, our combined revenues from Ukraine, Russia and Israel were approximately 2% of total revenues. While we will continue to monitor the impacts of the conflict, which may negatively impact Organon's operations, financial position or cash flows. For Ukraine-Russia war and the the year ended December 31, 2022 and 2021, Organon's combined revenues from Ukraine and Russia were approximately 2% Hamas-Israel war, as of total revenues. As of December 31, 2022 December 31, 2023, the Company's our assets in Ukraine, Russia and Russia Israel are not material.

Brenzys

Contractual Obligations

Brenzys (etanercept) is a TNF antagonist biosimilar to Amgen / Pfizer's *Enbrel* (etanercept) product, product. It is approved for use in certain patients for the treatment of rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis and plaque psoriasis. Organon has We have commercialization rights to *Brenzys* in countries outside the EU, Korea, China, Japan and the United States, and it is currently approved and commercialized in Australia, Canada, Brazil and Israel.

Our contractual obligations as of December 31, 2022 December 31, 2023, which require material cash requirements in the future, consist of contractual milestones, purchase obligations, lease obligations and the settlement of certain tax matters.

Contractual milestones are potential payments based upon the achievement of specified milestones associated with business development transactions. Such milestone payments will only be payable in the event that the Company achieves our collaborative partners achieve contractually defined success-based milestones such as the advancement of the specified research and development programs; programs or the receipt of regulatory approval for the specified compounds or products; products and/or reaching we reach a sales threshold of the specified compounds or products. The timing of the payments of the contractual milestones cannot be estimated and the likelihood of achieving the

Renflexis (SB2)

Renflexis (infliximab-abda) is a TNF blocker biosimilar to Johnson & Johnson's *Remicade* (infliximab) product, product. It is approved for use in certain patients for the treatment of Crohn's disease, pediatric Crohn's disease, ulcerative colitis, pediatric ulcerative colitis, rheumatoid arthritis in combination with methotrexate, ankylosing spondylitis, psoriatic arthritis and plaque psoriasis. Organon has We have commercialization rights to *Renflexis* in countries outside the EU, Korea, China, Taiwan and Russia. Brazil, Australia and Canada.

milestones cannot be determined. As of December 31, 2022 December 31, 2023, total potential payments due for contractual milestones are $2.4 $1.9 billion. Amounts Potential amounts due within the next twelve months are $38 $98 million.

Purchase obligations are enforceable and legally binding obligations for purchases of goods and services which include inventory purchase commitments. As of December 31, 2022 December 31, 2023, total payments due for purchase obligations are $1.2 billion and extend through 2030. 2031. Amounts due within the next twelve months are $343 million. $376 million.

Long-term debt consists of both fixed and variable-rate instruments. As of December 31, 2023, total payments due for debt obligations are $8.8 billion and extend through 2031. Amounts due within the next twelve months are $9 million.

Aybintio (SB8)

Lease obligations exclude reasonably certain lease renewals that have not yet been executed. As of December 31, 2022 December 31, 2023, total payments due for lease obligations are $220 million $189 million and extend through 2041. Amounts due within the next twelve months are $56 million $52 million.

Aybintio (bevacizumab) is a vascular endothelial growth factor inhibitor biosimilar to Roche's *Avastin* (bevacizumab) product. *Aybintio* is currently approved and commercialized in

During the 2024 fiscal year, we anticipate paying higher cash taxes than the 2023 fiscal year. In addition, we are responsible for settlement of certain tax matters, of which the Company expects we expect to pay approximately $19 $56 million within the next year.

Organon is s non-small cell lung cancer, metastatic renal cell carcinoma, epithelial ovarian, fallopian tube, or primary peritoneal cancer and metastatic breast cancer. Organon has We have commercialization rights to *Aybintio* in the United States, Canada, Germany, Italy, France, the UK and Spain. Organon cannot currently predict the timing of any filing, We are seeking approval or launch of *Aybintio* in the United States, nor does it know when however, the timing of any such timing would be approval is not yet determined.

During 2022, Organon 2023, we paid cash dividends of $1.12 per share. On February 16, 2023 February 15, 2024, the our Board of Directors declared a quarterly dividend of $0.28 for each issued and outstanding share of the Company's our common stock. The dividend is payable on March 16, 2023 March 14, 2024, to stockholders of record at the close of business on February 27, 26, 2023. 2024.

We believe that our financing arrangements, future cash from operations, and access to capital markets will provide adequate resources to fund our future cash flow needs.

The economy of Turkey was deemed hyperinflationary during the second quarter of 2022. Consequently, in accordance with U.S. GAAP, the Company began remeasuring its monetary assets and liabilities for those operations in earnings beginning in the second quarter of 2022. The impact to the Company's financial condition and results is immaterial.

Critical Accounting Estimates

The audited annual consolidated financial statements are prepared in conformity with U.S. GAAP and, accordingly, include certain amounts that are based on management's best estimates and judgments. 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 are disclosed below. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Revenue Recognition

Our accounting policy for revenue recognition has a substantial impact on reported results and relies on certain estimates. Revenue is recognized following a five-step model: (i) identify the customer contract; (ii) identify the contract's performance obligation; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation; and (v) recognize revenue when or as a performance obligation is satisfied. Revenue is reduced for gross-to-net sales adjustments discussed below, all of which involve significant estimates and judgment after considering applicable laws and regulations and definitive contractual agreements with private sector and public sector benefit providers. These types of variable consideration are estimated at the time of sale generally using the expected value method, although the most likely amount method is used for prompt pay discounts. In addition, revenues are recorded net of time value of money discounts if collection of accounts receivable is expected to be in excess of one year. Estimates are assessed each period and adjusted as required to revise information or actual experience.

In the United States, revenue is reduced by sales discounts issued to customers at the point of sale, through an intermediary wholesaler (known as chargebacks), or in the form of rebate amounts owed based upon definitive contractual agreements or legal requirements with private sector (Managed Care) and public sector (Medicaid and Medicare Part D customers). D) customers. Additionally, sales are generally made with a limited right of return under certain conditions.

The provision for aggregate customer discounts in the United States covers chargebacks and rebates. We determine the provision for chargebacks based on expected sell-through levels by our wholesale customers to contracted customers, as well as estimated wholesaler inventory levels. The provision for rebates is based on expected patient usage, as well as inventory levels in the distribution channel to determine the contractual obligation to the benefit providers. We use historical customer segment utilization mix, sales, changes to product mix and price, inventory levels in the distribution channel, government pricing calculations and prior payment history in order to estimate the expected provision. Amounts accrued for aggregate customer discounts are evaluated on a quarterly basis through comparison of information provided by the wholesalers, health maintenance organizations, pharmacy benefit managers, federal and state agencies, and other customers to the amounts accrued.

We continually monitor our provision for aggregate customer discounts. There were no material adjustments to estimates associated with the aggregate customer discount provision in 2023, 2022, 2021, or 2020. 2021.

Summarized information about changes in the aggregate customer discount accrued balances in the United States is as follows:

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Balance January 1	$ 329	$ 343	$ 365
Provision	2,221	2,000	1,770
Payments	(2,165)	(2,014)	(1,792)

Year Ended December 31,

($ in millions) 2023 2022 2021

Established Brands Portfolio

Established brands represents a broad portfolio of mature brands across multiple therapeutic areas and geographies that are generally beyond market exclusivity. Organon's Our established brands portfolio contributed approximately $3.9 billion $3.6 billion of our total revenues in 2022, of which 2023, with approximately 92% 93%, or $3.6 billion, generated outside the United States. Generic competition varies significantly across geographies.

Cardiovascular

In 2022, Organon's 2023, our cardiovascular portfolio accounted for $1.5 billion, or approximately 24% 23%, of our total revenues, nearly all of which were generated outside the United States.

Organon's Our cardiovascular portfolio consists of several cholesterol-modifying medicines, including: *Zetia*® (ezetimibe), which is marketed as *Ezetrol*™ [1] in most countries outside the United States; *Vytorin*® (ezetimibe / simvastatin), which is marketed as *Inegy*™ [1] outside the United States; *Atozet*™ [1] (ezetimibe and atorvastatin), which is marketed in certain countries outside the United States; *Rosuzet*™ [1] (ezetimibe and rosuvastatin), which is also marketed in certain countries outside the United States; and *Zocor*™ [1] (simvastatin), which is also available in certain countries outside the United States, including China. Organon's Our cardiovascular portfolio also includes *Cozaar*® (losartan) and *Hyzaar*® (losartan / hydrochlorothiazide), which are cardiovascular drugs for the treatment of hypertension.

Respiratory

In 2022, Organon's 2023, our respiratory portfolio accounted for $1.0 billion $1.1 billion, or approximately 17% of our total revenues, with approximately 80% 79%, or $826 million $843 million, generated outside the United States.

Organon's Our respiratory portfolio is comprised of several treatments used to control and prevent asthma-induced symptoms caused by asthma, including: *Singulair*® (montelukast sodium), *Dulera*® (formoterol/fumarate dihydrate), which is also marketed as *Zenhale*™[1], in certain markets outside the United States, and *Asmanex*® (mometesone furoate).

Organon's Our portfolio also includes several products that treat seasonal allergic rhinitis, including: *Singulair*, *Nasonex*® (mometasone), and *Clarinex*® [2] (desloratadine), which is marketed as *Aerius*™ [1] outside of the United States. Organon We currently owns own prescription rights for *Clarinex* in the United States and *Aerius* in markets around the world.

Dermatology, Bone Health and Non-Opioid Pain Management

In 2022, Organon's 2023, our dermatology, bone health and non-opioid pain management portfolios accounted for $788 million $782 million, or approximately 13% 12%, of our total revenues, nearly all of which were generated outside the United States. Organon's

- Our dermatology portfolio consists of two core products, including *Diprosone*™ [1] (betamethasone cream), a corticosteroid approved for treatment in relief of skin conditions, and *Elocon*® (mometasone cream), a topical prescription medicine approved for treatment in relief of inflammation and other symptoms caused by certain skin conditions. Organon's
- Our bone health portfolio includes *Fosamax*® (alendronate sodium), a bisphosphonate medicine used for the treatment and prevention of osteoporosis in postmenopausal women and to increase bone mass in men with osteoporosis. Organon's
- Our non-opioid pain management portfolio consists of three core products, including: *Arcoxia*™ [1] (etoricoxib), a selective cyclooxygenase-2 inhibitor used for acute and chronic treatment of conditions such as acute pain, osteoarthritis and rheumatoid arthritis, *Diprospan*™ [1] (betamethasone), an injectable glucocorticoid drug approved for

	Balance at December 31			
	2021	2022	2023	
Balance at December 31	$ 385	$ 329	$ 343	

(a) Includes 2021 payments made by Merck on behalf of Organon for the period prior to the Separation date.

Accruals for chargebacks are reflected as a direct reduction to accounts receivable and accruals for rebates as current liabilities. The accrued balances relative to these provisions included in accounts receivable and accrued and other current liabilities were $87 million and $417 million, respectively, at December 31, 2023, $78 million and $330 million, respectively, at December 31, 2022, $54 million and $275 million, $54 million and $275 million, respectively, at December 31, 2021 and $41 million and $302 million, respectively, at December 31, 2020. The increase in accrued rebates in 2023 is attributable to a wholesaler buy-in in conjunction with the exit of the IOM with Merck for the *Follistim* product.

Research and Development

Outside of the United States, variable consideration in the form of discounts and rebates are is a combination of commercially-driven discounts in highly competitive product classes, discounts required to gain or maintain reimbursement, or legislatively mandated rebates. In certain European countries, legislatively mandated rebates are calculated based on an estimate of the government's total anticipated spending and/or specific payback obligation. Rebates may also be required based on specific product sales thresholds. We apply an estimate-based approach to identify and establish reserves for the discount or rebate obligation associated with these programs.

Organon's development strategy seeks to achieve business continuity with its brands and unlock value from its existing products. As part of its our growth strategy, Organon seeks We seek to maintain our ability to identify scientific collaborations and acquisitions to further build and maintain a robust pipeline across Women's Health with both early- and late-stage assets that enables scientific and commercial leadership and help continue to solidify our position as a Women's Health partner of choice. Organon's Our research and development organization is supporting the development of new products through clinical trials, product registration, and the expansion and the potential launch (generally, We maintain a robust pipeline of product candidates in various stages of development, including candidates in-licensed or acquired through business development transactions. As of December 31, 2022 December 31, 2023, Organon has we have licenses to commercialize the following development-stage products:

- An investigational non-hormonal, on-demand contraceptive candidate. Organon and Cirqle Biomedical We have entered into a research collaboration and exclusive license agreement with Cirqle Biomedical ("Cirqle") for this novel investigational candidate. Under the terms of the agreement, Cirqle will be responsible for conducting preclinical studies according to the mutually agreed research plan. Organon will obtain We obtained exclusive worldwide rights to develop and commercialize the product.
- HLX14, a biosimilar candidate to Amgen's *Prolia²/Xgeva²* (denosumab), is a recombinant anti-RANKL human monoclonal antibody. *Prolia* is indicated for the treatment of postmenopausal women with osteoporosis at high risk for fracture, and *Xgeva* is indicated for the prevention of fractures skeletal-related events in patients with multiple myeloma and in patients with bone metastases from solid tumors. Organon has We have worldwide commercialization rights to HXL11 HXL14 in countries except for China including (including Hong Kong, Macau and Taiwan. Taiwan). Henlius will be responsible for development and, if approved, will supply the products to Organon. us.
- HLX11, a biosimilar candidate to Roche's *Perjeta²* (pertuzumab), is an anti-HER2 domain II humanized monoclonal antibody biosimilar. antibody. Pertuzumab, in combinations with trastuzumab and chemotherapy, is used for the treatment of certain patients with HER2+ breast cancer in combinations with trastuzumab and chemotherapy.Organon has cancer. We have worldwide commercialization rights to HXL11 in countries except for China, including China (including Hong Kong, Macau and Taiwan. Taiwan). Henlius will be responsible for development and, if approved, will supply the products to Organon. us.
- OG-6219 is an investigational agent being evaluated as a potential treatment for endometriosis. Endometriosis-related pain is a common and chronic condition that affects up to one in 10 women of reproductive age, age. The condition causes abdominal pain and is associated with infertility. Organon acquired OG-6219 through its acquisition of Forendo Pharma.
- OG-7191 is a preclinical program targeting polycystic ovarian syndrome ("PCOS"), one of the most common women's health conditions often associated with metabolic disorders, hyperandrogenism and infertility. As there are currently no approved therapies for PCOS, this represents another priority disease area for Organon.Organon acquired OG-7191 through its acquisition of Forendo Pharma. us.
- Ebopiprant is an investigational, orally active, selective prostaglandin F2α (PGF2α) receptor antagonist being evaluated as a potential treatment for preterm labor by reducing inflammation and uterine contractions. Organon licensed the global development, manufacturing and commercial rights to ebopiprant from ObsEva. If approved, it has potential to be a first-in-class innovation for this common and serious condition with no approved therapies for acute treatment of preterm labor in the United States.

Organon relies heavily on internal scientific expertise and close collaborations with partners, and expects to continue to advance product development opportunities, data generation, product registration, and licensing on a global scale.

Sales, Marketing and Distribution Capabilities

significant effect on earnings or cash flows, and overall financial performance. If we conclude it is more likely than not that fair value is less than carrying value, a quantitative fair value test is performed. If carrying value is greater than fair value, a goodwill impairment charge will be recorded for the difference (up to the carrying value of goodwill). We completed the annual qualitative goodwill impairment test as of October 1, 2022 October 1, 2023 and concluded that there was no impairment to goodwill as the fair value of the reporting unit was significantly in excess of the carrying value.

Acquired intangible assets are initially recorded at fair value, assigned an estimated useful life, and amortized primarily on a straight-line basis over their estimated useful lives. When events or circumstances indicate that the carrying value may not be recoverable, we assess the recoverability of our intangible assets by determining whether the carrying value can be recovered through undiscounted future operating cash flows. We determine fair value using the income approach, which is based on forecasted cash flows discounted for the time value of money. Impairments are recognized in operating results to the extent that the carrying value of the intangible asset exceeds its fair value, which is determined based on the net present value of estimated future cash flows. Organon We did not have impairment charges as of December 31, 2023. We recorded impairment charges of $9 million and $7 million as of December 31, 2022 and 2021 respectively. See Note 10 13 "Intangibles" to the Consolidated Financial Statements included in this report for additional details on Intangibles.

Taxes on Income

Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting based on enacted tax laws and rates. We establish valuation allowances for our deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. We evaluate tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we recognize the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, we do not recognize any portion of the benefit in the financial statements. We recognize interest and penalties associated with uncertain tax positions as a component of *Taxes on Income* in the consolidated statement of income.

Prior to the Separation, we did not maintain an income taxes payable to or from account as it is deemed to be settled with the tax paying entities in the respective jurisdictions. These settlements are reflected as changes in accumulated deficit in the consolidated balance sheet. However, our consolidated balance sheet reflects balances with taxing authorities and the one-time transition tax resulting from the Tax Cuts and Jobs Act enacted in 2017, as well as for unrecognized income tax benefits along with related interest and penalties.

Prior to the Separation, income tax expense and deferred tax balances in the consolidated financial statements were calculated on a separate tax return basis. We relied on certain assumptions, one of them that as on a standalone basis we would not benefit from certain tax incentives that historically benefited Merck. We believe the assumptions supporting the allocation and presentation of income taxes on a separate return basis were reasonable.

Sales and Marketing

Organon has We have approximately 5,850 4,000 employees worldwide focused on commercialization activities, such as marketing, direct selling, sales, digital and omni-channel and insight generation, covering data stewardship, data analytics and data science. Organon has We have a global team of experienced marketers, pricing and access professionals and data scientists across geographies that Organon is implementing. Modalization and execution of its global brand and business strategies. Organon believes its scientists We believe our commercialization capabilities allow it to execute customer engagement strategies optimized across portfolios, channels and the lowest appropriate resource mixes. Potential risks leading to impairment could include loss of exclusivity occurring earlier than expected, competition, pricing reductions, and other macroeconomic changes. Impairments are recognized in operating results to the extent that the carrying value of the intangible asset exceeds its fair value, which is determined based on the net present value of estimated future cash flows. Organon We did not have impairment charges as of December 31, 2023. We recorded impairment charges of $9 million and $7 million as of December 31, 2022 and 2021 respectively. See Note 10 13 "Intangibles" to the Consolidated Financial Statements included in this report for additional details on Intangibles.

Organon has We have a trade channel strategy that provides a robust capability framework for Organon's our activities, including in the selection of channel partners, commercial terms and supportive health care services that promote the efficient, safe and cost-effective delivery of Organon's our products. Organon has We have significant insight into the use of newer technologies and the use of valuable patient services such as patient adherence programs that can further drive value in collaboration with Organon's our trade partners.

Distribution

Organon does We do not have any single customer that, if such customer were lost, we believe a material adverse effect on Organon's our business.

Organon's Our global network enables it us to distribute products directly and indirectly to patients in more than 140 countries and territories, including through Organon's our regional distribution centers. Organon sells its We sell our pharmaceutical products primarily to drug wholesalers and retailers, hospitals, clinics, government agencies, pharmacies, and managed health care providers, such as health maintenance organizations, pharmacy benefit managers and other institutions. Organon We also sells its sell our pharmaceutical products through third-party distributors and agents for smaller markets. Organon's our professional representatives communicate the effectiveness, safety and value of Organon's our pharmaceutical products to health care professionals in private practice, group practices, hospitals and managed care organizations.

Manufacturing Capabilities and Global Supply Chain

Organon has We have high quality manufacturing capabilities, including development and improvement of manufacturing processes. Organon's Our principal manufacturing capabilities include formulation, fill and finishing of products, packaging of products, and distribution and supply to patients in more than 140 countries and territories.

Internal Manufacturing Capabilities

Organon Value Chain

Organon owns and operates operate six manufacturing sites, as shown in the table below, where it manufactures we manufacture a range of pharmaceutical products, including hormonal products, sterile formulations, certain medical device combination and standalone medical device products.

Site	Predominant Area of Focus
Campinas, Brazil	Women's health, cardiovascular and respiratory
Cramlington, UK	Cardiovascular and respiratory
Heist, Belgium	Respiratory, dermatology and pain
Oss, Netherlands	Women's health
Pandaan, Indonesia	Cardiovascular, respiratory and dermatology
Xochimilco, Mexico	Cardiovascular and respiratory

A majority of Organon's our internal manufacturing sites have long-standing, deep technical capabilities across the broad base of manufacturing platforms that are required to support Organon's our product portfolio. Organon's specialized manufacturing capabilities include oral solid dosage manufacturing, liquids, ointments and creams manufacturing, aseptic processing of hormonal products, extrusion technology, inhaler and implant medical device combination products, standalone medical device products, and packaging to facilitate speed to market as well as more direct control of quality and compliance. Organon We also continues to manufacture a range of Merck & Co., Inc. ("Merck") products at each of Organon's our six manufacturing sites pursuant to agreements with Merck that were entered into at the time of the spinoff in 2021 spinoff from Merck (the "spinoff").

Global Supply Chain

Organon manages its we manage our global supply chain through a centralized supply planning organization and regional demand management, with distribution and logistics teams structured around North America, Europe, Middle East and Africa, Asia-Pacific and Latin America. Organon's global commercial and manufacturing teams collaborate on various operational efficiency initiatives, including yield improvements, procurement savings, site synergies, manufacturing support rationalization and supply chain distribution optimization, among others, to improve Organon's leverage position.

Pension

Acquisitions

Business combinations are evaluated in order to determine whether transactions should be accounted for as acquisitions of assets or businesses. The Company makes We make certain judgments, which include assessment of the inputs, processes, and outputs associated with the acquired set of activities. If the Company determines we determine that substantially all of the fair value of gross assets included in a transaction is concentrated in a single asset (or a group of similar assets), the Company accounts we account for the transaction as an asset acquisition. In an asset acquisition, acquired IPR&D with no alternative future use is charged to expense and contingent consideration is not recognized at the acquisition date. Product development milestones are recognized upon achievement and sales-based milestones are recognized when the milestone is deemed probable of being achieved.

To be considered a business, the assets in a transaction need to include an input and a substantive process that together significantly contribute to the ability to create outputs. Businesses acquired are consolidated upon obtaining control. The fair value of assets acquired and liabilities assumed are recognized at the date of acquisition. Assets acquired and liabilities assumed in a business combination that arise from contingencies are generally recognized at fair value. If fair value cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Any excess of the purchase price over the estimated fair values of the net assets acquired is recognized as goodwill. Business acquisition costs are expensed when incurred.

The fair values of intangible assets are determined utilizing information available near the acquisition date based on expectations and assumptions that are deemed reasonable by management. we deem reasonable.

Organon purchases We purchase certain raw materials, active pharmaceutical ingredients, components, devices and other supplies necessary for the commercial production of its our products from a variety of third-party suppliers. Organon utilizes We utilize third-party contract manufacturers for packaging, formulation, and fill and finish for its products. Organon also utilizes our products, as well as a combination of third-party service providers as part of its our global supply chain, primarily for storage and for shipping and delivering raw materials, intermediate goods and finished goods between internal sites and from production sites to customers. shipping.

For our pension plans, the discount rate is evaluated on measurement dates and modified to reflect the prevailing market rate of a portfolio of high-quality fixed-income debt instruments that would provide the future cash flows needed to pay the benefits included in the benefit obligation as they come due. In order to satisfy other manufacturing and regulatory requirements for the breadth of products in Organon's portfolio, a A number of Organon's our materials and components are sole-sourced. Certain of these sole-sourced materials are critical to Organon's our key products, including women's health and legacy established brands. Organon sources 100% of its active pharmaceutical ingredients externally and portions of its drug product. While the majority are single sourced, they are from established pharmaceutical suppliers with whom Organon has significant experience. In particular, Organon ~~[illegible]~~ for formulation and/or packaging as Organon's our gateway to sales in both Japan and China.

The expected rate of return on the pension plans represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Company considers we consider long-term compound annualized returns of historical market data, current market conditions and actual returns on the Company's our plan assets. Using this reference information, the Company develops we develop forward-looking return expectations for each asset category and a weighted-average expected long-term rate of return for a target portfolio allocated across these investment categories. The expected portfolio performance reflects the contribution of active management as appropriate.

To mitigate supply risk, Organon aims to have we maintain a conservative inventory posture and to keep keeps an internal function focused on maintaining an external manufacturing network with operational, quality, technology and procurement capabilities. This function is responsible for identifying, developing and assessing the performance of Organon's suppliers such that they meet quality expectations and satisfy their contractual obligations to Organon. In addition, this function provides rapid response support for potential supply issues. Organon also has an established risk management framework, which is intended to assess and mitigate risk elements across Organon's supply chain.

Stock-Based Compensation

We expense all stock-based payment awards to employees, including grants of stock options, over the requisite service period based on the grant date fair value of the awards. The fair value of certain stock-based awards is determined using the Black-Scholes option pricing model which uses both historical and current market data to estimate the fair value. This method incorporates various assumptions such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the options.

Organon's Our facilities and supporting functions, along with its our external contractors, suppl- -64- and partners, make up an integrated, interdependent global network. This network that is dedicated to consistently delivering compliant, reliable product supply to health care providers and patients. Organon has We have one quality management system deployed globally that enables the development, manufacturing, packaging, labeling, handling, and distribution of Organon's our products, such that they conform to applicable regulatory requirements in every country it serves. Organon's we serve. Our quality management system is designed to promote and facilitate regulatory and operational excellence, anticipate risk, and respond and adapt to emerging trends.

Quality Management

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards, see Note 3 "Summary of Accounting Policies" to the Consolidated Financial Statements included in this report.

Human Capital

Organon's Our Talent Committee and Quality Committee of the Board oversee the team that monitors its our employee base and sets annual targets for managing its our human capital, including capital. These include employee retention, engagement, and training targets. The Talent Committee talent committee of Organon's our Board regularly reviews and discusses with management Organon's our diversity, inclusion and leadership development initiatives, objectives, and progress. progress with management.

Organon has We have established benefit and incentive compensation plans, including comprehensive medical and life insurance coverage, 401(k) matching programs and other incentive compensation programs that Organon believes aligns we believe aligns employee incentives directly with Organon's our future performance.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

We operate on a global basis and are exposed to the risk that our earnings, cash flows and equity would be adversely affected by fluctuations in foreign exchange rates. We are primarily exposed to foreign exchange risk with respect to forecasted transactions and net assets denominated in the euro, Swiss franc, and Japanese yen. We established a balance sheet risk management program and a net investment hedge to partially mitigate against volatility of changes in foreign exchange rates. See Note 7 14 "Financial Instruments" to the Consolidated Financial Statements included in this report for further information on Organon's our risk management.

Interest Rate Risk

Our long-term debt portfolio consists of both fixed and variable-rate instruments. For any variable rate debt, interest rate changes in the underlying index rates will impact future interest expense. We do not hold any derivative contracts that hedge our interest rate risk; however, we may consider entering into such contracts in the future.

We estimate a hypothetical 10% adverse movement in interest rates of our variable rate debt would not materially change annual interest expense.

As of December 31, 2022 December 31, 2023, Organon we had approximately 10,000 employees worldwide with approximately 1,650 (16.5% 1,700 (16%) employees in the United States (including Puerto Rico). Approximately 86% 85% of Organon's our employees work in key functional areas (Commercial, Research & Development, and Manufacturing/Supply) and 14% 15% are in support functions. Organon has We have approximately 3,850 4,000 employees worldwide focused on commercialization activities, such as marketing, direct selling, sales, digital and omni-channel and insight generation, covering data stewardship, data analytics and data science, and approximately science. Approximately 900 employees are focused on clinical development, safety, and medical affairs and product registration.

Organon strives We strive to build a strong culture with inclusion and belonging at its our core, believing that this is fundamental to success and future innovation. More than 30% of Organon's U.S. our employees in the United States identify as part of an underrepresented ethnic group. Organon supports its We support our workforce through innovative talent and performance programs and have has additionally founded ten Employee Resource Groups. Organon We also regularly assesses its our employees' experience, including measures of engagement, well-being, inclusion, and core cultural values through annual surveys and regular check-ins.

Item 8. Financial Statements

Organon's Our employees are at the core of its our mission to improve the health of women and, given Organon's our global nature, it has we have a strong focus on female representation. Globally, over 50% of Organon's our employees are female, and women comprise approximately 40% 60% of Organon's our senior leadership (nearly 70% 75% of the our Board of Directors; 40% of our Executive Committee).

Intellectual Property

Patents, Trademarks and Licenses

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Patent protection is important to the marketing of certain of Organon's our products in the United States and in most major foreign international markets. Patents may cover products per se, pharmaceutical formulations, processes for, or intermediates useful in, the manufacture of products, devices for delivering products, or the uses of products. Protection for individual products extends for varying periods in accordance with the legal life of patents in the various countries, and may be extended in some jurisdictions based upon the period of time a patented product is under regulatory review by the relevant health authority. The protection afforded, which may also vary from country to country, depends upon the type of patent and its scope of coverage.

In particular, Organon considers we consider the patents that cover the rod technology in *Nexplanon* to be material to Organon's our business. Such device patents will expire in 2027 in the United States and in 2025 in other countries around the world. There are currently no material contested proceedings or third-party claims that involve these patents. Organon has we have been granted a license from Merck for *Nexplanon / Implanon NXT* that permits use of the underlying technology solely as a contraceptive implant containing only the progestational component currently used in the product. Additionally, in In December 2021, Organon we also signed a supplemental license with Merck that provides a limited expansion of the fields in which it may use the underlying technology of *Nexplanon / Implanon NXT* beyond contraception in exchange for milestone payments.

While the expiration of a product patent normally results in a loss of market exclusivity for the covered pharmaceutical product, commercial benefits may continue to be derived from: from, for example: (i) later-granted patents on processes and intermediates related to the

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Organon & Co.

most economical method of manufacture of the active ingredient of such product; (ii) patents relating to the use or delivery of such product; and (iii) patents relating to novel compositions and formulations; and (iv) formulations. In addition, in the United States and certain other countries, an additional period of market or data exclusivity that may be available under relevant law. For example, *Nexplanon* may be eligible for an additional three years of market exclusivity on the five-year efficacy indication in the United States from the of FDA approval of this indication. The effect of product patent expiration on pharmaceutical products also depends upon many other factors, such as the nature of the market and the position of the product in it, the growth of the market, the complexities and economics of the process for manufacture of the active ingredient of the product and the requirements of new drug provisions of the Federal Food, Drug and Cosmetic Act or similar laws and regulations in other countries.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Organon & Co. and its subsidiaries (the "Company") as of December 31, 2022 December 31, 2023 and 2021, 2022, and the related consolidated statements of income, of comprehensive income, of stockholders' equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Additions to market or data exclusivity are sought in the United States and other countries through all relevant laws, including laws increasing patent life. Some of the benefits of increases in patent life have been partially offset by an increase in the number of incentives for and use of generic products. Additionally, improvements in intellectual property laws are sought in the United States and other countries through all relevant laws, including laws decreasing patent life. Some of the benefits of increases in patent life have been partially offset by an increase in the number of incentives for and use of generic products. For information about Organon's our patents, see the sections entitled "Risk Factors" and Note 12 20, "Contingencies – Patent Litigation."

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023 included in this report.

In conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Worldwide, all of Organon's our important products are sold under trademarks that are considered in the aggregate to be of material importance. Trademark protection continues in some countries as long as used; in other countries, as long as registered. Registration is for fixed terms and can be renewed indefinitely.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Royalty income in 2022 2023 on patent and know-how licenses and other rights amounted to $3 $6 million. Organon We also incurred royalty expenses totaling $13 $6 million in 2022 2023 under patent and know-how licenses Organon holds. we hold.

Privacy and Data Protection

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Organon is We are subject to a significant number of privacy and data protection laws and regulations globally, many of which place restrictions on Organon's our ability to transfer, access and use personal data across its our business. The legislative and regulatory landscape for privacy and data protection continues to evolve. There evolve, and there are privacy and data protection frameworks in both developed and emerging markets with the potential to directly affect Organon's our business. These include, for instance, the EU General Data Protection Regulation ("GDPR"), which went into effect in May 2018 and imposes penalties of up to 4% of global revenue; revenue, and China's Personal Information Protection Law ("PIPL"), which came into effect November 1, 2021; . The data protection regulatory environment in China has been evolving quickly, including regulations regarding cross-border transfers of personal data (CBDT). These laws regulate the processing of personal information and U.S. state privacy increase the obligations of companies to protect and safeguard information. Certain of these regulations also require organizations to evaluate cross-border transfers of personal information and may require localization of certain data if specific conditions are met.

Definition and Limitations of Internal Control over Financial Reporting

Additional laws such as and regulations continue to be adopted in various jurisdictions. These include: the California Consumer Privacy Act which became effective January 1, 2020, and has been amended and strengthened by the California Privacy Rights Act, which came into force January 1, 2023. Additional privacy and data protection laws will come into force in upcoming years, for instance, Virginia's Consumer Data Protection Act, Colorado's Privacy Act, and the United Arab Emirates' Protection of Personal Data Protection. These These changing requirements could cause Organon us to incur substantial costs or require it us to change its our business practices or compliance procedures in a manner adverse to Organon's our business.

A company's company's internal control over financial reporting is a process designed 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. A company's company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's company's assets that could have a material effect on the financial statements.

Competition and the Health Care Environment

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Competition

The markets We conduct our business in which Organon conducts its business and the pharmaceutical industry in general are highly competitive and highly regulated. Organon's markets which mirror the equally competitive pharmaceutical industry. Our competitors include other worldwide research-based pharmaceutical companies, smaller research companies with more limited therapeutic focus and generic drug manufacturers. Organon's Our operations may be adversely affected by generic and biosimilar competition as Organon's our products mature, as well as technological advances of competitors, industry consolidation, patents granted to competitors, competitive combination products, new products of competitors, the generic availability of competitors' branded products and new information from clinical trials of marketed products or post-marketing surveillance. In addition, patent rights are increasingly being challenged by competitors and the outcome can be highly uncertain. An adverse result in a patent dispute can preclude commercialization of products or negatively affect sales of existing products and could result in the payment of royalties or in the recognition of an impairment charge with respect to intangible assets associated with certain products. Competitive pressures have intensified continue to intensify as pressures in the industry have grown. grows.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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To remain competitive, the additional resources required to meet market challenges include quality control, flexibility to meet buyer specifications, an efficient distribution system and a strong technical information service. Organon plans We plan to continue to acquire and market products through external alliances, such as licensing arrangements and collaborations, and has have designed its our sales and marketing efforts to address changing industry conditions. However, the introduction of new products and processes by competitors may result in price reductions and product displacements, even for products protected by patents.

Critical Audit Matters

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The critical audit matter matters communicated below is a matter are matters arising from the current period audit of the consolidated financial statements that was were communicated or required to be communicated to the audit committee and that (i) relates relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter matters below, providing a separate opinion opinions on the critical audit matter matters or on the accounts or disclosures to which it relates. they relate.

Income Taxes - Valuation of Certain Deferred Tax Assets in Switzerland

As described in Notes 3 and 10 to the consolidated financial statements, as of December 31, 2023, the Company has $863 million of net deferred tax assets, inclusive of valuation allowances totaling $309 million, of which $210 million of the valuation allowances relate to certain Switzerland deferred tax assets. In 2023, the Company recorded a $476 million tax benefit comprised of a gross benefit of $686 million, net of a $210 million valuation allowance, resulting from the termination of a tax arrangement in Switzerland. The valuation allowance was determined based on expected future income and the terms of the remaining Switzerland tax arrangement. Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting based on enacted tax laws and rates. The Company establishes valuation allowances for its deferred tax assets when the amount of expected future income is not likely to support the use of the deduction or credit. Management assesses all available evidence to estimate whether a valuation allowance should be recorded against existing deferred tax assets.

The principal considerations for our determination that performing procedures relating to the valuation of certain deferred tax assets in Switzerland is a critical audit matter are (i) the significant judgment by management when determining whether these deferred tax assets are more likely than not to be realized in the future; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's significant assumption related to expected future income by year for Switzerland; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the realizability of the deferred tax assets, including controls over management's assessment of expected future income for Switzerland. These procedures also included, among others, testing management process by (i) evaluating evidence available to support management's assessment of the realizability of certain deferred tax assets in Switzerland; (ii) testing the completeness and accuracy of underlying data used in management's assessment; (iii) evaluating the terms of the Company's existing tax arrangement in Switzerland and the appropriateness of enacted tax rates; and (iv) evaluating the reasonableness of management's significant assumption related to expected future income by year for Switzerland. Evaluating the reasonableness of expected future income by year for Switzerland involved considering (i) the current and past performance of the Switzerland entity and (ii) whether the assumption was consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of certain inputs used by management in developing the significant assumption related to expected future income for Switzerland.

U.S. Rebate Accruals - Medicaid and Managed Care Rebates

As described in Note 3 to the consolidated financial statements, the Company records certain variable consideration including discounts, which are estimated at the time of sale generally using the expected value method. Amounts accrued, included in accrued and other current liabilities, for aggregate customer discounts as of December 31, 2022 December 31, 2023 in the United States was $307 million $417 million, of which the majority related to U.S. rebate accruals - for Medicaid and Managed Care. These rebate accruals are evaluated on a quarterly basis through comparison of information provided by the wholesalers, health maintenance organizations, pharmacy benefit managers, federal and state agencies, and other customers to the amounts accrued. Certain of these discounts are in the form of rebates, which are amounts owed based upon definitive contractual agreements or legal requirements with private sector (Managed Care) 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. The provision for rebates is based on expected patient usage, as well as inventory levels in the distribution channel to determine the contractual obligation to the benefit providers. Management uses historical customer segment utilization mix, sales changes to product mix and price, inventory levels in the distribution channel, government pricing calculations and prior payment history in order to estimate the expected provision.

Medicaid rebate liability. The new definitions of "line extension" and "new formulation" took effect on January 1, 2023. Finally, the provisions of this December 2020 Final Rule also may affect rebates owed under the Medicaid Drug Rebate Program in certain circumstances -52- re accumulator adjustment or similar programs are applied to Organon's drugs and the value of Organon's assistance programs, which is intended for patients, is not counted towards the patient's deductible or other out-of-pocket costs.

On December 31, 2020, CMS published a Final Rule on the Medicaid Drug Rebate Program, which, among other things, introduced for the first time a regulatory definition of the terms "line extension" and "new formulation." CMS defined "line extension" as a new formulation of the drug, but does not include an abuse deterrent formulation of the drug. CMS adopted an expansive definition of "new formulation" to include a change to the drug, including, but not limited to: an extended release formulation or other change in release mechanism, a change in dosage form, strength, route of administration, or ingredients. This expanded definition may result in certain of Organon's drugs being subject to a higher

In addition, other legislative changes include automatic 2% aggregate reductions in Medicare payments to providers, which results in an overall reduction in physician-administered drug reimbursement from 106% of Average Sales Price ("ASP") to approximately 104.3% of ASP. This change is part of the federal budget sequestration under the Budget Control Act of 2011, which went into effect in April 2013. The sequestration was temporarily halted from May 1, 2020 to March 31, 2022 as a result of various legislation, and later reduced to 1% from April 2022 to June 2022. The temporary suspension of the 2% reduction in Medicare payments to providers that was instituted in the wake of the COVID-19 pandemic

expired on July 1, 2022, with the 2% reduction set to remain in effect until 2031 unless additional Congressional action is taken.Organon cannot predict how these and future adjustments to sequestration, and the way in which these laws impact physician reimbursement for Organon's products, will affect Organon's profitability.

The principal considerations for our determination that performing procedures relating to U.S. rebates accruals for Medicaid and Managed Care is a critical audit matter are (i) the significant judgment by management due to the significant measurement uncertainty involved in when developing the these rebate accruals, as the accruals are based on assumptions developed using pricing information and historical customer segment utilization mix, and accruals; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating evidence management's significant assumptions related to these assumptions. pricing information and historical customer segment utilization mix; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to provisions for U.S. Medicaid and Managed Care rebates, including controls over the assumptions used to estimate these rebates. These procedures also included, among others (i) developing an independent estimate of the U.S. rebate accruals for Medicaid and Managed Care by utilizing third-party data on historical customer segment utilization mix in the U.S., pricing information, the terms of the specific rebate programs, and the historical trends of actual rebate claims paid, paid; (ii) comparing the independent estimate to the U.S. rebate accruals for Medicaid and Managed Care recorded by management, management; and (iii) testing, on a sample basis, actual rebate claims paid for U.S. Medicaid and Managed Care, including evaluating these claims for consistency with the contractual terms of the Company's rebate agreements. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the pricing information used in the Medicaid portion of the accrual.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 27, 2023 26, 2024

We have served as the Company's auditor since 2019.

Organon & Co.

Consolidated Statements of Income

($ in millions, except per share amounts)

	Year Ended December 31,		
	2022	2021	2020
Revenues	$ 6,174	$ 6,304	$ 6,532
Expenses and Other			
Cost of sales	2,294	2,382	2,119
Selling, general and administrative	1,704	1,668	1,356
Research and development	471	339	210
Acquired in-process research and development and milestones	107	104	—
Restructuring costs	28	3	60

We face increasing pricing pressure globally from managed care organizations and government agencies and programs. This pricing pressure could negatively affect our sales and profit margins. In the United States, these concerns include: (i) practices of managed care organizations, federal and state exchanges and institutional and governmental

purchasers, and (ii) federal laws and regulations related to Medicare and Medicaid.

Interest expense	Interest expense	422	258	—
Exchange losses	Exchange losses	11	4	44
Other expense (income), net		15	17	(9)
		5,052	4,775	3,780
Income From Continuing Operations Before Income Taxes		1,122	1,529	2,752
Taxes on Income		205	178	496
Income From Continuing Operations		917	1,351	2,256
Loss From Discontinued Operations		—	—	(96)
Net Income	Net Income	$ 917	$ 1,351	$ 2,160
Earnings per Share - Basic:	Earnings per Share - Basic:			
Continuing operations	Continuing operations	$ 3.61	$ 5.33	$ 8.90
Discontinued operations	Discontinued operations	—	—	(0.38)
Net Earnings per Share - Basic	Net Earnings per Share - Basic	$ 3.61	$ 5.33	$ 8.52
Earnings per Share - Diluted:	Earnings per Share - Diluted:			
Continuing operations	Continuing operations	$ 3.59	$ 5.31	$ 8.90
Discontinued operations	Discontinued operations	—	—	(0.38)
Net Earnings per Share - Diluted	Net Earnings per Share - Diluted	$ 3.59	$ 5.31	$ 8.52
Weighted Average Shares Outstanding:	Weighted Average Shares Outstanding:			
Basic	Basic	254,082	253,538	253,516

United States

In the United States, we are impacted by expanded Medicaid rebates, Medicaid-managed care utilization, and increases in the types of entities eligible for the federal 340B drug discount program. These programs require pharmaceutical manufacturers to pay a percentage of the negotiated price of the medicine, including biosimilar products, when Medicare Part D beneficiaries are in the Medicare Part D coverage gap (i.e., the so-called "donut hole provision") until January 1, 2025. Pharmaceutical manufacturers must pay a percentage of the negotiated price of branded pharmaceuticals, biologics and biosimilar products, when Medicare Part D beneficiaries are in the initial coverage phase, and another percentage of the negotiated price in the catastrophic phase of Medicare Part D coverage. Increases in these percentages or changes in the timing of their implementation could increase our cost-sharing responsibility for any approved product. We recorded approximately $15 million, $16 million and $17 million revenue reduction in 2023, 2022 and 2021, respectively. This reduction was related to the coverage gap or "donut hole" provision. We recorded approximately $3 million, $3 million and $10 million of costs within selling, general and administrative expenses in 2023, 2022 and 2021, respectively, for the annual health care reform fee.In the future, our drugs could be subject to a higher Medicaid rebate liability.

We may also be affected by developments relating to the federal 340B drug discount program. In June 2023, we implemented a policy to reduce diversion and inappropriate claims for discounts and rebates by contract pharmacies that were affiliated with 340B-eligible entities. Multiple manufacturers have adopted similar policies, and the Department of Health and Human Services has sent several of these manufacturers letters claiming that the policies violate the 340B statute and referring the manufacturers for potential enforcement action. Certain drug manufacturers challenged these letters in federal court. The U.S. Court of Appeals for the Third Circuit recently ruled in favor of several manufacturers. To date, other challenges are still pending. We believe that our policy complies with the 340B statute.At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing.

European Union

Pricing and reimbursement of medicinal products is are not harmonized at the EU level, but rather controlled by individual EU Member States. In addition, a majority of countries in the EU attempt to contain drug costs by engaging in reference pricing. Reference pricing in which allows authorities to examine pre-determined markets for published prices of drugs. Reference pricing may either compare a product's prices in other markets (external reference pricing) or compare a product's price with those of other products in a national class (internal reference pricing). The authorities then use the price data to set new local prices for brand-name drugs, including Organon's. Guidelines for examining reference pricing are usually set in local markets and can be changed pursuant to local regulations. Some EU Member States have established free-pricing systems but regulate the pricing of drugs through profit control plans. Others seek to negotiate or set prices based on the cost-effectiveness of a product or an assessment of whether it offers a therapeutic benefit over other products in the relevant class. The downward pressure on health care costs in general, particularly prescription drugs, has become intense. intensified. As a result, manufacturers are erecting increasingly high entry barriers are being erected to the entry of new products. In some EU Member States, cross-border imports from low-priced markets also exert competitive pressure that may reduce pricing within an EU Member State.

Additionally, EU Member States have the power to restrict the range of pharmaceutical products for which their national health insurance systems provide reimbursement. In the EU, reimbursement plans vary widely from EU Member State to EU Member State. Some EU Member States provide that drug products may be marketed only after agreement on a reimbursement price. Some EU Member States may require the completion of additional studies that compare the cost-effectiveness of a particular product candidate to already available therapies, or so-called health technology assessments ("HTA"), to obtain reimbursement or pricing approval. The HTA of pharmaceutical products is becoming an increasingly common part of the pricing and reimbursement procedures in most EU Member States. The HTA process, which is governed by the national laws of these countries, involves the assessment of the cost-effectiveness, public health impact, therapeutic impact and/or the economic and social impact of use of a given pharmaceutical product in the national health care system of the individual country. Ultimately, HTA measures the added value of a new health technology compared to existing ones. The outcome of HTAs regarding specific pharmaceutical products will often influence the pricing and reimbursement status granted to these pharmaceutical products by the regulatory authorities of individual EU Member States. A negative HTA of one of Organon's products may mean that the product is not reimbursable or may force Organon to reduce Organon's reimbursement price or offer discounts or rebates. A negative HTA by a leading and recognized HTA body could also undermine Organon's ability to obtain reimbursement for the relevant product outside a jurisdiction. For example, EU Member States that have not yet developed HTA mechanisms may rely to some extent on the HTA performed in other countries with a developed HTA framework to inform pricing and reimbursement decisions. HTA procedures require additional data, reviews and administrative processes, all of which increase the complexity, timing and costs of obtaining product reimbursement and exert downward pressure on available reimbursement.

To obtain reimbursement or pricing approval in some EU Member States, Organon we may be required to conduct studies that compare the cost-effectiveness of Organon's our product candidates to other therapies that are considered the local standard of care. There can be no assurance that any EU Member State will allow favorable pricing, reimbursement and market access conditions for any of Organon's our products, or that it will be feasible to conduct additional cost-effectiveness studies, if required.

Brexit

In 2016, the UK held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit." As a result of that referendum and subsequent negotiations, the UK left the EU on January 31, 2020. A transitional period existed until December 31, 2020, and during this period the EU and the UK operated as if the UK was an EU Member State, and the UK continued to participate in the EU Customs Union allowing for the freedom of movement for people and goods. Since January 1, 2021, the UK has been treated as a third country (i.e., not part of the EU single market or Customs Union) and is no longer bound by any EU laws (although the UK retained existing EU legislation in its national legislation). However, the Northern Irish Protocol currently provides that certain EU laws have effect in Northern Ireland and that Northern Ireland is within the EU single market.

Diluted 255,169 254,193 253,518

The accompanying notes are an integral part of these Consolidated Financial Statements.

Organon & Co.
Consolidated Statements of Comprehensive Income
($ in millions)

	Year Ended December 31,		
	2022	2021	2020
Net income	$ 917	$ 1,351	$ 2,160
Other Comprehensive (Loss) Income, Net of Taxes:			
Benefit plan net gain (loss) and prior service credit, net of amortization	23	8	(143)
Cumulative translation adjustment	(74)	90	(30)
	(51)	98	(173)
Comprehensive income	$ 866	$ 1,449	$ 1,987

	Year Ended December 31,		
	2023	2022	2021
Net income	$ 1,023	$ 917	$ 1,351
Other Comprehensive Income (Loss), Net of Taxes:			
Benefit plan net (loss) gain and prior service (cost) credit, net of amortization	(25)	23	8
Cumulative translation adjustment	48	(74)	90
	23	(51)	98
Comprehensive income	$ 1,046	$ 866	$ 1,449

The accompanying notes are an integral part of these Consolidated Financial Statements.

Organon & Co.
Consolidated Balance Sheets
($ in millions except shares in thousands and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 706	$ 737

health care financing that ensures access to innovative medicines and does not disproportionately target pharmaceuticals as a source of budget savings. In markets with historically low rates of health care spending, Organon encourages we encourage those governments to increase their investments and adopt market reforms to improve their citizens' access to appropriate health care, including medicines.

Accounts receivable (net of allowance for doubtful accounts of $9 in 2022 and $7 in 2021)	1,475	1,382
Inventories (excludes inventories of $148 in 2022 and $76 in 2021 classified in Other assets)	1,005	919
Cash and cash equivalents		

Regulation of Organon's Our Products

The pharmaceutical and medical device industries are also subject to regulation by regional, country, state and local agencies authorities around the world, focused on standards and processes for determining drug and device safety and effectiveness, as well as conditions for sale or reimbursement.

Cash and cash equivalents		
Accounts receivable (net of allowance for doubtful accounts of $9 in 2023 and $9 in 2022)		
Inventories (excludes inventories of $110 in 2023 and $148 in 2022 classified in Other assets)		
Other current assets	747	726
Total current assets	3,931	3,760
Property, plant and equipment, net	1,018	973
Goodwill	4,603	4,603
Intangibles, net	649	651
Other assets	754	694
Total Assets	$ 10,955	$ 10,681
Liabilities and Equity		
Current Liabilities:		
Current portion of long-term debt	$ 8	$ 9
Trade accounts payable	1,132	1,382
Accrued and other current liabilities	1,188	1,021
Income taxes payable	184	185
Total current liabilities	2,512	2,597

Of particular importance is the FDA in In the United States, which the FDA administers requirements covering the testing, approval, safety, effectiveness, manufacturing, labeling and marketing of prescription pharmaceuticals and medical devices. In some cases, the FDA requirements and practices have increased the amount of time and resources necessary to develop new products and bring them to market in the United States. At the same time, the FDA has committed to expediting the development and review of products bearing the "breakthrough therapy" designation, and established other expedited programs to support the development, review, and approval of medicines where there is unmet medical need in serious and life-threatening conditions. The FDA has also undertaken efforts to bring generic and biosimilar competition to market more efficiently and in a timelier manner.

The EU has also adopted directives and other legislation concerning the classification, approval for marketing, labeling, advertising, manufacturing, wholesale distribution, integrity of the supply chain, pharmacovigilance and safety monitoring of medicinal products for human use. These provide mandatory standards throughout the EU, which may be supplemented or implemented with additional regulations by the EU Member States. In particular, EU regulators may approve products subject to several post-authorization conditions. Examples of typical post-authorization commitments include additional pharmacovigilance, the conduct of clinical trials, the establishment of patient registries, physician or patient education and controlled distribution and prescribing arrangements. Non-compliance with post-authorization conditions, pharmacovigilance and other obligations can lead to regulatory action, including the variation, suspension or withdrawal of the marketing authorizations, or other enforcement or regulatory actions, including the imposition of financial penalties. Organon's policies and procedures are already consistent with the substance of these directives; consequently, Organon believes that they will not have any material effect on Organon's business.

Organon believes that it will continue to be able to conduct its operations, including launching new drugs and devices, in this regulatory environment.

FDA Regulation

Drugs and Biologics

Industry practice and government regulations in the United States and most foreign countries provide for the determination of effectiveness and safety of new chemical compounds suitable for pharmaceutical use through pre-clinical tests and controlled clinical evaluation. Before a new drug may be marketed in the United States, recorded data on pre-clinical and clinical investigations are included in the NDA for a drug or the Biologics License Application ("BLA") for a biologic, and submitted to the FDA for the required approval.

Once scientists identify internal technology development opportunities or external technology licensing opportunities to enable improvement of existing products or development of new products, pre-clinical testing with that compound is commenced. Pre-clinical testing includes laboratory testing and safety studies in animals to gather data on chemistry, pharmacology, immunogenicity, and toxicology, and must be conducted in compliance with Good Laboratory Practice regulations. Pending acceptable pre-clinical data, Organon will submit an Investigational New Drug ("IND") application to the FDA through a combination of internal and external resources, approval, which includes the results of pre-clinical testing, information about the composition and manufacturing, and Organon's plan for clinical testing on humans. After submission of the IND, Organon must wait 30 days before initiating clinical testing so that the FDA can review the IND and determine that clinical testing will not expose human subjects to unreasonable risk. The FDA may impose a full or partial hold on an IND before or after it goes into effect, requiring that Organon halt clinical testing in accordance with the hold. Once an IND goes into effect, Organon will then initiate clinical testing under the supervision of qualified investigators in accordance with established regulatory requirements, including Good Clinical Practice regulations. The clinical testing typically begins with Phase 1 studies, which are designed to assess safety, tolerability, pharmacokinetics and preliminary pharmacodynamic activity of the compound in humans. If favorable additional, larger Phase 2 studies are initiated to determine evidence of the efficacy of the compound in the affected population and define appropriate dosing for the compound, as well as identify any adverse effects that could limit the compound's usefulness. In some situations, the clinical program incorporates adaptive design methodology to use accumulating data to decide how to modify aspects of the ongoing clinical study as it continues without undermining the validity and integrity of the trial. One type of adaptive clinical trial is an adaptive Phase 2a / 2b trial design, a two-stage trial design consisting of a Phase 2a proof-of-concept stage and a Phase 2b dose-optimization finishing stage. If data from the Phase 2 trials are satisfactory, Organon commences large-scale Phase 3 trials to confirm the compound's efficacy and safety. Another type of adaptive clinical trial is an adaptive Phase 2 / 3 trial design, a study that can include an interim analysis and an adaptation that changes the trial from having features common in a Phase 2 study (such as multiple dose groups) to a design similar to a Phase 3 trial. An adaptive Phase 2 / 3 trial design can reduce timelines by eliminating activities which would be required to start a separate study. Upon completion of Phase 3 trials, if satisfactory, Organon submits regulatory filings with the appropriate regulatory agencies around the world to have the product candidate approved for marketing. There can be no assurance that a compound that is the result of any particular program will obtain the regulatory approvals necessary for it to be marketed. After a product receives

Total Current Liabilities		
Long-term debt	8,905	9,125
Deferred income taxes	19	4
Other noncurrent liabilities	411	463
Contingencies (Note 12)		
Total Liabilities		
Contingencies (Note 20)		
Organon & Co. Stockholders' Deficit		
Common stock, $0.01 par value Authorized - 500,000 Issued and outstanding - 254,370 in 2022 and 253,550 in 2021	3	3
Accumulated deficit	(331)	(998)
Organon & Co. Stockholders' Deficit		
Organon & Co. Stockholders' Deficit:		
Common stock, $0.01 par value Authorized - 500,000 Issued and outstanding - 253,626 in 2023 and 254,370 in 2022		
Common stock, $0.01 par value Authorized - 500,000 Issued and outstanding - 255,626 in 2023 and 254,370 in 2022		
Common stock, $0.01 par value Authorized - 500,000 Issued and outstanding - 255,626 in 2023 and 254,370 in 2022		
Additional paid-in capital		
Retained earnings and accumulated (deficit)		
Accumulated other comprehensive loss	(564)	(513)
Total Stockholders' Deficit	(892)	(1,508)
Total Liabilities and Stockholders' Deficit	$ 10,955	$ 10,981
Medical Devices		

The accompanying notes are an integral part of these Consolidated Financial Statements.

marketing authorization, the FDA may require Organon to perform post-marketing studies, or Phase 4 studies, which may involve additional clinical trials, nonclinical testing and surveillance programs to monitor the safety of approved products or to provide additional information regarding treatment or a drug's risks, benefits, or best use.

In the United States, upon completion of clinical testing, a complete NDA or BLA is submitted to the FDA. Within 60 days after receipt, the FDA determines if the application is sufficiently complete to permit a substantive review, or instead if the FDA will issue a refuse to file determination. The FDA also assesses, at that time, whether the application will be granted a priority review or standard review. Pursuant to the Prescription Drug User Fee Act, the FDA review period target for NDAs or original BLAs is either six months for priority review or 10 months for a standard review from the time the application is deemed sufficiently complete. An additional two months is added to these timelines for new molecular entities. Once the review timelines are determined, the FDA will generally act upon the application within those timelines, unless a major amendment has been submitted (either at Organon's own initiative or the FDA's request) to the pending application. If this occurs, the FDA may extend the review period to allow for review of the new information, but by no more than three months. These timelines are not binding, and the FDA may not meet them in particular cases. The FDA can act on an application either by issuing an approval letter or by issuing a Complete Response Letter ("CRL") stating that the application will not be approved in its present form and describing all deficiencies that the FDA has identified. Should Organon wish to pursue an application after receiving a CRL, absent an appeal, Organon is able to resubmit the application with information that addresses the questions or issues identified by the FDA to support approval. Resubmissions are subject to review period targets, which vary depending on the underlying submission type and the content of the resubmission.

The FDA has four primary program designations—Fast Track, Breakthrough Therapy, Accelerated Approval and Priority Review—to facilitate and expedite development and review of new drugs to address unmet medical need in the treatment of serious or life-threatening conditions. The Fast Track designation provides pharmaceutical manufacturers with opportunities for frequent interactions with FDA reviewers during the product's development and the ability for the manufacturer to do a rolling submission of the NDA/BLA. A rolling submission allows completed portions of the application to be submitted and reviewed by the FDA on an ongoing basis. The Breakthrough Therapy designation provides manufacturers with the same features of the Fast Track designation as well as intensive guidance on implementing an efficient development program for the product and a commitment by the FDA to involve senior managers and experienced staff in the review. The Accelerated Approval designation allows the FDA to approve a product based on an effect on a surrogate or intermediate endpoint that is reasonably likely to predict a product's clinical benefit and generally requires the manufacturer to conduct required post-approval confirmatory studies to verify the clinical benefit. As a condition of approval, the FDA will require a sponsor of a drug receiving accelerated approval to perform Phase 4 or post-marketing studies to verify and describe the predicted clinical benefit, and the drug may be subject to accelerated withdrawal procedures. The Priority Review designation means that the FDA's goal is to take action on the NDA/BLA within six months compared to 10 months under standard review, with two months added to these periods for new molecular entities.

In addition, the Biologics Price Competition and Innovation Act provides for an abbreviated pathway for obtaining FDA approval of biologic drugs that satisfy certain criteria. If a manufacturer can show that its proposed biosimilar product is highly similar to and has no clinically meaningful differences from the FDA-approved reference product, it can rely in part on the FDA's previous determination of safety and effectiveness for the reference product for obtaining approval. This can potentially lead to a faster and less costly approval process for these products because it generally means that the biosimilar manufacturer does not need to conduct as many clinical trials.

After an NDA or BLA has been approved, a drug can be marketed in the United States and remains subject to post-marketing drug safety monitoring requirements. Any significant changes to an approved drug, such as changes in formulation, labeling, dosage strength, or certain manufacturing changes, require approval by the FDA through a supplemental application, and for certain significant categories of changes, prior approval by the FDA. Additionally, further development of an approved drug for a new use, dosage strength, or a new or different form must be conducted under a new IND. Organon's activities after approval are subject to the FDA's requirements governing, among other things, drug establishment registration and listing, labeling and advertising, and current Good Manufacturing Practices ("cGMP") regulations, which set forth minimum requirements for the methods, facilities, and controls used in manufacturing, processing, and packing of a drug product. Post-approval reports of product quality defects and adverse events are maintained and submitted to the FDA in accordance with its regulations. The FDA conducts routine inspections of drug manufacturing facilities to monitor compliance with these requirements. Non-compliance with cGMP or other regulatory requirements can lead to regulatory action, including issuance of Warning Letters to Organon or issuance of safety alerts, press releases, or other communications containing warnings about the products; suspension or withdrawal of the marketing authorizations; suspension of any ongoing clinical trials; or other enforcement or regulatory actions, including seeking injunction or imposing civil or criminal penalties or monetary fines.

The FDA regulates the advertising and promotion of Organon's products to ensure that the claims Organon makes are consistent with its regulatory approvals, that there are adequate and reasonable data to substantiate the claims, and that Organon's promotional labeling and advertising are neither false nor misleading in any respect.

phased process. As a manufacturer and distributor of drug products, Organon's our activities are regulated under various federal and state statutes including the Drug Quality and Security Act of 2013 (the "DQSA") and state manufacturer and wholesaler laws.

Title II of the DQSA, known as the Drug Supply Chain Security Act, calls for the establishment of a nationwide electronic system that tracks certain prescription drugs at each point in the supply chain to prevent the introduction of counterfeit, adulterated, or mislabeled drugs into the market. Implementation began in 2015 and is scheduled to be completed by late 2023. The FDA has issued regulations and guidance implementing the DQSA, which require manufacturers, distributors, and dispensers to comply with various regulatory requirements related to product identification, product tracing, product verification, detection and response, notification, and wholesaler licensing.

Under the Controlled Substances Act (the "CSA"), manufacturers Manufacturers and distributors of controlled substances must also maintain registration with the Drug Enforcement Agency ("DEA"), and comply with various regulatory requirements, including maintaining records and inventory, reporting to the DEA, and meeting certain security and operational safeguards. Similar requirements exist in most states.

The FDA's laws and FDA imposes medical device regulations that govern medical devices include requirements for the design, development, testing, manufacturing, labeling, clinical trials, and pre-market clearance and approval, among other requirements. Medical devices are classified into three classes based on their risk: Class I devices present the least risk; Class II devices present moderate risk; and Class III devices are the highest risk. The regulatory controls and requirements vary by the class of device. All classes of devices are subject to "general controls," which include: establishment registration and device listing, compliance with the design controls and good manufacturing practice requirements of the Quality System Regulation, medical device reporting, reporting of recalls, corrections and removals, and labeling and promotional requirements. Most Class I devices do not require any review by the FDA prior to marketing. Most Class II devices require the submission of a pre-market notification under section 510(k) of the FDCA prior to marketing. Class II devices are also subject to "special controls," which are unique controls the FDA establishes for each device type, typically in the form of a guidance document that specifies requirements such as performance testing and labelling. Class III devices require FDA approval of a pre-market approval application ("PMA") prior to marketing and are subject to conditions of approval (which may include post-market study requirements on the safe and effective use of the device). Devices that have not previously been classified are automatically Class III. However, if the device is low- or moderate-risk, the manufacturer can submit a de novo classification request asking the FDA to classify the device into Class I or Class II and authorize the marketing of the device.

Organon & Co.
Consolidated Statements of Stockholders' Equity (Deficit)
($ in millions, except shares in thousands) thousands and per share amounts)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings and Accumulated (Deficit)	Net Investment from Merck & Co., Inc.	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	—	$ —	$ —	$ —	$ 7,949	$ (914)	$ 7,035
Net income	—	—	—	—	2,160	—	2,160
Other comprehensive income, net of taxes	—	—	—	—	—	(170)	(170)
Net transfers to Merck & Co., Inc.	—	—	—	—	(4,001)	465	(3,536)
Balance at December 31, 2020	—	$ —	$ —	$ —	$ 6,108	$ (622)	$ 5,486
Balance at December 31, 2020							
Net income	—	—	—	621	730	—	1,351
Other comprehensive income, net of taxes	—	—	—	—	—	98	98
Cash dividends declared on common stock ($0.56 per share)	—	—	—	(145)	—	—	(145)
Stock-based compensation and other	54	1	98	—	—	—	99
Net transfers from Merck & Co., Inc., including Separation Adjustments	—	—	65	588	11	—	664
Net consideration paid to Merck & Co., Inc. in connection with Separation	—	—	—	—	(9,000)	—	(9,000)

The Regulatory Approval Process Outside the United States

A 510(k) pre-market notification must demonstrate that the proposed device is "substantially equivalent" to a predicate device already on the market. Substantial equivalence means that the proposed device (1) has the same intended use as the predicate device; and (2) either (a) has the same technological characteristics as the predicate device, or (b) has different technological characteristics, but does not raise different questions of safety and effectiveness than the predicate device and data demonstrate the proposed device is as safe and effective as the predicate device. If the FDA agrees that the device is substantially equivalent to a predicate device currently on the market, it will grant 510(k) clearance to commercially market the device. If the FDA determines that the device is not "substantially equivalent" to a previously cleared device, or if the FDA has not classified the device, the device is automatically a Class III device. The device sponsor must then fulfill more rigorous PMA requirements, or can request a classification into Class I or II via a de novo classification request. A de novo classification request must describe the risks and benefits of the device and demonstrate that general controls (for a Class I device) or general and special controls (for a Class II device) provide reasonable assurance of safety and effectiveness. In a PMA, the manufacturer must demonstrate that the device is safe and effective, and the PMA must be supported by extensive data including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data.

Clinical trials are almost always required to support PMAs and are sometimes required to support 510(k) pre-market notifications. Such clinical testing must be conducted in compliance with the FDA's investigational device exemption ("IDE") regulations and additional regulations pertaining to human research. If the device is a "significant risk" device, clinical trial sponsors must obtain the FDA's approval of an IDE application prior to commencing the study. IDE approval is not required for non-significant risk device studies. All device clinical trials are subject to additional requirements, including obtaining informed consent from study subjects and approval by institutional review boards, monitoring, record-keeping, reporting and submitting information regarding certain clinical trials to a public database maintained by the National Institutes of Health.

Once a device has obtained FDA clearance or approval, certain modifications will require further pre-market review before they can be implemented. For 510(k)-cleared devices (or Class II devices authorized through the de novo classification pathway), any change that could significantly affect the safety or effectiveness of the device or that involves a major change to the device's intended use requires clearance of a new 510(k) pre-market notification. Manufacturers are responsible for determining whether a modification meets this standard, and for any changes the company determines do not require a 510(k), the rationale and information supporting the determination must be documented. For PMA approved devices, major changes (i.e., those affecting safety or effectiveness) require FDA approval of a PMA supplement. Certain other changes, including some labelling changes and some manufacturing changes, may be implemented with prior notice to the FDA. Other changes may be reported in periodic reports.

Marketed devices are also subject to ongoing FDA regulation. Requirements include those related to establishment registration and device listing, labeling and advertising, unique device identification, and good manufacturing practice and design controls. Device manufacturers are also subject to the FDA's medical device reporting regulations, which require a manufacturer to report to the FDA if a device it markets may have caused or contributed to a death or serious injury, or has malfunctioned and the device or a similar device that it markets would be likely to cause or contribute to a death or serious injury, if the malfunction were to recur. Manufacturer's must also comply with FDA's correction and removal reporting regulations, which require that manufacturers report to the FDA corrections or removals undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health. The FDA conducts routine inspections of device manufacturing facilities to monitor compliance with these requirements. Non-compliance can lead to informal or formal enforcement action, including Untitled Letters, Warning Letters, fines, injunctions, consent decrees, civil penalties, recalls, detention or seizure of Organon's products, import refusals, and criminal prosecution.

practices. Although physicians are permitted to use their medical judgment to use medical devices for indications other than those cleared or approved by the FDA, Organon we may not promote its our products for such "off-label" uses and can only market its our products for cleared or approved uses. Both the FDA and the Federal Trade Commission have authority over aspects of medical device promotion and prohibit false or misleading labeling and advertising. Other federal, state or foreign enforcement authorities can also take action under other laws and regulations, such as false claims laws, if they consider Organon's business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, and exclusion from participation in government health care programs.

Before Organon's our pharmaceutical products can be marketed outside the United States, they may be are also subject to regulatory approval similar to that required approvals in the United States. The requirements governing the conduct of clinical trials, including requirements to conduct additional clinical trials, product licensing, safety reporting, post-authorization requirements, marketing those countries. Each country has a separate and promotion, interactions with health care professionals, pricing independent review process and reimbursement, may vary widely from country to country. No action can be taken to market any product in a country until an appropriate approval application has been approved by the regulatory authorities in that country. The current approval process timeline, which varies from country to country, and the time spent in gaining approval varies from that required for FDA approval. significantly between jurisdictions. In certain countries, the sales price of a product must also be approved. The pricing review period often begins after market approval is granted. Even if a product is approved by a regulatory authority, satisfactory prices may not be approved for such product, which would make launch of such products commercially unfeasible in such countries. There are also regulations setting out requirements for medical devices in jurisdictions outside the United States. These regulations set out requirements for placing devices on the market, investigations/trials, safety reporting, marketing and promotion.

The European Union

The following section sets out an overview of the regulatory framework for medicinal products and medical devices in the EU. These rules also apply in the additional Member States of the European Economic Area ("EEA"), namely Iceland, Norway and Liechtenstein.

Drug and Biologic Development Process

Like the United States, the various phases of non-clinical and clinical research in the EU are subject to significant regulatory controls. Although the EU Clinical Trials Directive 2001/20/EC ("Clinical Trials Directive") sought to harmonize the EU clinical trials regulatory framework by setting out common rules for the control and authorization of clinical trials in the EU,

EU Member States have transposed and applied the provisions of the Clinical Trials Directive in a manner that is not always uniform. This has led to variations in the rules governing the conduct of clinical trials in the individual EU Member States. Therefore, the EU has adopted Regulation (EU) No 536/2014 ("Clinical Trials Regulation") as of January 31, 2022.

Under this new Clinical Trials Regulation, the approval of clinical trials in the EU has been simplified and streamlined. For example, the sponsor submits a single application for approval of a clinical trial via the clinical trials information system. As part of the application process, the sponsor proposes a reporting EU Member State, which coordinates the validation and evaluation of the application. The reporting EU Member State consults and coordinates with the other concerned EU Member States. If an application is rejected, it can be amended and resubmitted through the EU Portal. Upon approval is issued, the sponsor can start the clinical trial in all concerned EU Member States. However, a concerned EU Member State can in limited circumstances declare an "opt-out" from an approval. In such a case, the clinical trial cannot be conducted in that EU Member State. The Clinical Trials Regulation also aims to streamline and simplify the rules on safety reporting, and introduces enhanced transparency requirements such as mandatory submission of a summary of the clinical trial results to the EU Database.

National laws, regulations, and the applicable Good Clinical Practice and Good Laboratory Practice standards must also be respected during the conduct of the trials, including the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use guidelines on Good Clinical Practice ("GCP").

During the development of a pharmaceutical product, the EMA and national regulators within the EU provide the opportunity for dialogue and guidance on the development program. At the EMA level, this is usually done in the form of scientific advice, which is given by the Committee for Medicinal Products for Human Use ("CHMP") on the recommendation of the Scientific Advice Working Party. A fee is incurred with each scientific advice procedure. Advice from the EMA is typically provided based on questions concerning, for example, quality (chemistry, manufacturing and controls testing), nonclinical testing and clinical studies, and pharmacovigilance plans and risk-management programs. Advice is not legally binding for any future Marketing Authorization Application ("MAA") of the product concerned. In the EU, the Pediatric Regulation (EC) No 1901/2006 ("Pediatric Regulation") sets out the requirements for testing medicinal products in pediatric populations. In most EU Member States, companies are also required to have an approved Pediatric Investigation Plan before enrolling pediatric patients in a clinical trial.

Drug and Biologic Marketing Authorization Procedures

In the EU, pharmaceutical products may only be placed on the market after obtaining a Marketing Authorization ("MA"). MAs can be obtained through the centralized procedure, the mutual recognition procedure, the decentralized procedure, or a national procedure (the latter is available only for pharmaceutical products sold in a single EU Member State only). The primary method Organon uses to obtain a MA of pharmaceutical products in the EU is through the centralized procedure.

The centralized procedure provides for the grant of a single MA by the European Commission ("EC"), which is valid for all EU Member States (and, after respective national implementing decisions, in the three additional EEA Member States). The centralized procedure is compulsory for certain pharmaceutical products, including pharmaceutical products derived from biotechnological processes, orphan pharmaceutical products, advanced therapy pharmaceutical products and products with a new active substance indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, auto-immune and viral diseases.

Under the centralized procedure, the timeframe for the evaluation of an MAA by the EMA's CHMP is, in principle, 210 days from receipt of a valid MAA. However, this timeline excludes clock stops, which occur when additional written or oral information is to be provided by the applicant in response to questions asked by the CHMP, so the overall process typically takes a year or more. Applications may be eligible for accelerated assessment if the CHMP decides the product is of major interest for public health and therapeutic innovation. On request, the CHMP can reduce the time frame to 150 days if the applicant provides sufficient justification for an accelerated assessment. The CHMP will provide a positive opinion regarding the application only if it meets certain quality, safety and efficacy requirements. However, the EC has final authority for granting the MA, and it must issue the decision within 67 days after receipt of the CHMP opinion.

Following the UK's exit from the EU on January 1, 2021, the UK Medicines and Healthcare products Regulatory Agency ("MHRA") converted centralized MAs into UK MAs that apply in Great Britain (as under the Northern Irish Protocol the EU centralized MAs continue to apply in Northern Ireland). MA holders of the centralized MAs had the right to opt-out of the conversion until January 21, 2021; however, this would mean that these products would not be licensed to be marketed in Great Britain. For those with converted MAs, the holder of these MAs had to submit baseline data to the MHRA and pay the national

Net transfers to Merck & Co., Inc. including Separation Adjustments

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Balance at December 31, 2023

The accompanying notes are an integral part of these Consolidated Financial Statements.

MA fee. For EU MAs that were granted after January 1, 2021, these MAs will not be auto-72-l-57- converted into UK MAs. However, the MHRA offer some streamlined routes for authorization. For example, for three years from January 1, 2021 the MHRA may rely on the decision of the EC on the approval of a new centralized MA when granted an MA that applies in Great Britain.

If the centralized procedure is not used, then applicants can obtain national marketing authorizations. This can be if a pharmaceutical product falls under the optional scope of the centralized procedure and the applicant opts to use a national (decentralized / mutual recognition) procedure or if the centralized procedure would not apply. The purely national marketing authorization procedure permits a company to apply to the competent authority of a single EU Member State and, if successful, to obtain a MA that is valid only in this EU Member State. However, if the applicant wants a MA in several EU Member States it must use the decentralized or mutual recognition procedure (as applicable) to obtain a suite of national MAs.

Organon & Co.

Consolidated Statements of Cash Flows

($ in millions)

The decentralized marketing authorization procedure permits companies to file identical applications for an MA to the competent authorities in several EU Member States simultaneously for a pharmaceutical product that has not yet been authorized in any EU Member State. This procedure is available for pharmaceutical products not falling within the mandatory scope of the centralized procedure. The competent authority of a single EU Member State, the reference EU Member State, is appointed to review the application and provide an assessment report. The competent authorities of the other EU Member States, the concerned EU Member States, are subsequently required to grant MA for their territories based on this assessment. The only exception to this is where the competent authority of an EU Member State considers that there are concerns of potential serious risk to public health related to authorization of the product. In these circumstances the matter is submitted to the Coordination Group for Mutual Recognition and Decentralized Procedures - Human for review.

	Year Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities			
Net income from continuing operations	$ 321	$ 1,351	$ 2,258
Adjustments to reconcile net income from continuing operations to net cash flows provided by operating activities:			
Depreciation	96	92	56
Amortization	116	103	86
Impairment charges	41	1	1
Acquired in-process research and development and milestones	107	104	—
Deferred income taxes	(18)	(288)	(32)
Stock-based compensation	75	59	40
Unrealized foreign exchange loss (gain)	(68)	18	(57)
Other	26	12	1
Net changes in assets and liabilities			
Accounts receivable	(122)	(277)	13
Inventories	(220)	(138)	34
Other current assets	(43)	353	80
Trade accounts payable	(237)	663	37
Accrued and other current liabilities	172	329	12
Due from/due to related party	—	(164)	(155)
Income taxes payable	7	(119)	(118)
Other	(8)	55	(20)
Net Cash Flows Provided by Operating Activities from Continuing Operations	858	2,160	2,284
Cash Flows from Investing Activities			
Capital expenditures	(196)	(192)	(255)
Proceeds from sale of property, plant and equipment	7	7	5
Acquired in-process research and development and milestones	(107)	(104)	—
Purchase of product rights and asset acquisition, net of cash acquired	(124)	(192)	—
Net Cash Flows Used in Investing Activities from Continuing Operations	(420)	(481)	(250)
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	—	9,470	—
Repayments of debt	(108)	(112)	—
Debt and Market Exclusivity for Drugs and Biologics	—	(118)	—
Proceeds from short-term borrowings from Merck & Co, Inc.	—	—	1,512
Repayments of short-term borrowings from Merck & Co., Inc., net	—	(1,512)	—

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Normal MAs (i.e., not including Conditional MAs and those granted under exceptional circumstances) have an initial duration of five years. After these five years, the authorization may be renewed on the basis of a reevaluation of the risk-benefit balance. Once renewed, the MA is valid for an unlimited period unless the EC or the national competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal. Applications for renewal must be made to the EMA at least nine months before the five-year period expires.

Data and Market Exclusivity for Drugs and Biologics

As in the United States, it may be possible to obtain a period of market and / or data exclusivity in the EU that would have the effect of postponing the entry into the marketplace of a competitor's generic, hybrid or biosimilar product (in the case of marketing exclusivity, even if the pharmaceutical product has already received an MA) and for data exclusivity,

prohibiting another applicant from relying on the MA holder's pharmacological, toxicological and clinical data in support of another MA for the purposes of submitting an application.

New medicinal products authorized in the EU on the basis of a standalone application (i.e., on the basis of a dossier containing a complete suite of pre-clinical tests and clinical trials) qualify for eight years of data exclusivity and 10 years of marketing exclusivity. An additional noncumulative one-year period of marketing exclusivity is possible if during the data exclusivity period (the first eight years of the 10-year marketing exclusivity period), the MA holder obtains an authorization for one or more new therapeutic indications that are deemed to bring a significant clinical benefit compared to existing therapies. This product is referred to as the "reference medicinal product."

The data exclusivity period begins on the date of the reference medicinal product's first MA in the EU. After eight years, a generic product application may be submitted and generic companies may rely on the data in the reference medicinal product's dossier. However, a generic product cannot launch until two (or three, if the reference medicinal product was authorized for an additional indication) years later (or a total of 10 or 11 years after the first MA in the EU of the reference medicinal product).

Another noncumulative one-year period of data exclusivity can be obtained where an application is made for a new indication for a well-established substance, provided that significant pre-clinical or clinical studies were carried out in relation to the new indication. One year of data exclusivity is also available for data generated where a change of classification (i.e., from prescription-only to over the counter) of a pharmaceutical product has been authorized on the basis of significant pre-trial tests or clinical trials. However, this data exclusivity only protects the new switch data (i.e., when examining an application by another applicant for or holder of market authorization for a change of classification of the same substance, a competent authority will not refer to the results of those tests or trials for one year).

However, data and market exclusivity are not monopoly rights. Therefore, another company could also market another version of the pharmaceutical product if such company can complete a full MAA with their own complete database of pharmaceutical tests, pre-clinical studies and clinical trials (without relying on the other initial applicant's data) and obtain MA of its product.

Post-Approval Regulation of Drugs and Biologics

Similar to the United States, both MA holders and manufacturers of pharmaceutical products are subject to comprehensive regulatory oversight by the EMA, the EC and / or the national competent authorities of the EU Member States. This oversight applies both before and after grant of manufacturing licenses and marketing authorizations. It includes control of compliance with EU good manufacturing practices rules, manufacturing authorizations, pharmacovigilance rules and requirements governing advertising, promotion, sale, distribution, recordkeeping, importing and exporting of pharmaceutical products. regulator.

Failure by Organon us or by any of its our third-party partners, including suppliers, manufacturers and distributors, to comply with EU laws and the related national laws of individual EU Member States governing the conduct of clinical trials, manufacturing approval, marketing authorization of pharmaceutical products and marketing of such products, both before and after grant of marketing authorization, statutory health insurance, bribery and anti-corruption or other applicable regulatory requirements, may result in administrative, civil or criminal penalties. These penalties could include delays or refusal to authorize the conduct of clinical trials or to grant marketing authorization, product withdrawals and recalls, product seizures, suspension, withdrawal or variation of the marketing authorization, total or partial suspension of production, distribution, manufacturing or clinical trials, operating restrictions, injunctions, suspension of licenses, fines and criminal penalties.

The holder of an MA for a pharmaceutical product in the EU must also comply with EU pharmacovigilance legislation We and its related regulations and guidelines, which entail many requirements for conducting pharmacovigilance, or the assessment and monitoring of the safety of pharmaceutical products. These pharmacovigilance rules can impose on holders of MAs the obligation to conduct a labor intensive collection of data regarding the risks and benefits of marketed pharmaceutical products and to engage in ongoing assessments of those risks and benefits, including the possible requirement to conduct additional clinical studies or post-authorization safety studies to obtain further information on a medicine's safety, or to measure the effectiveness of risk-management measures, which may be time consuming, expensive and could impact Organon's profitability. MA holders must establish and maintain a pharmacovigilance system and appoint an individual qualified person for pharmacovigilance who is responsible for oversight of that system. The EMA reviews PSURs for pharmaceutical products authorized through the centralized procedure. If the EMA has concerns that the risk benefit profile of a product has varied, it

can adopt an opinion advising that the existing MA for the product be suspended, withdrawn or varied. The agency can advise that the MA holder be obliged to conduct post-authorization Phase IV safety studies. The EMA opinion is submitted to the EC for its consideration. If the European Commission agrees with the opinion, it can adopt a decision varying the existing MA. Failure by the marketing authorization holder to fulfill the obligations in the EC's decision can undermine the on-going validity of the MA.

More generally, noncompliance with pharmacovigilance obligations can lead to the variation, suspension or withdrawal of the MA for the product or imposition of financial penalties or other enforcement measures.

The manufacturing process for pharmaceutical products in the EU is highly regulated and regulators may shut down manufacturing facilities that they believe do not comply with regulations. Manufacturing requires a manufacturing authorization, and the manufacturing authorization holder must comply with various requirements set out in the applicable EU laws, regulations and guidance, including Directive 2001/83/EC, Directive (EU) 2017/1572, Regulation (EC) No 726/2004 and the European Commission Guidelines for Good Manufacturing Practice ("GMP"). Organon and its our third-party manufacturers are also subject to other good manufacturing practices, which are extensive regulations governing manufacturing processes, stability testing, record keeping and quality standards as defined by the EMA, the EC, the national competent authorities of EU Member States and other regulatory authorities. Companies may be subject to civil, criminal or administrative sanctions if they fail to comply with these practices. These include suspension of manufacturing authorization in case of non-compliance with the EU or EU Member States' requirements governing the manufacturing of pharmaceutical products.

Compliance with EU GMP standards is required when manufacturing pharmaceutical products and active pharmaceutical ingredients, including the manufacture of active pharmaceutical ingredients outside the EU with the intention to import the active pharmaceutical ingredients into the EU. The manufacturer or importer must have a qualified person who is responsible for certifying that each batch of product has been manufactured in accordance with GMP before releasing the product for commercial distribution in the EU or for

Net consideration paid to Merck & Co., Inc. in connection with the Separation	—	(3,009)	—
Net transfers (to) from Merck & Co., Inc.	(24)	440	(3,534)
Employee withholding taxes related to stock-based awards	(11)	—	—
Dividend payments	(290)	(145)	—
Net Cash Flows Used in Financing Activities from Continuing Operations	(433)	(977)	(2,022)
Net Cash Provided by (Used in) Operating Activities	—	298	(97)
Net Cash Used in Investing Activities	—	—	(8)
Net Cash Provided by Financing Activities	—	428	1,747
Net Cash Flows Used in Discontinued Operations	—	(58)	(258)
Effect of Exchange Rate Changes on Cash and Cash Equivalents from Continuing Operations	(36)	23	—
Effect of Exchange Rate Changes on Cash and Cash Equivalents from Discontinued Operations	—	—	(3)
Net (Decrease) Increase in Cash and Cash Equivalents	(31)	667	(249)
Cash and Cash Equivalents, Beginning of Period	737	12	2
Cash and Cash Equivalents of Discontinued Operations, Beginning of Period	—	58	319
Total Cash and Cash Equivalents, End of Period	706	737	70
Less: Cash and Cash Equivalents of Discontinued Operations, End of Period	—	—	58
Cash and Cash Equivalents, End of Period	$ 706	$ 737	$ 12

	Year Ended December 31,		
	2023	2022	2021
Cash Flows from Operating Activities			
Net income from continuing operations	$ 1,023	$ 917	$ 1,351
Adjustments to reconcile net income from continuing operations to net cash flows provided by operating activities:			
Depreciation	120	96	98
Amortization	116	118	109
Impairment of assets	—	9	7
Acquired in-process research and development and milestones	8	107	104
Deferred taxes	(436)	(3)	(28)
Stock-based compensation	101	75	59
Unrealized foreign exchange loss (gain)	40	(18)	18
Other	21	24	17
Net changes in assets and liabilities			
Accounts receivable	(212)	(123)	(277)
Inventories	(230)	(220)	(138)
Other current assets	(10)	(43)	353
Trade accounts payable	163	(237)	663
Accrued and other current liabilities	102	172	329
Due from/due to related party	1	(104)	(104)
Income taxes payable	16	7	(119)
Other	16	(8)	55
Net Cash Flows Provided by Operating Activities from Continuing Operations	799	858	2,160
Cash Flows from Investing Activities			
Capital expenditures	(251)	(196)	(192)
Proceeds from sale of property, plant and equipment	1	7	1
Acquired in-process research and development and milestones	(8)	(107)	(104)
Purchase of product rights and asset acquisition, net of cash acquired	(2)	(124)	(192)
Net Cash Flows Used in Investing Activities from Continuing Operations	(260)	(420)	(487)
Cash Flows from Financing Activities			
Proceeds from debt	80	—	9,470
Repayments of debt	(338)	(166)	(412)

Payment of long-term debt issuance costs	—	—	(16)
Repayments of short-term borrowings from Merck & Co., Inc., net	—	—	(1,512)
Net consideration paid to Merck & Co. Inc. in connection with the Separation	—	—	(9,000)
Settlement of Merck & Co.	—	(24)	440
Employee withholding taxes related to stock-based awards	(17)	(11)	—
Dividend payments	(294)	(290)	(145)
Net Cash Flows Used in Financing Activities from Continuing Operations	(569)	(433)	(977)
Discontinued Operations			
Net Cash Provided by (Used in) Operating Activities	—	—	298
Net Cash Used in Financing Activities	—	—	(356)
Net Cash Flows Used in Discontinued Operations	—	—	(58)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12	(6)	23
Net (Decrease) Increase in Cash and Cash Equivalents	(13)	(31)	687
Cash and Cash Equivalents, Beginning of Period	706	737	12
Cash and Cash Equivalents of Discontinued Operations, Beginning of Period	—	—	58
Total Cash and Cash Equivalents, End of Period	693	706	737
Less: Cash and Cash Equivalents of Discontinued Operations, End of Period	—	—	—
Cash and Cash Equivalents, End of Period	$ 693	$ 706	$ 737

The accompanying notes are an integral part of these Consolidated Financial Statements.

use in a clinical trial. Manufacturing facilities are subject to periodic inspections by the competent authorities for compliance with GMP. Similarly, the distribution of pharmaceutical products into and within the EU is subject to compliance with the applicable EU laws, regulations and guidelines, including the requirement to hold appropriate authorizations for distribution granted by the competent authorities of the EU Member States.

Sales and Marketing Regulation of Drugs and Biologics

The advertising and promotion of Organon's our products is are also subject to EU laws, national laws of individual EU Member States rules, regulations, and industry self-regulatory codes of conduct concerning promotion of pharmaceutical products, interactions with health care providers, misleading and comparative advertising and unfair commercial practices.

While the laws in individual EU Member States might vary somewhat, in all EU Member States these laws require that promotional materials and advertising in relation to pharmaceutical products comply with the product's Summary of Product Characteristics ("SmPC") as approved by the competent regulatory authorities. The SmPC is the document that provides information to health care providers concerning the safe and effective use of the pharmaceutical product. It forms an intrinsic and integral part of the marketing authorization granted for the pharmaceutical product. Promotion of a pharmaceutical product that does not comply with the SmPC is considered to constitute off-label promotion. The off-label promotion of pharmaceutical products is prohibited in the European Union.

The applicable laws at the EU level and in the individual EU Member States also prohibit the direct-to-consumer advertising of prescription-only pharmaceutical products. Enforcement is done on a national basis, in accordance with national rules/codes and is largely on the basis of self-regulation. Penalties for violations of the rules governing the promotion of pharmaceutical products vary between EU Member States but could include public censure, administrative measures, fines and imprisonment. These laws/codes may further limit or restrict the advertising and promotion of Organon's products to the general public and may also impose limitations on its promotional activities with health care professionals.

Anti-Corruption Legislation

In the EU, interactions between pharmaceutical companies and health care providers are also governed by strict laws, regulations, industry self-regulation codes of conduct and health care providers' codes of professional conduct both at the EU level and in the individ-73-l-58-Member States. Across the EU, the provision of benefits or advantages to health care providers to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of pharmaceutical products is prohibited in the European Union. However, the provision of benefits or advantages to health care providers is also

Notes to Consolidated Financial Statements

governed by the national anti-bribery laws of the EU Member States. Violation of these laws could result in substantial fines and imprisonment.

While many EU Member States permit companies to make payments to health care providers in some circumstances, e.g., when they are used as consultants or participants in EU Member States research and training events, payments to be publicly disclosed. Moreover, health care providers such as health ministries, agencies, physicians, employees of regulatory or professional organizations, and/or the competent authorities of the individual EU Member States. These requirements are provided in the national laws, industry codes, or professional codes of conduct applicable in the individual EU Member States. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

In the EU, medical devices are regulated by the European Union Medical Devices Regulation (EU) 2017/745 ("MDR"), which became applicable on May 26, 2021. The MDR and its associated guidance documents and Follistim® AQ Follistim AQ® (follitropin beta injection) and (marketed in most countries outside the United States as Elonva™ [1] Puregon (corifollitropin alfa) ™) and Nexplanon®, a long-acting, reversible contraceptive, which is a class of contraceptives that is recognized as one of the most effective types of hormonal contraception available to patients with a low long-term average cost. The Other women's health products include the Jada® System, which is intended to provide control and treatment of abnormal postpartum uterine bleeding or hemorrhage when conservative management is warranted. Organon acquired Jada through its acquisition of Alydia Health. Elonva is a sustained follicle stimulant for controlled ovarian stimulation in women participating in assisted reproductive technologies. It is marketed in certain European countries. In addition, Organon has warranted and a license from Dare Biosciences for the global commercial rights to Xaciato™® (clindamycin phosphate vaginal gel, 2%), an FDA-approved medication for the treatment of bacterial vaginosis ("BV") in females 12 years of age and older. In October 2023, Xaciato was launched in the United States.

- *Women's Health*: Organon's women's health products are sold by prescription primarily in two therapeutic areas, contraception, with key brands such as *Nexplanon*® (etonogestrel implant) (sold as *Implanon NXT*™ [1] in some countries outside the United States) and *NuvaRing*® (etonogestrel/ethinyl estradiol vaginal ring), and fertility, with key brands such as *Follistim® AQ* *Follistim AQ*® (follitropin beta injection) and (marketed in most countries outside the United States as *Elonva*™ [1] *Puregon* (corifollitropin alfa) ™) and *Nexplanon*®, a long-acting, reversible contraceptive, which is a class of contraceptives that is recognized as one of the most effective types of hormonal contraception available to patients with a low long-term average cost. The Other women's health products include the *Jada*® System, which is intended to provide control and treatment of abnormal postpartum uterine bleeding or hemorrhage when conservative management is warranted. Organon acquired *Jada* through its acquisition of Alydia Health. *Elonva* is a sustained follicle stimulant for controlled ovarian stimulation in women participating in assisted reproductive technologies. It is marketed in certain European countries. In addition, Organon has warranted and a license from Dare Biosciences for the global commercial rights to *Xaciato*™® (clindamycin phosphate vaginal gel, 2%), an FDA-approved medication for the treatment of bacterial vaginosis ("BV") in females 12 years of age and older. In October 2023, *Xaciato* was launched in the United States.

Clinical evidence is required for most medium and high risk devices. In some cases, a clinical study may be required to support a CE marking application. A manufacturer that wishes to [illegible] involving the device is subject to the clinical investigation requirements of the MDR practice.

- *Biosimilars*: Organon's current portfolio spans across immunology and oncology treatments. Organon's oncology biosimilars biosimilars; *Ontruzant*® (trastuzumab-dttb) and *Aybintio*™ [1] (bevacizumab), have been launched in more than 20 countries and Organon's immunology biosimilars biosimilars; *Brenzys*™ [1] (etarnercept), *Renflexis*® (infliximab-abda) and *Hadlima*® (adalimumab-bwwd), have been launched in five countries. All five biosimilars in Organon's portfolio have launched in Canada, and two three biosimilars; *Ontruzant*® *Ontruzant*(trastuzumab-dttb), *Renflexis* and *Renflexis*® (infliximab-abda) Hadlima have been launched in the United States.

After a device is placed on the market, it remains subject to significant regulatory requirements. For CE marked devices, certain modifications to the device or quality system depending on the conformity assessment procedure used must be submitted to and approved by the Notified Body before placing the modified device on the market.

Established Brands: Organon has a portfolio of established brands, which generally are beyond market exclusivity, including leading brands in cardiovascular, respiratory, dermatology and non-opioid pain management. A number of Organon's established brands lost exclusivity years ago and have faced generic competition for some time.

Advertising and promotion of devices is governed by the MDR alongside national laws and guidance and is enforced on a country-by-country basis by National Competent Authorities. The MDR provides that devices may be marketed only for the uses and indications for which they are CE marked. National rules and enforcement environments may vary.

2. Basis of Presentation

On June 2, 2021, Organon and Merck & Co. ("Merck") entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement"). Pursuant to the Separation and Distribution Agreement, Merck agreed to spin off the Organon Products into Organon, a new, publicly-traded company (the "Separation"). Economic Operators, including device manufacturers, must register their establishments and devices in the European data base on (medical devices) (EUDAMED) database once available. Device manufacturers are also subject to MDR vigilance requirements, which require that a manufacturer report to the relevant Competent Authorities any serious incident In connection with the Separation, on June 2, 2021, Merck distributed (the "Distribution"), on a pro rata basis, to holders of the outstanding shares of common stock of Merck, par value $0.50 per share (the "Merck Common Stock") on May 17, 2021 (the "Record Date"), all of the outstanding shares of common stock, par value $0.01 per share, of Organon (the "Common Stock"). Each Merck stockholder was entitled to receive one-tenth of a share of the Common Stock for each share of Merck Common Stock held on the Record Date. As a result, Organon became a standalone publicly-traded company and on June 3, 2021 regular-way trading of the Common Stock commenced on the New York Stock Exchange under the ticker symbol "OGN."n the Medical Devices Regulations 2002. The Medical Devices Regulations 2002 replace the CE mark with a UKCA marking (although EU CE marks will be recognized until at least June 30, 2023), require manufacturers outside the UK to appoint a "UK Responsible Person" if they place devices on the Great British market and The Separation was completed pursuant to the Separation and Distribution Agreement and other agreements with Merck related to the Separation, including, but not limited to a tax matters agreement (the "Tax Matters Agreement" or "TMA"), an employee matters agreement (the "Employee Matters Agreement" or "EMA") and a transition services agreement (the "Transition Service Agreement" or "TSA"). Following the Separation, certain functions continue to be provided by Merck under the TSA or are being performed using the Company's own resources or third-party service providers. Under the TSA, Merck is providing Organon various services and, similarly, Organon is providing Merck various services. The provision of services under the TSA generally will terminate within 25 months following the spin-off; however, the provision of certain services has been extended to at least 35 months. Additionally, under manufacturing and supply agreements, the Company manufactures certain products for Merck, or its applicable affiliate and Merck manufactures certain products for the Company or its applicable affiliate (see Note 18 "Third-Party Arrangements and Related Party Disclosures" for additional details). The Company incurred certain costs

Food and Drug Administration in South Korea and Therapeutic Goods Administration in Australia. Each country has a separate and independent review process and timeline. In in its establishment as a standalone public company and expects to incur ongoing additional costs associated with operating as an independent, publicly-traded company. many markets, approval times can be longer as the regulatory authority required approval in a major market, such as the United States or the EU any issuance of a Certificate of Pharmaceutical Product from that market before initiating their local review process.

2. Basis of Presentation

Climate and Environmental Matters

On June 2, 2021, the Company became a standalone publicly traded company, and its financial statements are now presented on a consolidated basis. Prior to the Separation on June 2, 2021, the Company's historical combined financial statements were prepared on a standalone basis and were derived from Merck's consolidated financial statements and accounting records. The financial statements for all periods presented, including the historical results of the Company prior to June 2, 2021 are now referred to as "Consolidated Financial Statements," and have been prepared pursuant to the rules and regulations for reporting on Form 10-K.

Organon believes We believe that climate change could will present risks some degree of risk to its our business. Some of the potential effects of climate change to Organon's our business could include increased operating costs due to additional regulatory requirements, changes in supply and suppliers due to regulatory requirements, physical risks to Organon's our facilities, water limitations and disruptions to Organon's our supply chain. Some potential risks are integrated into Organon's our business planning, including investment in reducing energy, water use and greenhouse gas emissions. Organon does We do not believe these potential risks are material to its our business at this time.

The historical results prior to Separation included certain Merck non-U.S. legal entities that were conveyed to Organon in connection with the Separation (collectively, the "Transferred Entities" and each, a "Transferred Entity") and included operations related to other Merck products that were retained by Merck ("Merck Retained Products"). The Merck Retained Products business of the Transferred Entities was contributed by the Company to Merck and its affiliates and any remaining assets and liabilities were transferred as of June 2, 2021. Accordingly, the historical results of operations of the Merck Retained Products have been reflected as discontinued operations in these Consolidated Financial Statements.

ies —Environmental Matters" to the Financial Statements included in this report. Notwithstanding the foregoing, various legislation, regulations and international accords pertaining to climate change have been implemented or are being considered for implementation, particularly as they relate to the reduction of greenhouse gas emissions, such as the EU's Corporate Sustainability Reporting Directive ("CSRD"), California's Climate Corporate Data Accountability Act and Climate Related Financial Risk Act, and similar regulations under consideration by the SEC.

Periods Prior to Separation

The assets, liabilities, revenue and expenses of the Company were reflected in the Consolidated Financial Statements on a historical cost basis, as included in the consolidated financial statements of Merck, using the historical accounting policies

Third-Party Agreements

Samsung Bioepis Development and Commercialization Agreement

On February 18, 2013, Merck entered into had a development and commercialization agreement with Samsung Bioepis (as subsequently amended, the "Samsung Bioepis Agreement"). All for which all of the rights and obligations of Merck under the Samsung Bioepis Agreement were transferred to Organon us in connection with the spinoff. The Samsung Bioepis Agreement grants Organon us an exclusive license to commercialize the following pre-specified biosimilars products (with reference products in parenthesis) developed by Samsung Bioepis: adalimumab (*Humira*), bevacizumab (*Avastin*), infliximab (*Remicade*), trastuzumab (*Herceptin*) and etanercept (*Enbrel*). See "Business—Organon's Business—Products" for a description of each product and the geographies in which Organon has entered an exclusive license for commercialization activities.

Under the Samsung Bioepis Agreement, Samsung Bioepis is responsible for preclinical and clinical development, process development and manufacturing, clinical trials and registration of product candidates. Organon's Our access rights to each product under the Samsung Bioepis Agreement last for ten years from each such product's launch date on a market-by-market basis. Unless the parties agree to extend the term, the agreement expires upon the expiration of the last such ten-year period. Organon We may terminate the agreement with respect to a particular region or product if a product fails to meet certain milestones in such region. Organon We may terminate the agreement upon 60 days' written notice to Samsung Bioepis for a particular presentation of a product in a region if Samsung Bioepis's revenue share for such product presentation in such region exceeds a certain

- Certain assets and liabilities, results of operations and cash flows attributable to the sales of Organon Products that were contributed to Organon prior to the consummation of the Separation.
- The Transferred Entities, which have historically included the results from the sales of both Organon Products and the Merck Retained Products. Each Transferred Entity's historical operations, including its results of operations, assets and liabilities, and cash flows have been fully reflected in the Consolidated Financial Statements.
- In contemplation of the Separation, the Merck Retained Products business of the Transferred Entities was distributed to Merck and its affiliates ("MRP Distribution") and, accordingly, the historical results of operations, assets and liabilities, and the cash flows of the Merck Retained Products for such Transferred Entities are reflected as discontinued operations.

The Company's businesses had historically functioned together with the other businesses controlled by Merck. Accordingly, the Company relied on Merck's corporate and other support functions for its business. Therefore, for the period prior to the Separation, certain corporate and shared costs were allocated to the Company based on a specific identification basis or, when specific identification was not practicable, a proportional cost allocation method, including:

- contractual threshold. Organon We may also terminate the agreement upon 60 days' written notice in the event of a third-party infringement claim that Samsung Bioepis decides to litigate despite Organon's our opposition to such litigation.

The Samsung Bioepis Agreement may be terminated by either party on 30 days' written notice for a particular product or region if the parties fail to agree upon a strategy regarding third-party patents within six months following written notice by either party of the existence of such patents. The agreement may also be terminated by either party upon written notice if the other party commits a material breach of its obligations by specified actions within its reasonable control and has not cured such breach within 90 calendar days after notice requesting cure of the breach.

The Samsung Bioepis Agreement provides that gross profits are shared equally in all markets except for certain markets in Brazil where gross profits are shared 65% to Samsung Bioepis and 35% to Organon. us. The Samsung Bioepis Agreement also provides for payment of certain milestone license fees associated with pre-specified clinical and regulatory milestones to Samsung Bioepis, payment of the supply price for each product to Samsung Bioepis, and an upfront payment to Samsung Bioepis that was completed by Merck at the commencement of the agreement. As of December 31, 2022 December 31, 2023, there were $25 million in potential future regulatory milestone payments remaining under the agreement. For further information related to the Samsung Bioepis collaboration, see Note 4 18 "Samsung Collaboration" to the Consolidated Financial Statements included in this report and the Samsung Bioepis Agreement, which is filed as an exhibit to this report.

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Shanghai Henlius Biotech, Inc. ("Henlius")

Notes to Consolidated Financial Statements

In June 2022, Organon and Henlius, a global biopharmaceutical company, we entered into a definitive an exclusive license agreement with Henlius, whereby Organon is licensing we received worldwide commercialization rights in countries except for China (including Hong Kong, Macau and Taiwan) for biosimilar candidates (i) HLX11, referencing *Perjeta*, used for the treatment of certain patients with HER2+ breast cancer in combinations with trastuzumab and chemotherapy, and (ii) HLX14, referencing *Prolia/Xgeva*, used for the treatment of certain patients post-menopausal women with osteoporosis with at high risk of for fracture and for the prevention of skeletal related events in patients with multiple myeloma and in patients with bone metastases from solid tumors. Prior to the Separation, Merck maintains maintained various employee benefit plans in which the Company's employees participated during periods prior to the Separation, and a portion of the costs associated with these plans was included in the Company's Consolidated Financial Statements. Certain pension assets and obligations were transferred by Merck into legal entities established to operate the Organon Products business (the "Organon Entities") that are the plan sponsor and, accordingly, the Consolidated Balance Sheet at December 31, 2022 and 2021 includes assets and liabilities of the newly established plans of Organon. sponsor.

Merck utilized a centralized approach to cash management and the financing of its operations. Cash generated by the Company was routinely transferred into accounts managed by Merck's centralized treasury function and cash disbursements for the Company's operations prior to the Separation were funded as needed by Merck. Cash and cash equivalents of the Organon Entities and the Transferred Entities were reflected in the Company's Consolidated Balance Sheet. Balances held by the Organon Entities and the Transferred Entities with Merck for cash transfers and loans were reflected as *Due to related party* prior to Separation. All other cash, cash equivalents, short-term investments and related transfers between Merck and the Company were generally held centrally through accounts controlled and maintained by Merck and were not specifically identifiable to the Company. Accordingly, such balances were accounted for through *Net investment from Merck & Co., Inc.* Merck's third-party debt and related interest expense were not attributed to the Company because the Company was not the legal obligor of the debt and the borrowings were not specifically identifiable to the Company.

Additional Information

Organon is We are a Delaware corporation incorporated on March 11, 2020. Organon's, and was spun off from Merck in 2021. Our corporate offices are located at 30 Hudson Street, 33rd Floor, Jersey City, New Jersey 07302.

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Organon files We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports, proxy statements and other information with the SEC. Organon maintains We maintain an investor relations page on its our website (*www.organon.com*) where such filings made pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), may be accessed free of charge as soon as reasonably practicable after such material is ~~electronically filed with, or furnished to, the SEC. We intend to use our Investor Relations website and our corporate website located at www.organon.com as a means of disclosing~~ material non-public information and for complying with our disclosure obligations under Regulation FD. Organon's Our website address is not intended to function as a hyperlink and Notes to Consolidated Financial Statements is not, and should not be considered part of, and is not incorporated by reference into, this Annual Report on Form 10-K.

Item 1A. Risk Factors

You should carefully consider the following risks and other information in this Annual Report on Form 10-K in evaluating Organon us and deciding to invest in the our Common Stock. 18 19 The following risks could materially and adversely affect Organon's our business, results of operations, financial condition and the price of the our Common Stock.

Summary of Risk Factors

As the separate legal entities that made up the Company's business were not historically held by a single legal entity, *Net investment from Merck & Co., Inc.* was shown in lieu of stockholders' equity in these Consolidated Financial Statements. *Net investment from Merck & Co., Inc.* represented Merck's interest in the recorded assets of the Company and the cumulative investment by Merck in the Company through the date of Separation, inclusive of operating results.

The following is a summary of the principal risks that could significantly and negatively affect Organon's our business, prospects, financial conditions, or operating results. For a more complete discussion of the material risks facing Organon's our business, please see below:

Income tax expense and tax balances in the Consolidated Financial Statements were calculated on a separate tax return basis. The Company's operations are included in the tax returns of certain Organon Entities, Transferred Entities or the respective Merck entities of which the Company's business was a part.

Risks Related to Organon's Our Business

As of Separation Date

- Organon has a limited history of operating as an independent company, and its historical financial results included elsewhere in this report are not necessarily representative of what its actual financial position or results of operations would have been as an independent company and may not be a reliable indicator of its future results.
- Key products generate a significant amount of Organon's our profits and cash flows, and any events that adversely affect the markets for Organon's our leading products could adversely affect its our results of operations and financial condition.

Certain assets and liabilities, including accounts receivables, inventories and trade payables included on the Consolidated Balance Sheet prior to the Separation, have been retained by Merck post-Separation and therefore were transferred to Merck through *Net investment from Merck & Co., Inc.* in the Company's Consolidated Financial Statements. Additionally, certain amounts previously included in *Due to related party* or *Due from related party* are reflected in accounts receivable and trade accounts payable as of December 31, 2021. As part of the Separation, *Net investment from Merck & Co., Inc.* was reclassified to *Common Stock* and *Accumulated Deficit*.

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In connection with the Separation, additional pension assets and obligations were transferred to Organon through *Net investment from Merck & Co., Inc.*, and the Company recorded these in the Consolidated Balance Sheet. See Note 14 15 "Pension and Other Postretirement Benefits Benefit Plans" for details. Additionally, stock-based awards were converted in accordance with the Employee employee matters agreement (the "Employee Matters Agreement. Agreement") entered into between Organon and Merck in connection with the spinoff. See Note 13 "Share-Based 7 "Stock-Based Compensation Plans" for details.

- Organon faces We face intense competition from competitors' products.

During the second quarter of 2021, an aggregate of $9.5 billion of debt was issued in connection with the Separation. See Note 11 "Long-Term Debt and Leases" for additional details. The Company distributed $9.0 billion of the $9.5 billion proceeds to Merck in accordance with the terms of the Separation.

- Organon may be unable to develop new products or expand its our existing products into new markets to replace the sales of products that lose patent protection and therefore Organon we may not be able to maintain its our current levels of profitability.
- Organon Our growth could be limited by the scope of our intellectual property licenses for certain women's health care products.
- We may experience difficulties identifying acquisition opportunities or completing such transactions.
- Organon We or its our partners may fail to demonstrate the safety and efficacy of any of its our product candidates in pre-clinical and clinical trials, which would prevent or delay development, regulatory approval or clearance, and commercialization of Organon's our product candidates.
- Organon We may be unable to market its our pharmaceutical products or medical devices if it does we do not obtain and maintain required regulatory approvals or marketing authorizations.

Notes to Consolidated Financial Statements

Property, plant and equipment reflected in the Consolidated Balance Sheet is primarily attributable to the six manufacturing facilities the Company operates and certain information technology assets.

- Developments following regulatory approval or marketing authorization may adversely affect sales of Organon's our pharmaceutical products or medical devices.
- Issues with product quality could have an adverse effect on our business or cause a loss of customer confidence in us or our products, among other negative consequences.

In June 2021, the Company established a balance sheet risk management and a net investment hedging program to partially mitigate against volatility of changes in foreign exchange rates.

- Certain of Organon's our products currently benefit from patent protection and market exclusivity. When the patent protection and market exclusivity periods for such products expire, a significant and rapid loss of sales from those products is generally experienced. Expiry of patent protection and market exclusivity for products that contribute significantly to Organon's our sales will adversely affect its our business.

As a standalone entity, the Company has tax attributes of its own that are generally expected to differ from the amounts reported in the historical periods that contribute significantly to Organon's our sales will adversely affect its our business.

As of June 2, 2021 and in connection with the Separation, the Company adjusted its deferred tax balances and computed its related tax provision to reflect operations as a standalone entity.

- Organon depends We depend on its our patent rights for the marketing of certain of its our products, and invalidation or circumvention of Organon's our patent rights would adversely affect its our business.
- Organon is We have incurred substantial indebtedness, which could adversely affect our financial condition and results of operations.

All intercompany transactions and accounts within Organon have been eliminated.

- We are subject to minimum purchase obligations under certain supply agreements, and if Organon fails we fail to meet those minimum purchase requirements, its our financial results may be unfavorably impacted.

Certain amounts presented in the prior year *Income Statement* have been reclassified to conform to the current year presentation. As a result, $104 million of *Acquired in-process research and development and milestones* which was presented within *Research and development* in 2021 is now presented separately on the *Income Statement*.

- Organon is subject to a number of restrictive covenants under its indebtedness, including customary operating restrictions and financial covenants, which could restrict Organon's ability to pay dividends or adversely affect its financial obligations and liquidity position.

The historical results prior to Separation included certain Merck non-U.S. legal entities that were conveyed to Organon in connection with the Separation (collectively, the "Transferred Entities" and each, a "Transferred Entity") and included operations related to other Merck products that were retained by Merck ("Merck Retained Products"). The Merck Retained Products business of the Transferred Entities was contributed by the Company to Merck and its affiliates and any remaining assets and liabilities were transferred as of June 2, 2021. Accordingly, the historical results of operations of the Merck Retained Products have been reflected as discontinued operations in these Consolidated Financial Statements. See Note 2 "Basis of Presentation — Periods Prior to Separation" for additional details.

Risks Related to the Spinoff

- As Organon builds its information technology infrastructure and transitions its data to its own systems, Organon could incur substantial additional costs and experience temporary business interruptions.

During the fourth quarter of 2022, the Company recorded an out-of-period adjustment primarily related to a misstatement of employee related expenses prior to the Separation. During the year ended 2021, *Net Income* was understated by approximately $19 million. These amounts were corrected in 2022 and as a result 2022 *Net Income* is overstated by approximately $19 million. The Company concluded that these adjustments were not material to the Consolidated Financial Statements for either the current period or any of the prior periods previously reported.

- Merck may not satisfy its obligations under various transition agreements that have been or will be executed as part of the spinoff or Organon we may not have necessary systems and services in place when certain of the transition agreements expire.
- Potential indemnification liabilities to Merck pursuant to the Separation and Distribution Agreement could adversely affect Organon. us.
- There could be significant income tax liability to us if the spinoff or certain related transactions are determined to be taxable for U.S. federal income tax purposes.
- Contractual restrictions limit Organon's ability to engage in certain corporate transactions.

3. Summary of Accounting Policies

Risks Related to Organon's Our Common Stock

Revenue Recognition — Recognition of revenue requires evidence of a contract, probable collection of sales proceeds and completion of substantially all performance obligations. The Company acts as the principal in its customer arrangements and therefore records revenue on a gross basis. The majority of the Company's contracts have a single performance obligation — the promise to transfer goods. Shipping is considered immaterial in the context of the overall customer arrangement and damages of loss of goods in transit are rare. Therefore, shipping is not deemed a separately recognized performance obligation.

- The price and trading volume of Organon's our Common Stock may be volatile, and stockholders could lose all or part of their investment in Organon investment.
- Organon We cannot guarantee the timing, amount or payment of any dividends on the our Common Stock.
- Certain provisions in Organon's our amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of Organon, which could decrease the trading price of the our Common Stock.
- Certain provisions of agreements that Organon entered into with Merck may limit Organon's ability to operate its business.
- Organon's Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by Organon's our stockholders, and the United States federal district courts as the exclusive forum for claims under the Securities Act of 1933, as amended, (the "Securities Act"), which could limit Organon's our stockholders' ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with Organon us or its our directors, officers or employees.

Revenues from sales of products, including tenders, are recognized at a point in time when control of the goods is transferred to the customer, which the Company has determined is when title and risks and rewards of ownership transfer to the customer and the Company is entitled to payment.

The nature of the Company's business gives rise to several types of variable consideration including discounts and returns, which are estimated at the time of sale generally using the expected value method (the "Sales Reserves"), which could limit Organon's or stockholders' ability

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Notes to Consolidated Financial Statements

In the United States, sales discounts are issued to customers at the point-of-sale, through an intermediary wholesaler (known as chargebacks), or in the form of rebates. Additionally, sales are generally made with a limited right of return under certain conditions. Revenues are recorded net of provisions for sales discounts and returns, which are established at the time of sale. In addition, revenues are recorded net of time value of money discounts if collection of accounts receivable is expected to be in excess of one year.

Risks Related to Organon's Our Business

Following the Separation, certain functions continue to be provided by Merck under the Transition Services Agreement or are being performed using the Company's own resources or third-party service providers. Additionally, under manufacturing and supply agreements, the Company manufactures certain products for Merck or its applicable affiliate, and Merck manufactures certain products for the Company or its applicable affiliate. The Company incurred certain costs in its establishment as a standalone public company and expects to incur ongoing additional costs associated with operating as an independent, publicly traded company.

Organon has a limited history of operating as an independent company, and its historical financial results included elsewhere in this report are not necessarily representative of what its actual financial position or results of operations would have been as an independent company and may not be a reliable indicator of its future results.

Chargebacks are discounts that occur when a contracted customer purchases through an intermediary wholesaler. The contracted customer generally purchases product from the wholesaler at its contracted price plus a mark-up. The wholesaler, in turn, charges the Company back for the difference between the price initially paid by the wholesaler and the contract price paid to the wholesaler by the customer. The Company estimates the provision for chargebacks based on expected sell-through levels by the Company's wholesale customers to contracted customers, as well as estimated wholesaler inventory levels. Rebates are amounts owed based upon definitive contractual agreements or legal requirements with private sector (Managed Care) and public sector (Medicaid and Medicare Part D) benefit providers, after the final dispensing of the product by a pharmacy to a

Prior to the spinoff, Merck performed [illegible] of corporate expenses from Merck for these and similar functions that may be less than the comparable expenses Organon would have incurred had it operated as a separate publicly traded company. Prior to the spinoff, Organon shared economies of scope and scale in costs, employees, vendor relationships and relationships with its partners. While Organon has entered into transition agreements that govern certain commercial and other relationships between it and Merck, those arrangements may not capture the benefits to Organon's business that resulted from being integrated with the other affiliates of Merck.

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Notes to Consolidated Financial Statements

[illegible] amount of Organon's our profits and cash flows, and any events that adversely affect the markets for Organon's our leading products could adversely affect its our results of operations and financial condition.

benefit plan participant. The provision for rebates is based on expected patient usage, as well as inventory levels in the distribution channel to determine the contractual obligation to the benefit providers. The Company uses historical customer segment utilization mix, sales, changes to product mix and price, inventory levels in the distribution channel, government pricing calculations and prior payment history to estimate the expected provision.

Organon's Our ability to generate profits and operating cash flow depends largely upon the continued profitability of its our key products, such as *Nexplanon*, *Cozaar/Hyzaar*, *Singulair* and the Ezetimibe ezetimibe family of products. As a result of Organon's our dependence on key products, any event that adversely affects any of these products or the markets for any of these products could adversely affect Organon's our sales, results of operations or cash flows. These adverse events could include increased costs associated with manufacturing, product shortages, increased generic or over-the-counter availability of Organon's our products or competitive products, the discovery of previously unknown side effects, results of post-approval trials, increased competition from the introduction of new, more effective treatments and discontinuation or removal from the market of these products for any reason. Organon We also expects expect that competition will continue to adversely affect the sales of these products.

The Company continually monitors the provision for aggregate customer discounts. There were no material adjustments to estimates associated with the aggregate customer discount provision in 2023, 2022, 2021, or 2020. 2021.

Summarized information about changes in the aggregate customer discount accrual related to sales in the United States is as follows:

Organon faces We face continued pricing pressure with respect to its our products.

Organon faces We face continued pricing pressure in the United States and globally and, particularly in mature markets the EU, the UK, China and Japan, from managed care organizations, government agencies and programs that could adversely affect its our sales and profit margins. Organon expects We expect pricing pressure to continue in the future.

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Balance January 1	$ 329	$ 343	$ 365
Provision	2,221	2,000	1,770
Payments(1)	(2,165)	(2,014)	(1,792)
Balance December 31	$ 385	$ 329	$ 343

	Year Ended December 31,		
($ in millions)	2023	2022	2021
Balance January 1			
Provision			
Payments(1)			
Balance December 31			

(1) Includes 2021 payments made by Merck on behalf of Organon for the period prior to the Separation date.

For example, in the United States, Organon experiences significant pricing pressure from: managed care groups, institutional and governmental purchasers. U.S. federal laws and regulations related to Medicare and Medicaid (including the Medicare Prescription Drug Improvement and Modernization Act of 2003, the ACA, and the IRA), and state laws aimed at regulating prices, securing higher rebates, and increasing price transparency). Current and past administrations have listed drug pricing as a health care reform priority. For example, former President Trump used several means, including federal budget proposals, executive orders, and policy initiatives, to propose or implement drug pricing reform; on March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law, which eliminates the statutory Medicaid drug rebate cap, currently set at 100% of a drug's average manufacturer price, for single source and innovator multiple source drugs, beginning January 1, 2024; and on August 16, 2022, President Biden signed the IRA into law, which sets forth meaningful changes to drug product reimbursement by Medicare. As discussed in the section entitled "Business - Competition and the Health Care Environment", the IRA, among other things, requires manufacturers to pay 10% of the negotiated price of brands, biologics and biosimilar products, when Medicare Part D beneficiaries are in the initial coverage phase, and 20% of the negotiated price in the catastrophic phase of Medicare Part D coverage; establishes a "maximum fair price" beginning in 2026 for certain high expenditure pharmaceutical and biological products covered under Medicare Parts B and D; and allows Medicare to, beginning in 2023, penalize drug companies that raise prices for products covered under Medicare Parts B and D faster than inflation through a rebate obligation for those companies. Changes to the health care system enacted as part of health care reform in the United States, as well as increased purchasing power of entities that negotiate on behalf of Medicare, Medicaid, and private sector beneficiaries, could result in further pricing pressures.

Amounts accrued for aggregate customer discounts are evaluated on a quarterly basis through comparison of information provided by the wholesalers, health maintenance organizations, pharmacy benefit managers, federal and state agencies, and other customers to the amounts accrued. The accrued balances relative to the provisions for chargebacks and rebates in the United States included in *Accounts receivable* and *Accrued and other current liabilities* were $87 million and $417 million, respectively, at December 31, 2023 and $78 million and $307 million, respectively, at December 31, 2022 and $54 million and $275 million, respectively, at December 31, 2021.

In addition, in the United States, larger customers have received higher rebates on drugs in certain highly competitive categories. Organon We must also compete to be placed on formularies of managed care organizations and other payors. Exclusion of a product from a formulary can lead to reduced usage in the population covered by the managed care organization or other payor. Outside the United States, numerous major markets, including the EU, the UK, China and Japan, have pervasive government involvement in health care funding and, in that regard, extensive pricing and reimbursement mechanisms and processes for pharmaceutical products. Consequently, in those markets, Organon is we are subject to government decision-making and budgetary actions with respect to its our products.

Outside of the United States, variable consideration in the form of discounts and rebates are is a combination of commercially-driven discounts in highly competitive product classes, discounts required to gain or maintain reimbursement, or legislatively mandated rebates. The accrued balances relative to the provision for chargebacks and rebates, based on the terms and nature of the rebate, are included in *Accounts receivable* and *Accrued and other current liabilities*. Rebates may also be required based on specific product sales thresholds. The Company applies an estimated factor against its actual invoiced sales to represent the expected level of future discount or rebate obligations associated with the sale. At December 31, 2022 December 31, 2023 and 2021, 2022, the accrued balances related to the provision for rebates and discounts included in other current liabilities were approximately $109 million $126 million and $90 million $109 million, respectively.

The Company maintains a returns policy that allows customers in certain countries to return product within a specified period prior to and subsequent to the expiration date (generally, three to six months before and 12 months after product expiration). The estimate of the provision for returns is based upon historical experience with actual returns and consideration of other relevant factors.

For instance, pricing pressure from the Chinese government has recently increased, including through a series of health care reforms to accelerate generic substitution through the government's VBP Cost containment efforts by governments and GQCE programs. In 2019, the Chinese government implemented the VBP program through a tendering process for mature products that have generic substitutes with a "GQCE" approval process. Mature products that have entered into the first seven rounds of VBP have had, on average, a price reduction of approximately 50%. Organon expects VBP to be a semi-annual process that will have a significant impact on mature products moving forward. There private organizations are 300 molecules [illegible] 2025. After the expiration of the national VBP period, individual provinces may implement their own provincial-level VBP programs. In addition, the Universal Reimbursement Payment Standard ("URPS") program is currently being piloted described in multiple Chinese provinces. Under the URPS, the government will usually determine the reimbursement prices by referring to the prices of the lowest-priced VBP-winning products, with any price differences to be borne by patients out of pocket, which reduces the affordability of certain products with prices that exceed the lowest-priced VBP- winning products. The URPS policy create additional pricing and volume pressure for pharmaceutical products that are subject to the program and may adversely affect Organon's business and results of operations. Business-Regulatory section above.

The Company's payment terms for U.S. customers are typically 36 days from receipt of invoice. Outside of the United States, payment terms are typically 30 days to 90 days, although certain markets have longer payment terms. See Note 17 6 "Product and Geographic Information" for disaggregated revenue disclosures.

Cash Equivalents — Cash equivalents are comprised of certain highly liquid investments with original maturities of three months or less.

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In Japan, the pharmaceutical industry is subject to government-mandated biennial price reductions of pharmaceutical products. Furthermore, the government can order re-pricing for specific products if it determines that use of such product will exceed certain thresholds defined under applicable re-pricing rules.

Notes to Consolidated Financial Statements

Organon faces** **We face intense competition from competitors' products.

Inventories — Inventories are valued at the lower of cost or net realizable value. The cost of a substantial majority of U.S. inventories is determined using the last-in, first-out ("LIFO") method for both financial reporting and tax purposes. The cost of all other inventories is determined using the first-in, first-out ("FIFO") method.

Organon's Our products face intense competition from competitors' products, including lower cost generic versions of its our products that have lost market exclusivity. Competitors' products may be equally safe and as effective as Organon's our products but sold at a substantially lower price than Organon's our products. Alternatively, Organon's our competitors' products may be safer or more effective, more convenient to use, have better insurance coverage or reimbursement levels or be more effectively marketed and sold than Organon's our products. Organon's Our efforts to compete with other companies or Organon's our failure to maintain its our competitive position could adversely affect its our business, cash flow, results of operations, financial condition or prospects.

Value Added Tax — The Company's purchases, sales and intercompany transfers of goods are subject to value added tax ("VAT") and VAT receivables are recognized for amounts that represent credits against future VAT obligations. VAT receivables included in *Other current assets* were $110 million $113 million and $115 million $110 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. VAT payables included in *Accrued and other current liabilities* were $9 $18 million and $9 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The related expense is included in the Company's operating expenses.

Organon has** **we have limited in-house discovery and early research capabilities and will continue to rely on future acquisitions, partnerships and collaborations to expand its our innovative pipeline and early discovery and research capabilities, which may limit its our ability to discover or develop new products or expand its our existing products into new markets to replace the sales of products that lose patent protection, and therefore Organon we may not be able to maintain its our current levels of profitability.

Depreciation — Depreciation is provided over the estimated useful lives of the assets, principally using the straight-line method. The estimated useful lives primarily range from 25 to 40 years for buildings, and from 3 to 15 years for machinery,

Organon has We have limited in-house discovery and early research staff and facilities, and does we do not currently intend to extensively hire or acquire such staff or facilities in the near future. Instead, Organon intends we intend to continue to rely on future acquisitions, partnerships and collaborations with third parties to expand its our innovative pipeline, existing portfolio and innovation and early research capabilities. Organon intends However, we may be unable to establish any agreements with third-party developers or manufacturers or do so on favorable terms. Further, should we be able to enter into such agreements, these agreements may pose risks, including that we would be reliant on and accountable for the third-party's knowledge and capabilities, data, quality of operations and compliance to regulations, and other systems to conduct clinical trials, prepare regulatory application submissions and required post-approval reports, manufacture or distribute product or other activities.

equipment and office furnishings. Depreciation expense was $120 million in 2023, $96 million in 2022, and $92 million in 2021, and $56 million in 2020. 2021. Repairs and maintenance costs are expensed as incurred as they do not extend the economic life of an asset.

Advertising and Promotion Costs — Advertising and promotion costs are expensed as incurred and included in *Selling, general and administrative expenses*. The Company recorded advertising and promotion expenses of $209 million, $255 million, and $236 million in 2023, 2022 and $198 million in 2022, 2021, and 2020, respectively.

Goodwill — Goodwill represents the excess of the consideration transferred over the fair value of net assets of businesses acquired. Goodwill is evaluated for impairment as of October 1 each year, or more frequently if impairment indicators exist, by first assessing qualitative factors to determine whether it is more likely than not that fair value is less than carrying value. If the Company's more likely than not that the carrying value of a reporting unit is greater than fair value, a goodwill impairment charge will be recorded for the difference (up to the carrying value of goodwill). The Company completed the annual qualitative goodwill impairment tests as of October 1, 2022 October 1, 2023 and concluded that there was no impairment. The fair value of a reporting unit was significantly in excess of the carrying value.

Our growth could be limited by the scope of our intellectual property licenses for certain women's health care products.

We intend to grow its our business and conduct research and development on the existing products into new markets or new geographies. However, Organon expects we expect that its our ability to do so could be limited by the scope of its our limited intellectual property licenses for certain women's health products. For example, a license from Merck for *Nexplanon* permits use of the underlying technology solely as a contraceptive implant containing only the active pharmaceutical ingredient currently used in the product. Additionally, in December 2021, Organon we signed a supplemental license with Merck that provides a limited expansion of the fields in which Organon we may use the underlying technology of *Nexplanon* beyond the contraceptive implant for limited purposes. Organon We may not be able to offset any sales losses for products that are not based exclusively on growth in sales in other markets by Organon we can not successfully expand into new products, new indications or formulations of its the existing products or expansions of existing products into new markets or new geographies. Therefore, Organon we may not be able to maintain its our current levels of profitability and this could adversely affect Organon's our business, cash flow, results of operations, financial condition or prospects.

The Company periodically evaluates whether events and circumstances have occurred that indicate that recorded intangible assets may not be recoverable. If such circumstances are determined to exist, an estimate of the undiscounted future cash flows of these assets, or appropriate asset groupings, is compared to the carrying value to determine whether an impairment exists. If the asset is determined to be impaired, the loss is measured based on the difference between the carrying value of the intangible asset and its fair value, which is determined based on the net present value of estimated future cash flows. See Note 10 13 "Intangibles" for additional details.

Organon relies** **We rely on third parties for activities related to preclinical and clinical testing.

Organon relies We rely on third parties to manufacture and distribute its products for preclinical and clinical testing and to conduct certain preclinical and clinical testing activities activities for our products. Oversight of these third parties can require substantial resources and creates potential risks to Organon, us, including: Organon we may be unable to establish agreements with third parties, including third party manufacturers, on acceptable terms or even at all; Organon we may not have sufficient quantities of product; third parties may fail to perform delegated responsibilities to an acceptable level of quality, or may fail to comply with regulatory requirements; or third parties may misappropriate or disclose our proprietary information, including trade secrets and know-how. Organon's Our reliance on third parties for research and development activities will also reduce Organon's our control over these activities but does not relieve Organon us of its our responsibilities, including that Organon we must ensure that clinical trials are conducted in accordance with the general investigational plan and protocols for the trial, ensure compliance with regulatory standards like good clinical practices, and register ongoing clinical trials and results to government

sponsored databases. Organon's Our failures, or the failure of a third party, to comply with applicable regulations could result in sanctions being imposed on Organon, us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocations, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions. Further, issues related to manufacture of product, preclinical testing, and/or clinical testing may affect Organon's our ability to obtain or maintain marketing approval for its our products in a timely manner, or at all. This may hinder or delay efforts to successfully commercialize Organon's our product candidates.

Organon we may experience difficulties identifying acquisition opportunities or completing such transactions.

Acquired In-Process Research and Development ("IPR&D") — IPR&D that the Company acquires in conjunction with the acquisition of a business represents the fair value assigned to incomplete research projects which, at the time of acquisition, have not reached technological feasibility. The amounts are capitalized and are accounted for as indefinite-lived intangible assets, subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, Organon will make a determination as to the then useful life of the intangible asset, generally determined by the period in which the substantial majority of the cash flows are expected to be generated, and begin amortization. The Company evaluates IPR&D for impairment as of October 1 each year, or more frequently if impairment indicators exist, by performing a quantitative test that compares the fair value of the IPR&D intangible asset with its carrying value. If the fair value is less than the carrying amount, an impairment loss is recognized in operating results. There were no IPR&D intangible assets as of December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

Research and Development — Research and development costs associated with clinical development programs that have not yet received regulatory approval are expensed as incurred.

Acquired in-process research and development and milestones— Acquired IPR&D and milestones includes upfront and milestone payments related to asset acquisitions, licensing or collaborative arrangements that are not considered an acquisition of a business and involve clinical development programs that have not yet received regulatory approval.

Foreign Currency Translation — The net assets of international operations where the local currencies have been determined to be the functional currencies are translated into U.S. dollars using current exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency

***Organon we may not realize the expected benefits of any acquisition, license arrangement or strategic partnerships. Such opportunities may relate to products, technologies or** and geographic presence as part of its our business strategy. Organon We may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and*

operations with which Organon has we have limited or no historical experience. For example, Organon was not engaged in the medical device business until its June 2021 acquisition of Alydia Health, a commercial-stage medical device company. In identifying, evaluating and selecting acquisition targets, Organon may encounter intense competition from other companies having a business objective similar to Organon's. Many of our competitors for these companies opportunities are well established and have extensive experience identifying and effecting these types of strategic acquisitions. Moreover, some of these competitors may possess greater financial, technical, human and other resources than Organon does. In addition, certain provisions of the tax matters agreement, which are intended to preserve the intended tax treatment of the spinoff and certain related transactions, may discourage, delay or prevent acquisition proposals or otherwise limit Organon's ability to pursue certain strategic transactions or engage in other transactions, including mergers or consolidations, for a period of time following the spinoff. we do. Even if Organon is we are successful in making acquisitions, the products and technologies Organon acquires we acquire may not be successful or may require significantly greater resources and investments than it we originally anticipated. Organon We could experience negative effects on its our results of operations and financial condition from acquisition-related charges, amortization of intangible assets and asset impairment charges. Organon We could experience difficulties in integrating geographically separated organizations, systems and facilities, and personnel with diverse backgrounds. If an acquired business fails to operate as anticipated or cannot be successfully integrated with Organon's our existing business, its our business, financial condition, results of operations or cash flows could be materially and adversely affected.

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Organon We may be unable to market its our pharmaceutical products or medical devices if it does we do not obtain and maintain required regulatory approvals or marketing authorizations.

Organon's Our activities, including the manufacturing and marketing of its our pharmaceutical products and medical devices, are subject to extensive regulation by numerous federal, Notes to Consolidated Financial Statements state and local / provincial state governmental authorities in the United States, including the FDA, and by foreign regulatory authorities, including in the EU, the UK, China and Japan. In the United States, the FDA administers requirements covering the laboratory testing, clinical trials, clearance, approval, safety, effectiveness, manufacturing, labeling and marketing of prescription pharmaceuticals and medical devices. Regulation of Organon's our pharmaceutical products outside the United States also is primarily focused on drug safety and effectiveness and, in many cases, reduction in the cost of drugs. In addition, regulatory authorities such as in the FDA, the EMA, the MHRA, China's NMPA United States and Japan's Ministry of Health, Labour and Welfare internationally have increased their focus on safety when assessing the benefit/risk balance of drugs. These regulatory authorities, including in China and Japan, also have substantial discretion to require additional testing in local populations, to delay or withhold registration and marketing approval

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details.

Pension and Other Postretirement Benefit Plans — Prior to the Separation, the defined benefit plans in which the Company participated related primarily to plans sponsored by Merck and for which other businesses of Merck also participate ("Shared Plans"). The Company accounted for the Shared Plans as multiemployer plans and therefore the related assets and liabilities were not reflected in the Consolidated Balance Sheet. For such periods prior to Separation, the Consolidated Statement of Income reflects a proportional allocation of net periodic benefit cost for the Shared Plans associated with the Company. For certain defined benefit plans attributable to the Organon Entities, the over funded or underfunded status of the plan was recognized as an asset or liability on the consolidated balance sheet. The Company's participation in the defined pension and postretirement benefit plans sponsored by Merck concluded upon the completion of the Separation on June 2, 2021. At Separation, Organon became the plan sponsor for certain non-U.S. defined benefit pension plans. See Note 14 15 "Pension and Other Postretirement Benefits Benefit Plans" for additional details.

Restructuring Costs — Costs associated with exit or disposal activities are recognized in the period in which they are incurred. Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits are recognized ratably over the future service period.

Contingencies and Legal Defense Costs — The Company records accruals for contingencies and legal defense costs expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Taxes on Income — Prior to the Separation, income tax expense and deferred tax balances were calculated on a separate tax return basis. The Company's operations were included in the tax returns of certain Organon Entities, Transferring Entities or the respective Merck entities of which the Company's business was a part.

Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting based on enacted tax laws and rates. The Company establishes valuation allowances for its deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. The Company assesses all available evidence to estimate whether a valuation allowance should be recorded against existing deferred tax assets. The amounts of the deferred tax asset considered realizable, however, could be adjusted in future periods if estimates of future income are reduced or increased.

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The Company evaluates tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit in the financial statements. The Company recognizes interest and penalties related to unrecognized tax benefits in the Provision for taxes on income in the Consolidated Statement of Income. The Company accounts for the tax effects of the tax on global intangible low-taxed income ("GILTI") for certain foreign subsidiaries in the income tax provision in the period the tax arises. The Company and Merck entered into the Tax Matters Agreement in connection with the Separation. See Note 18 19 "Third-Party Arrangements and Related Party Disclosures" for additional details.

authorization of Organon's our future products or impact Organon's our ability to modify its our currently marketed products on a timely basis. Organon's Our failure to obtain approval or marketing authorization, significant delays in the approval or marketing authorization proc- -64- or its our failure to maintain approval or marketing authorization in any jurisdiction will prevent Organon us from selling the products in that jurisdiction. Organon We would not be able to realize revenues for its our pharmaceutical products or medical devices in any jurisdiction where it does we do not have required approval or marketing authorization.

Organon We or its our partners may fail to adequately demonstrate the safety and efficacy of any of Organon's our pharmaceutical product candidates or medical Notes to Consolidated Financial Statements ***al trials, which would prevent or delay development, regulatory approval or marketing authorization and commercialization of Organon's our product candidates.***

Before obtaining regulatory approval from the FDA or other comparable foreign regulatory authorities for the sale of Organon's our pharmaceutical product candidates, Organon we must demonstrate through lengthy pre-clinical studies and clinical trials that its our product candidates are both safe and effective for use in each target indication. indication and population. Obtaining marketing authorization for Organon's our product candidates is a costly and time-consuming process. Organon We cannot predict with certainty when or if it we will receive any such approval or whether any of its our product candidates will be approved for any indication that it we desires. Organon We may also experience delays in obtaining approval if the FDA or other regulatory authorities determine that the trial design and implementation of its our pre-clinical studies or clinical trials is inadequate to provide adequate data to support the commencement of clinical trials or approval. Delays or rejections may be encountered based upon changes in regulatory policy during the period of product development or the period required for review of any application for regulatory approval. Delays or rejections may also be encountered based upon various factors with respect to Organon's our product candidates, including: Accordingly, there is a high risk of failure and Organon we may never succeed in obtaining regulatory approval for any of its our product candidates.

Organon We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent receipt of regulatory approval or marketing authorization or Organon's our ability to commercialize its our product candidates including for example issues with study execution including timely access to study drugs; inability to recruit and enroll study subjects; failure of its our product candidates in pre-clinical studies or clinical trials to demonstrate safety and efficacy; receipt of feedback from the FDA and/or other regulatory authorities that require Organon us to modify the design of its our clinical trials; and negative or inconclusive clinical trial results that may require Organon us to conduct additional clinical trials or abandon certain research and/or development programs.

Organon We may be required to conduct additional pre-clinical studies, clinical trials or other testing of its our product candidates beyond those that it we currently contemplates, contemplate, or Organon we may be unable to successfully complete pre-clinical studies or clinical trials of its our product candidates or other testing in a timely manner. If the results of these studies, trials or tests are not positive (or are only modestly positive), or if there are safety concerns, Organon we may incur unplanned costs, as well as delays in its our efforts to obtain regulatory approval or marketing authorization. Even if Organon receives we receive such approval, it we may be more limited or restrictive than anticipated, or be subject to additional post-marketing testing requirements.

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on the weighted average remaining lease term of each asset class and the Company's pretax cost of debt for that same term. The updated rates for each asset class are applied prospectively to new leases. The Company does not separate lease components (e.g. payments for rent, real estate taxes and insurance costs) rent) from non-lease components (e.g. common-area maintenance costs) in the event that the agreement contains both. The Company includes both the lease and fixed non-lease components for purposes of calculating the lease liability and the related right-of-use asset. See Note 11 16 "Long-Term Debt and Leases" for additional details.

Developments following regulatory approval or marketing authorization may adversely affect sales of Organon's our pharmaceutical products or medical devices.

Even after a pharmaceutical product or medical device reaches the market, Organon continues we continue to be subject to significant post-marketing regulatory requirements and oversight. The regulatory approvals or marketing authorizations that Organon we may receive for its our pharmaceutical products and medical devices will require the submission of reports to regulatory authorities and on-going surveillance to monitor the safety and efficacy of its our products, may contain significant limitations related to use restrictions for specified groups, warnings, precautions or contraindications, and may include burdensome post-approval study or risk management requirements. In addition, even after a pharmaceutical product or device has obtained marketing authorization or clearance, the manufacturing processes, labeling, packaging, distribution, adverse event and device malfunction reporting, storage, advertising, promotion, import, export, recalls and recordkeeping for Organon's our products will be subject to ongoing regulatory requirements, and Organon we will be subject to periodic inspections. Failure to comply with any of these requirements could subject Organon us to a variety of formal or informal enforcement actions by the FDA or other regulators, result in a recall or market withdrawal of Organon's our products, require Organon us to cease manufacturing and distribution of the products, trigger product liability or other litigation, or otherwise impact Organon's our ability to realize revenues for its our products. As previously disclosed, Organon we voluntarily initiated market actions, including recalls, in certain markets with respect to the Company's our suspension injections *Diprospan*, *Celestone Chronodose*®, (betamethasone), and *Celestone Soluspan*® (betamethasone) related to a non-conforming component of a manufacturing line at Organon's our Heist, Belgium plant. Organon does We do not believe this development will materially impact the company. us. It is possible that future recalls or similar developments could materially and adversely impact Organon's our business, result of operations and financial condition.

Likewise, if previously unknown side effects, adverse events, malfunctions or other quality or safety concerns are discovered or if there is an increase in negative publicity regarding known side effects of any of Organon's our products, it could significantly reduce demand for the product or require it us to take actions that could negatively affect sales, including initiating corrections or a marketed product or removing the product from the market, restricting Organon's our distribution of the product or applying for marketing authorization for labeling changes. The FDA could also require Organon us to conduct postmarketing post-marketing studies of its our products. Further, Organon is we are at risk for product liability and consumer protection claims and civil and criminal governmental actions related to its our products, research and marketing activities. In addition, dissemination of promotional materials through evolving digital channels serves to increase visibility and scrutiny in the marketplace.

Certain developments may decrease demand for Organon's our products, including the following:

- scrutiny of advertising and promotion;
- negative results in post-approval Phase 4 trials or other studies;
- review by regulatory authorities or other expert bodies of Organon's our products that are already marketed based on new data or other developments in the field;
- the recall, loss or modification of regulatory approval or marketing authorization of products that are already marketed; and
- changing government regulations regarding safety, efficacy, quality or labeling.

Issues with product quality could have an adverse effect on our business or cause a loss or customer confidence in us or our products, among other negative consequences.

Our success also depends on our ability to maintain and routinely improve product quality and our quality management program. Quality management plays an essential role in meeting customer requirements, preventing defects, improving our products and services and assuring the safety and efficacy of our products. While we have a quality system that covers the lifecycle of our products, quality and safety issues have and may in the future occur with respect to our products. A quality or safety issue may result in adverse inspection reports, voluntary or official action, warning letters, import bans, product recalls (either our own or those of our distributors), field safety corrective actions, injunctions, monetary sanctions, damages, penalties, delays or refusals to grant regulatory approvals, operating restrictions, withdrawals of approvals, and criminal prosecutions. Offered

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Leases — The Company has operating leases primarily for real estate. The Company determines if an arrangement is a lease at inception. When evaluating contracts for embedded leases, the Company exercises judgment to determine if there is an explicit or implicit identified asset in the contract and if the Company controls the use of that asset. Embedded leases are immaterial. The lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has made an accounting policy election not to record short-term leases (leases with an initial term of 12 months or less) on the balance sheet. Lease expense associated with short term leases is not material for all periods presented.

Lease expense for operating lease payments is recognized on a straight-line basis over the term of the lease. Operating lease assets and liabilities are recognized based on the present value of lease payments over the lease term. Since most of the Company's leases do not have a readily determinable implicit discount rate, the Company uses its incremental borrowing rate to calculate the present value of lease payments. On a quarterly basis, an updated incremental borrowing rate is determined based

Use of Estimates — The presentation of these Consolidated Financial Statements and accompanying notes in conformity with U.S. GAAP require management to make estimates and assumptions that affect the amounts reported. Estimates are used in determining such items as provisions for sales discounts and returns, depreciable and amortizable lives, recoverability of inventories, amounts recorded for contingencies, environmental liabilities and other reserves, pension and stock-based compensation assumptions, restructuring costs, and taxes on income. Additionally, estimates are used in acquisitions, including initial fair value determinations of assets and liabilities (primarily IPR&D, intangible assets and contingent consideration), as well as subsequent fair value measurements.

For periods prior to Separation, estimates were used in determining the allocation of costs and expenses from Merck, and were used in determining such items as provisions for sales discounts and returns, depreciable and amortizable lives, recoverability of inventories, valuation of goodwill and intangibles, amounts recorded for contingencies, environmental liabilities and other reserves, pension and stock-based compensation assumptions, restructuring costs, and taxes on income. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Net Investment from Merck & Co., Inc. Net investment from Merck & Co. Inc. represented Merck's interest in the recorded assets of the Company and the cumulative investment by Merck in the Company through the date of Separation, inclusive of operating results and the net effect of the transactions with and allocations from Merck. See Notes 2 "Basis of Presentation" and 18 19 "Third-Party Arrangements and Related Party Disclosures" for additional information.

Recently Adopted Accounting Standards

There were no recently issued accounting standards adopted by the Company during the year ended December 31, 2022.

Recently Issued Accounting Standards Not Yet Adopted

The following summarizes recent Accounting Standards Updates ("ASUs") issued by the FASB that could have a material impact on our consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, guidance to improve the accounting for contract assets and contract liabilities from acquired revenue contracts with customers in a business combination. The guidance addresses diversity in practice and inconsistency related to the recognition of an acquired contract liability, payment terms and their effect on subsequent revenue recognized by an acquirer.

The guidance became effective for the Company on January 1, 2023 and its amendments will be applied prospectively to business combinations occurring on or after the effective date of the guidance. The adoption of this guidance will not have an impact on the Company's Consolidated Financial Statements for prior acquisitions; however, the impact in future periods will be dependent upon the contract assets and contract liabilities acquired in future business combinations.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting and subsequently issued clarifying amendments. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference the London Interbank Offered

Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. This optional guidance is effective upon issuance and can be applied on a prospective basis at any time between January 1, 2020 and December 31, 2022. The sunset date was subsequently deferred to December 31, 2024 based on the amendment issued in December 2022 under ASU 2022-06, *Reference Rate Reform (Topic 848)*. The Company is still evaluating applied this guidance to the impact to its LIBOR-based debt. Based Senior Credit Agreement, as amended on the evaluation thus far, the Company does not anticipate a material June 30, 2023. The impact to the Consolidated Financial Statements as a result of the application of the reference rate reform. reform guidance is not material. See Note 16 "Long-Term Debt and Leases" for additional details.

Our reputation and promising pipeline render our products prime targets for counterfeiters.

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In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, guidance to improve the accounting for contract assets and contract liabilities from acquired revenue contracts with customers in a business combination. The guidance addresses diversity in practice and inconsistency related to the recognition of an acquired contract liability, payment terms and their effect on subsequent revenue recognized by an acquirer. The guidance became effective for the Company on January 1, 2023 and its amendments will be applied prospectively to business combinations occurring on or after the effective date of the guidance. The adoption of this guidance did not have an impact on the Company's Consolidated Financial Statements for prior acquisitions; however, the impact in future periods will be dependent upon the contract assets and contract liabilities acquired in future business combinations.

are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Failure to mitigate this threat could adversely impact our customers, potentially causing them harm. This, in turn, may result in the loss of confidence in our products' reputation and integrity, and potentially impact our business through lost sales, product recalls, and possible litigation.

Recently Issued Accounting Standards Not Yet Adopted

Certain of Organon's our products currently benefit from patent protection and market exclusivity. When the patent protection and market exclusivity periods for such products expire, a significant and rapid loss of sales from those products is generally experienced. Expiry of patent protection and market exclusivity for products that contribute significantly to Organon's our sales will adversely affect its our business.

In December 2023, the FASB issued ASU No. 2023-09, *Improvements to Income Tax Disclosures*, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The amendments in this ASU are effective for annual periods beginning on January 1, 2025, and should be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. This ASU will have no impact on the Company's consolidated financial condition or results of operations. The Company is currently evaluating the impact to its income tax disclosures.

Organon depends We depend upon patents to provide it us with exclusive marketing rights for certain of its our products for some period of time. Loss of patent protection typically leads to a significant and rapid loss of sales for that product where lower priced generic versions of that drug or other competitors become available. In the case of current or future products that contribute significantly to Organon's our sales, a loss of market exclusivity could materially adversely affect its our business, cash flow, results of operations, financial condition or prospects. For example, the patent that provided United States market exclusivity for *Nuvaring* expired in April 2018 and generic competition began in December 2019. Organon experienced a rapid and substantial decline in *Nuvaring* sales in the United States in 2020 as a result of this generic competition. Organon expects We expect market exclusivity for *Nexplanon* in the United States to expire in 2027, and market exclusivity for the majority of countries where *Nexplanon* is commercialized outside the United States will expire in 2025. See "Business—Products Products and "—Intellectual Property" for details, including the patent protection for certain of Organon's our marketed products.

In November 2023, the FASB issued ASU No. 2023-07, *Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity's overall performance and assess potential future cash flows. The amendments in this ASU are effective for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025, and should be applied on a retrospective basis for all periods presented. This ASU will have no impact on the Company's consolidated financial condition or results of operations. The Company is currently evaluating the impact to its segment disclosures.

Organon depends We depend on its our patent rights for the marketing of certain of its our products, and invalidation of circumvention of Organon's our patent rights could adversely affect its our business.

4. Acquisitions and Licensing Arrangements

ng of certain of Organon's our products, particularly certain of its our women's health products in the United States and in most major foreign non-U.S. markets. Patents covering products that Organon has we have introduced normally provide market exclusivity, which is important for the successful marketing and our products.

2023 Transactions

Claria Medical, Inc. ("Claria")

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In January 2023, the Company made a strategic investment in Claria, a privately-held company developing an investigational medical device being studied for use during minimally invasive laparoscopic hysterectomy. Under the terms of the agreement, Organon paid $8 million upfront and has the option to acquire Claria for an additional $47 million, payable if and when the option is exercised. The $8 million was expensed as *Acquired in-process research and development and milestones* in the Consolidated Statement of Income for the year ended December 31, 2023.

Even if Organon succeeds we succeed in obtaining patents covering its our products, third parties or government authorities may challenge or seek to invalidate or circumvent Organon's our patents and patent applications. It is important for Organon's our business to successfully defend the patent rights that provide market exclusivity for its our products. Organon is We are involved in patent disputes relating to challenges to its our patents or claims by third parties of infringement against it. Organon defends its their patents. We defend our patents both within and outside the United States, including by filing claims of infringement against other parties. In particular, manufacturers of generic pharmaceutical products from time to time file abbreviated new drug applications with the FDA seeking to market generic forms of Organon's our products prior to the expiration of relevant patents owned or licensed by it. Patent litigation and other challenges to Organon's our patents are costly and unpredictable and may deprive it us of market exclusivity for a patented product or, in some cases, third-party patents may prevent Organon us from marketing and selling a product in a particular geographic area, negatively affecting its our business and results of operations.

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Notes to Consolidated Financial Statements

4. Samsung Collaboration

Additionally, certain foreign governments have indicated that compulsory licenses to patents may be granted in the case of national emergencies or in other circumstances, which could diminish or eliminate sales and profits from those regions and negatively affect Organon's our business and results of operations. Further, court decisions relating to other companies' patents, potential legislation in both the United States and certain foreign markets relating to patents, as well as regulatory initiatives, may result in a more general weakening of intellectual property protection.

The Company has an agreement with Samsung Bioepis Co., Ltd. ("Samsung Bioepis") to develop and commercialize multiple pre-specified biosimilar candidates, which have since launched and are part of the Company's product portfolio. Under the agreement, Samsung Bioepis is responsible for preclinical and clinical development, process development and manufacturing, clinical trials and registration of product candidates, and the Company has an exclusive license for worldwide commercialization with certain geographic exceptions specified on a product-by-product basis. The Company's access rights to each product under the agreement last for 10 years from each product's launch date on a market-by-market basis. Gross profits are shared equally in all markets with the exception of certain markets in Brazil where gross profits are shared 65% to Samsung Bioepis and 35% to the Company. Since the Company is the principal on sales transactions with third parties, the Company recognizes sales, cost of sales and selling, general and administrative expenses on a gross basis. Generally, profit sharing adjustments are recorded either to *Cost of sales* (after commercialization) or *Selling, general and administrative* expenses (prior to commercialization).

In August 2022, the U.S. Food and Drug Administration ("FDA") approved the citrate-free, high-concentration (100 mg/mL) formulation of *Hadlima*™ (adalimumab-bwwd), a biosimilar referencing *Humira*® (adalimumab). During the third quarter of 2022, Organon paid Samsung Bioepis $18 million. This amount was recognized as an intangible asset which will be amortized over the estimated useful life of approximately 10 years.

8 billion, as described more fully in the Notes to our financial statements. In addition, we may incur additional debt from time to time to finance acquisitions or for other purposes, subject to the restrictions contained in the documents that govern our indebtedness. Current or future levels of indebtedness may increase the possibility that we will be unable to generate cash sufficient to pay amounts due in respect of such indebtedness.

Samsung Bioepis is eligible for additional payments associated with pre-specified clinical and regulatory milestones. As of December 31, 2022, potential future regulatory milestone payments of $25 million remain under the agreement.

Our ability to issue additional debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our

Summarized information related to this collaboration is as follows:nts due to us or there are other significantly unfavorable changes in economic conditions. Volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets. These conditions may adversely affect our ability to obtain and maintain our credit ratings.

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Sales	$ 481	$ 424	$ 330
Cost of sales	315	248	208
Selling, general and administrative	86	83	87

($ in millions)	December 31, 2022	December 31, 2021
Receivables from Samsung included in *Other current assets*	$ 21	$ 15
Payables to Samsung included in *Trade accounts payable*	72	21

We are subject to minimum purchase obligations under certain supply agreements, and if Organon fails we fail to meet those minimum purchase requirements, its our financial results may be unfavorably impacted.

Organon is We are subject to minimum purchase obligations under certain supply agreements, which requires Organon us to purchase minimum amounts of materials critical to its our product manufacturing over specified time periods. If Organon fails we fail to meet these minimum purchase requirements, it we may still be required to pay for the cost of the minimum inventory purchases. If Organon is we are unable to offset these payments, it co-82- result in a lower margin. During the year ended December 31, 2022 and 2021, Organon we recognized $5 million and $24 million, respectively, in Cost of Sales pertaining to estimated unavoidable losses associated with a long-term vendor supply contract conveyed as part of the spinoff. Organon is We are also aware of a limited number of other arrangements that have similar provisions which could result in these types of payments. Organon does We do not currently expect these payments to be material; however, in the aggregate they may become material if additional amounts are identified in the future, and they could have a material adverse effect on Organon's our financial condition, results of operations or cash flows.

Notes to Consolidated Financial Statements

The health care industry in the United States has been, and will continue to be, subject to increasing regulation and political action.

5. Acquisitions and Licensing Arrangements

Organon believes We believe that the health care industry will continue to be subject to increasing regulation and political and legal action at both the Federal federal and state levels.

2022 Transactions

Cirqle Biomedical ("Cirqle")

In 2010, levels in the United States enacted major health care reform legislation in the form of the Patient Protection and the ACA. Since enactment of that law, various insurance market reforms have advanced internationally, and state and federal insurance exchanges were launched in 2014. The ACA also increased the mandated Medicaid rebate applicable to most branded drugs from 15.1% to 23.1% of the product's Average Manufacturer Price, expanded the rebate to Medicaid managed care utilization, and increased the types of entities eligible for the federal 340B drug discount program. It is uncertain how this will affect our business.

In July 2022, the Company entered into a research collaboration and license agreement with Cirqle for a novel investigational non-hormonal, on-demand contraceptive candidate. Under the terms of the agreement, Cirqle is responsible for conducting preclinical studies according to the mutually agreed research plan. Organon obtained exclusive worldwide rights to develop and commercialize the asset.

The ACA, together with the Bipartisan Budget Act of 2018, also requires pharmaceutical manufacturers to pay 70% (up from 50% from the ACA effective 2019)of the negotiated price of the medicine, including biosimilar products, when Medicare Part D beneficiaries are in the Medicare Part D coverage gap (i.e., the so-called "donut hole provision"). Under the IRA, this coverage gap will be eliminated beginning January 1, 2025.The IRA requires pharmaceutical manufacturers to pay 10% of the negotiated price of brands, biologics and biosimilar products, when Medicare Part D beneficiaries are in the initial coverage phase, and 20% of the negotiated price during the catastrophic phase of Medicare Part D coverage. Also, certain pharmaceutical manufacturers are required to pay an annual non-tax deductible health care reform fee. The fee is assessed on each company in proportion to its share of prior year branded pharmaceutical sales to certain government programs, such as Medicare and Medicaid.

Under the terms of the research collaboration and license agreement, Organon recorded a $10 million upfront payment during 2022 as *Acquired in-process research and development and milestones*. Cirqle is eligible to receive potential regulatory and commercial milestone payments of up to $360 million and tiered royalties based on net sales. The remaining potential milestone payments will be recognized by Organon when achievement of the contractual milestones is probable.

Shanghai Henlius Biotech, Inc. ("Henlius")

In June 2022, Organon and Henlius, a global biopharmaceutical company, entered into a definitive agreement whereby Organon is licensing commercialization rights for biosimilar candidates HLX11, referencing *Perjeta*® (pertuzumab), used for the treatment of certain patients with HER2+ breast cancer in combinations with trastuzumab and chemotherapy and HLX14, referencing *Prolia*®/*Xgeva*® (denosumab), used for the treatment of certain patients with osteoporosis with high risk of fracture and for the prevention of skeletal-related events in patients with multiple myeloma and in patients with bone metastasis from solid tumors. Organon obtained exclusive global worldwide commercialization rights, except for China; including China (including Hong Kong, Macau and Taiwan. Taiwan). The agreement includes an option to negotiate an exclusive license for global commercialization rights for biosimilar candidate HLX13 referencing *Yervoy*® (ipilimumab) used for the treatment of certain patients with unresectable or metastatic melanoma, as adjuvant treatment of certain patients with cutaneous melanoma, certain patients with renal cell carcinoma, colorectal cancer, hepatocellular carcinoma, non-small cell lung cancer, malignant pleural mesothelioma and esophageal cancer.

As discussed in "Business—Competition and the Health Care Environment," there is significant uncertainty about the future of attempts to legislate health care reforms in the United States. For example, efforts to repeal, modify, or invalidate some or all of the provisions of the ACA, some of which have been successful, create considerable uncertainties for Organon's business and other pharmaceutical manufacturers. There also has been increasing legislative and enforcement interest in the U.S. with respect to drug pricing practices. Under the terms of the license agreement, Organon paid $70 million upfront payment during 2022, of which $3 million was reflected in Other, as well as executive orders designed to encourage cost cutting, reduce or limit the prices of drugs, Congressional hearings and proposed, and enacted federal legislation. Other countries have also been active in recent years in adopting measures designed to encourage cost containment. On August 16, 2022, President Biden signed into law the IRA, which, among other things, allows Medicare to negotiate the prices of certain Medicare Part D and Part B drugs, imposes new rebates if pharmaceutical companies increase drug prices faster than inflation, and caps beneficiaries' annual out-of-pocket spending at $2,000 starting in 2025. Organon cannot predict how these or future federal legislative proposals will affect it, and, beginning in 2026, establish a "maximum fair price" for certain high expenditure pharmaceutical and biological products covered under Medicare Parts B and D.

milestones is probable. Henlius will be responsible for development and, if approved, will supply the products to Organon.

Dare Bioscience, Inc. ("Dare")

In 2016, the Centers for Medicare & Medicaid Services issued the Medicaid rebate Final Rule that implemented provisions of the ACA effective April 1, 2016. The Final Rule provided comprehensive guidance on the calculation of Average Manufacturer Price and Best Price, which are two metrics that determine the rebates drug manufacturers are required to pay to state Medicaid programs. Under this Final Rule, among other provisions that have the effect of increasing Medicaid rebate liability, CMS requires manufacturers to include sales to the U.S. Territories in the calculation of AMP and Best Price; however, that provision was delayed several times and took effect on January 1, 2023. On December 31, 2020, CMS published a Final Rule on the Medicaid Program; which, among other things, introduced for the first time a regulatory definition of the terms "line extension" and "new formulation." CMS defined "line extension" as "a new formulation of the drug, that does not include an abuse-deterrent formulation of the drug[.]" CMS adopted an expansive definition of "new formulation" to include "a change to the drug, including, but not limited to: an extended release formulation or other change in release mechanism, a change in dosage form, strength, or ingredients." Organon paid a $10 million upfront payment during 2022. Dare is eligible to receive potential regulatory and commercial milestone payments of up to $182.5 million and tiered double-digit royalties based on net sales. *Xaciato* is expected to be available commercially in the U.S. in the first half of 2023. During the year ended December 31, 2022 management determined that the first commercial milestone was deemed probable of occurring, and recognized an intangible asset of $12.5 million

In March 2022, Organon and Dare, a leader in women's health innovation, entered into an agreement whereby Organon licensed the global commercial rights to *Xaciato*. *Xaciato* is an FDA-approved medication for the treatment of bacterial vaginosis ("BV") in females 12 years of age and older. *Xaciato* received both Qualified Infectious Disease Product ("QIDP") and Fast Track designations from the FDA for the treatment of bacterial vaginosis.

Under the terms of the license agreement, Organon paid $70 million upfront payment during 2022, of which $3 million was reflected in Other, as well as executive bonuses, and Dare is eligible to receive potential regulatory and commercial milestone payments of up to $468 million. During the year ended December 31, 2022, the Company paid an additional $27 million related to certain development milestones which were recognized as *Acquired in-process research and development and milestones*. The remaining potential milestone payments will be recognized by Organon when achievement of the contractual milestones is probable. Henlius will be responsible for development and, if approved, will supply the products to Organon.

The new definition of "line extension" and "new formulation" took effect on January 1, 2023. Dare is eligible to receive potential regulatory and commercial milestone payments of up to $182.5 million and tiered double-digit royalties based on net sales. *Xaciato* is expected to be available commercially in the U.S. in the first half of 2023. During the year ended December 31, 2022 management determined that the first commercial milestone was deemed probable of occurring, and recognized an intangible asset of $12.5 million

reflecting the $10 million upfront payment and $2.5 million commercial milestone. The intangible asset will be amortized over its useful life of 12 years. The remaining potential milestone payments will be recognized by Organon when achievement of the contractual milestones is probable.

Bayer AG Healthcare

In February 2022, Organon acquired the product rights and related inventory from Bayer AG Healthcare to *Marvelon*™ [1] (ethinylestradiol, desogestrel) and *Mercilon*™ [1] (ethinylestradiol, desogestrel), combined oral hormonal daily contraceptive pills, in China including (including Hong Kong and Macau, and entered into an agreement to acquire Macau). In August 2022, Organon acquired the rights to these products in Vietnam. *Marvelon* and *Mercilon* are already owned, manufactured, and marketed by Organon as prescription oral contraceptives in 20 other markets. The transaction was accounted for as an asset acquisition. In 2022, Organon paid $95 million to acquire the product rights and inventory in China and Vietnam. This resulted in Organon recognizing an intangible asset of $72 million in total related to the product rights with the remainder of the consideration recorded to *Inventories* for the fair value of acquired inventory during 2022. The intangible assets related to currently marketed products will be amortized over their estimated useful lives of 10 years.

2021 Transactions

5. Earnings per Share ("EPS")

Forendo Pharma

In December 2021, Organon completed its acquisition of Forendo Pharma, a clinical-stage drug development company focused on novel treatments in women's health. Forendo is pioneering the science of intracrinology, addressing disease through a novel, tissue-specific approach. Its lead clinical compound is an investigational, potentially first-in-class oral 17β-hydroxysteroid dehydrogenase type 1 inhibitor ("HSD17B1 inhibitor") in early development for endometriosis, being evaluated for its potential effect on endometriotic lesions. Total consideration includes a $75 million upfront payment, the assumption of approximately $10 million of Forendo debt, payments upon the achievement of certain development and regulatory milestones of up to $270 million and commercial milestones payments of up to $600 million, which together could amount to total consideration of $955 million. Contingent consideration will be paid by Organon upon achievement and the liability recorded once it is deemed probable of occurrence. The transaction was accounted for in 2021 as an asset acquisition, as substantially all of the value was concentrated in a single identifiable asset, the HSD17B1 inhibitor. During 2021, these shares are treated as issued and outstanding as of January 1, 2021 for purposes of calculating historical basic and diluted earnings per share.

The calculations of basic and diluted earnings per common share are as follows:

	Year Ended December 31		
($ in millions, and shares in thousands, except per share amounts)	2023	2022	2021
Net Income:			
Income from continuing operations	$ 1,023	$ 917	$ 1,351
Income from discontinued operations	—	—	500
Net Income	$ 1,023	$ 917	$ 1,851
Basic weighted average number of shares outstanding	255,239	254,082	253,538
Stock awards and equity units (share equivalent)	1,031	1,087	655
Diluted weighted average common shares outstanding	256,270	255,169	254,193
EPS:			
Continuing operations	$ 4.01	$ 3.61	$ 5.33
Discontinued operations	—	—	—
Net Earnings per Share - Basic	$ 4.01	$ 3.61	$ 5.33
Earnings per Share - Diluted:			
Continuing operations	$ 3.99	$ 3.59	$ 5.31
Discontinued operations	—	—	—
Net Earnings per Share - Diluted	$ 3.99	$ 3.59	$ 5.31
Anti-dilutive shares excluded from the calculation of EPS	9,025	4,375	4,871

purchasers are subject to regulation under the FCPA, as well as other similar under anti-corruption laws and/or regulations enacted by other countries. The failure to comply with the

For periods prior to the Company recorded $79 million, which consisted Separation, it is assumed that there were no dilutive equity instruments as there were no equity awards of Organon outstanding prior to the Separation.

In addition to selling its our products internationally, Organon we currently engages engage third parties outside the United States, and may engage additional third parties outside

For periods subsequent to the Separation, diluted EPS was computed using the treasury stock method for stock option awards, performance share units and restricted share units. The computation of diluted EPS excludes the effect of the $75 million upfront payment, potential exercise of stock-based awards when the assumption of debt of $10 million, and other net assets, as *Acquired in-process research and development and milestones*. During the year ended December 31, 2021, the Company incurred $5.0 million of transaction related expenses reflected in *Selling, General and Administrative expenses*.

XOMA

agement activities under the laws and regulations described above may subject Organon us to administrative and legal proceedings and actions, which could result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, preclusion from participating in public tenders, breach of contract and fraud litigation, reputational harm, and other consequences.

In July 2021, Organon entered into the ebopiprant license with ObsEva SA, which was subsequently assigned to XOMA Corporation ("XOMA"), whereby Organon licensed the global development, manufacturing and commercial rights to ebopiprant (OBE022). Ebopiprant is an investigational, orally active, selective prostaglandin F2α (PGF2α) receptor antagonist being evaluated as a potential treatment for preterm labor by reducing inflammation and uterine contractions. Under the terms effect of the license agreement, Organon gained exclusive worldwide rights to develop and commercialize ebopiprant. XOMA is entitled to receive tiered double-digit royalties on commercial sales, up to $90 million in development and regulatory milestone payments, and up to $385 million in sales-based payments that will potential exercise would be paid by Organon upon achievement of the contractual milestone and the liability recorded once it is deemed probable of occurrence. Upon execution of the agreement, Organon made a $25 million upfront payment pursuant to the ebopiprant license, which was recorded as *Acquired in-process research and development and milestones* during 2021.

Organon has We have significant global operations, which expose it us to additional risks, and any adverse event could adversely affect Organon's our results of operations and financial condition.

The extent of Organon's our operations outside the United States is significant. For example, in 2022, Organon 2023, we generated $4.7 billion $4.8 billion in revenues outside the United States, representing approximately 77% 76% of its our total revenues. Risks inherent in conducting a global business include:

- changes in medical reimbursement policies and programs and pricing restrictions in key markets;
- multiple regulatory requirements that could restrict Organon's our ability to manufacture and sell its our products in key markets;
- multiple, conflicting and changing laws and regulations such as privacy regulations, tax laws, tariffs, employment laws, regulatory requirements and other governmental approvals, permits and licenses;
- trade protection measures and import or export licensing requirements, including the imposition of trade sanctions or similar restrictions by the United States or other governments;

Alydia Health ("Alydia")

In June 2021, Organon acquired Alydia, a commercial-stage medical device company. Alydia's device, *Jada*, is intended to provide control and treatment of abnormal postpartum uterine bleeding or hemorrhage when conservative management is warranted. Organon's acquisition of Alydia expanded its portfolio into the medical device category and underscores its commitment to identifying innovative treatment options in the maternal health space. Total consideration included a $219 million upfront payment. Additionally, there is a $25 million sales-based contingent milestone payment that will be paid by Organon upon achievement and the liability recorded once it is deemed probable of occurrence. The transaction was accounted for as an asset acquisition, as substantially all of the value was concentrated in a single identifiable asset. This resulted in an intangible of $247 million attributed to *Jada*, which was recorded to *Intangibles* as of December 31, 2021. This asset is subject to amortization on a straight-line basis over its expected useful life of 11 years. In addition to the intangible asset, as of December 31, 2021, the Company also recorded other net liabilities of $7 million, a deferred tax liability of $44 million related to the intangible asset, and compensation expenses of $23 million, which were recorded in *Selling General and Administrative Expenses*. Of the $23 million of compensation expense, $19 million were related to accelerated vesting of Alydia stock-based compensation awards.

- volatility of commodity prices, fuel, shipping rates that impact the costs and/or ability to supply Organon's our products;

During the third quarter of 2022, a cumulative sales-based contingent milestone payment, related to *Jada*, was determined to be probable of being achieved and the Company recognized an intangible asset and noncurrent liability of $25 million. The intangible asset is subject to amortization over its estimated useful life of 12 years.

anti-dilutive.

ere may be changes to Organon's our business and strategic position if there is instability, disruption or destruction in a significant geographic region, regardless of cause, including health epidemics or pandemics, (including the ongoing COVID-19 pander civil insurrection or social unrest, and natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease. In addition, Organon's our operations and performance may be affected by political or civil unrest or military action. As a result of global economic conditions, some parties may delay or be unable to satisfy their payment or reimbursement obligations. Job losses or other economic hardships may also affect In addition, patients' ability to afford health care as a result of may also be affected by job losses or other economic hardships, increased co-pay or deductible obligations, greater cost sensitivity to existing co-pay or deductible obligations, and lost health care insurance coverage or for other reasons. coverage. Further, with rising international trade tensions or sanctions, Organon's our business may be adversely affected following new or increased tariffs, as well as the increased costs of materials, products, and commodities upon which Organon we rely. As a result, changes in international trade policy, changes in trade agreements and the imposition of tariffs or sanctions by the U.S. or other countries could

esults of operations and financial condition.

6. Product and Geographic Information

The Company's operations include the following product portfolios, which constitute one operating segment engaged in developing and delivering innovative health solutions through its portfolio of prescription therapies and medical devices within women's health, biosimilars and established brands.

nion and other countries against Russian entities and designated individual restrictions have impacted, and may continue to impact, many global businesses in direct and indirect ways (including, but not limited to, product shipping delays, supply shortages, delays in regulatory approvals and audits and currency exchange rates). Such actions may negatively impact the financial institutions, vendors, manufacturers, suppliers, partners and other third parties with whom Organon conducts we conduct business and therefore may negatively impact Organon. us. In addition, although we do not expect the recent Israel-Hamas war to have a direct material impact on our business, the war and escalating tensions in the region may impact global markets or affect our supply chain.

Revenues of the Company's products were as follows:

	Year Ended December 31,								
	2023			2022			2021		
($ in millions)	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Women's Health									
Nexplanon/Implanon NXT	$ 572	$ 257	$ 830	$ 573	$ 261	$ 834	$ 532	$ 237	$ 769
Follistim AQ	125	136	262	105	124	229	110	127	237
NuvaRing	66	86	152	85	88	173	85	106	191
Ganirelix Acetate Injection	19	91	110	26	97	123	22	88	111
Marvelon/Mercilon	—	154	154	—	110	110	—	98	98
Jada	43	—	43	20	—	20	3	—	3
Other Women's Health	72	101	171	90	94	184	96	111	206
Biosimilars									

We are subject to a significant number of privacy and data protection laws and regulations globally, many of which place restrictions on Organon's our ability to transfer, access and use personal data across its our business.

The legislative and regulatory landscape for privacy and data protection continues to evolve.

Nemexis	234	45	279	196	30	226	164	21	185
Ontruzant	46	109	155	48	74	122	34	92	126
Breyna	—	73	73	—	75	75	—	63	63
Aybintio	—	49	49	—	39	39	—	38	38
Hadlima	17	26	44	—	19	19	—	13	13
Established Brands									
Cardiovascular									
Zetia	8	299	306	8	350	357	10	368	378
Vytorin	6	124	129	8	123	130	11	153	164
Adempas	—	60	60	—	57	57	—	48	48
Rosuzet	76	70	146	—	71	71	—	68	68
Cozaar/Hyzaar	10	272	281	13	310	323	12	345	357
Other Cardiovascular	3	151	155	8	156	164	4	187	191
Respiratory									
Singulair	11	393	404	11	400	411	15	398	413
Nasonex	—	252	253	10	229	238	4	201	206
Dulera	156	38	194	140	40	180	154	36	190
Clarinex	5	132	136	4	121	125	6	106	111
Other Respiratory (1)	49	28	77	46	36	83	56	33	89
Non-Opioid Pain, Bone and Dermatology									
Arcoxia	—	257	257	—	241	241	—	244	244
Fosamax	3	156	159	4	148	152	4	172	175
Prinivil	—	94	94	—	122	122	—	125	125
Other Non-Opioid Pain, Bone and Dermatology (1)	14	261	275	15	257	273	16	269	286
Other									
Propecia	7	118	125	7	118	125	9	127	136
Other (1)	13	308	319	24	302	326	38	318	357
Other (2)	(1)	121	121	—	146	146	(3)	205	200
Revenues	$ 1,478	$ 4,785	$ 6,263	$ 1,437	$ 4,737	$ 6,174	$ 1,383	$ 4,921	$ 6,304

Totals may not foot due to rounding. Trademarks appearing above in italics are trademarks of, or are used under license by, the Organon group of companies.

*(1) Includes sales of products not listed separately. Revenues from **Jada** were previously reported as part of Other Women's Health. Revenue from an arrangement for the sale of generic etonogestrel/ethinyl estradiol vaginal ring is included in Other Women's Health.*

(2) Includes manufacturing sales to Merck & Co., Inc. ("Merck") and third parties for current and prior periods.

Revenues by geographic area where derived are as follows:

	Year Ended December 31,		
($ in millions)	2023	2022	2021
Europe and Canada	$ 1,673	$ 1,631	$ 1,741
United States	1,478	1,437	1,383
Asia Pacific and Japan	1,139	1,113	1,173
China	864	917	933
Latin America, Middle East, Russia, and Africa	965	895	841
Other (1)	154	151	233
Revenues	$ 6,263	$ 6,174	$ 6,304

Additional laws and regulations enacted in the United States, (such as the California Consumer Privacy Act), Europe, Asia and Latin America have increased enforcement and litigation activity in the United States and other developed markets, as well as increased regulatory cooperation among privacy authorities globally. Organon The data protection regulatory environment in China has been evolving quickly, including regulations regarding cross-border transfers of personal data (CBDT). These laws, including the PIPL, regulate the processing of personal information and increase obligations on companies to protect and safeguard information. These regulations also require organizations to evaluate cross-border transfer of personal information and may require localization of certain data if specific conditions are met. We have adopted a comprehensive global privacy program to help manage these evolving risks, adjust to the changing regulatory landscape and facilitate the transfer of personal information across international borders, which has been certified as compliant with and approved by the Asia Pacific Economic Cooperation Cross-Border Privacy Rules System. borders.

Organon depends We depend on sophisticated software applications and computing infrastructure. Cyberattacks affecting Organon's our IT systems could result in exposure of confidential information, the modification of critical data or the disruption of its our worldwide operations, including manufacturing and sales operations.

Organon depends We depend on sophisticated software applications (including artificial intelligence), complex information technology systems, computing infrastructure and cloud service providers (collectively, "IT systems") to conduct critical operations. Certain of these systems are managed, hosted, provided or used by third parties, including Merck pursuant to a transition services agreement (the "Transition Services Agreement" or "TSA"), to assist in conducting Organon's our business. Disruption, degradation, destruction or manipulation of these IT systems through intentional or accidental means by Organon's our employees, third parties with authorized access or cyber threat actors could adversely affect key business processes. The size and complexity of Organon's our IT systems, and those of Organon's our third-party providers with whom its contracts, we contract, make such systems potentially vulnerable to service interruptions. In addition, Organon we and its our third-party providers have experienced and expect to continue to experience phishing attempts, scanning attempts of Organon's our network, and other attempts of unauthorized access to its our computer environment. Such attacks are increasingly sophisticated and are made by groups and individuals with a wide range of motives and ex- ise, including state and quasi-state actors, criminal groups, "hackers" and others. These attacks could lead to loss of confidentiality, integrity and/or availability of Organon's our data, applications or systems.

In the ordinary course of business, Organon we and its our third-party providers collect, store and transmit large amounts of confidential information (including trade secrets or other intellectual property, proprietary business information and personal information), and Organon we must do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also

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and complexity of Organon we and its our third-party providers' systems and the large amounts of confidential information present on them also makes them potentially vulnerable to security breaches from inadvertent or intentional actions by Organon's our employees, partners or vendors, or from attacks by malicious third parties. Maintaining the confidentiality, integrity, and availability of this confidential information (including trade secrets or other intellectual property, proprietary business information and personal information) is important to Organon's our competitive business position. However, such information can be difficult to protect and could be compromised.

While Organon has we have taken steps to protect such information, and to ensure that the third-party providers on which it relies we rely have taken adequate steps to protect such information, Organon's there can be no assurance that our efforts to protect its our data and IT systems or the efforts of third-party providers to protect their IT systems may not succeed will be successful in preventing disruptions. A breach of Organon's our IT systems or its our third-party providers' IT systems, such as cloud-based systems, or the

(a) Primarily reflects manufacturing sales to Merck and third parties for current and prior periods.

propriation or misuse of trade secrets, proprietary information, or other confidential information, whether as a result of theft, hacking, fraud, trickery, or other forms of deception, or for any other cause, could enable others to produce competing products, use Organon's our proprietary

As of December 31, 2023, approximately 71% of the Company's long-lived fixed assets are located in Europe and Canada, and 18% are in the United States. The Company does not disaggregate assets on a products and services basis for internal management reporting and, therefore, such information is not presented.

Further, any such interruption, security breach, or loss, misappropriation, and/or unauthorized access, use or disclosure of confidential information, including personal information

7. Stock-Based Compensation Plans

employees, or the modification of critical data, could result in financial, legal, business, and reputational harm to Organon and could result in us, including loss of revenue, or the loss of critical or sensitive information from Organon's our or its our third-party providers' databases or IT systems, or result in financial, legal, business or reputational harm to Organon and substantial remediation and recovery costs.

In connection with the Separation, and in accordance with the Employee Matters Agreement, Organon's employees with outstanding former Merck stock-based awards received replacement stock-based awards under the 2021 Incentive Stock Plan at Separation. The ratio used to convert the Merck stock-based awards was designed to preserve the aggregate intrinsic value of the award immediately after the Separation when compared to the aggregate intrinsic value of the award immediately prior to Separation. Due to the conversion, Organon incurred $17 million of incremental stock-based compensation expense in 2021. Of this amount, $4 million was related to vested option awards and was recognized immediately into earnings in connection with the Separation, and the remainder is recognized ratably over the option awards' remaining weighted average vesting period.

y lead to increased costs, such as: failure to comply with applicable regulations and quality assurance guidelines; delays related to the construction of new facilities or the expansion of existing facilities; delays related to the supply of key ingredients or other components of Organon's our products; increased costs of key materials, packaging, or

The Company grants stock option awards, performance share units ("PSUs") and restricted share units ("RSUs") pursuant to its 2021 Incentive Stock Plan.

not limited to, changes in manufacturing production sites and limits to manufacturing capacity resulting from regulatory requirements and changes in types of products produced and physical limitations that could impact supply. In addition, Organon we could experience difficulties or delays in manufacturing its our products caused by natural disasters, such as hurricanes, and public health crises and epidemics/pandemics, including pandemics. Any of the ongoing

Employee stock options are granted to purchase shares of Company stock at the fair market value at the time of grant. Generally, stock options have a contractual term of ten years and vest one-third each year over a three-year period, subject to limited exceptions.

RSUs are stock awards that are granted to employees and entitle the holder to shares of common stock as the awards vest. RSU awards generally vest one-third each year over a three-year period. The fair value of the stock option and RSU awards is determined and fixed on the grant date based on the Company's stock price.

The terms of the Company's PSU awards allow the recipients of such awards to earn a variable number of common shares based on the cumulative results of specified performance factors.

COVID-19 pandemic. Manufacturing difficulties, delays or shutdowns, as well as difficulties obtaining materials of adequate quality and quantity, can foregoing could result in product

The PSU awards are based on the following performance factors:

nancial impact, government agency actions, and reputational harm to Organon, us, which are difficult to predict.

- total stockholder return of the Company relative to an index of peer companies ("relative TSR") specified in the awards; and

On'oin

the results of the cumulative free cash flow ("FCF") of the Company over a three-year period.

y adversely impact Organon's could have a material adverse effect on our business, operations, financial performance, results of operations, and financial condition.

For FCF and relative TSR awards, the Company recognizes compensation costs ratably over the performance period. The PSU awards will generally vest at the end of the three year performance period, however, the number of shares delivered will vary based upon the attained level of performance. For PSUs with a performance-based FCF goal, stock-based compensation expense is recognized based on the probability of the achievement of the financial performance metric for the respective vesting period and is assessed at each reporting date. For PSUs with a market-based relative TSR goal, stock-based compensation expense is recognized based on the estimated fair value of the award at the grant date regardless of the actual number of shares earned. PSU awards generally vest after three years. The Company uses the Monte Carlo simulation to determine the fair value of the relative TSR awards as of the grant date.

sulted in reduced prescription of many products within established brands and women's health, such as Nexplanon, in some countries outside the U.S., as well as our Fertility brands.

The extent to which an epidemic and /or pandemic impacts Organon's business going forward will depend on future developments, which may include the duration of the outbreak, its severity, the actions to contain the virus or mitigate its impact, the economic impacts of the pandemic and its impact on Organon's customers and suppliers.

Organon We may be unable to obtain sufficient components or raw materials on a timely basis or for a cost-effective price, or Organon we may experience other supply

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difficulties that could adversely affect both its our ability to deliver its our products and its our results of operations and financial condition.

For RSUs and PSUs, dividends declared during the vesting period are payable to the employees only upon vesting. RSU and PSU distributions will be in shares of Company stock after the end of the vesting or performance period, subject to the terms applicable to such awards.

Organon acquires its we acquire our components, materials and other requirements for manufacturing from many suppliers and vendors in various countries, including sometimes from itself for self-supplied requirements. Organon endeavors we endeavor to achieve, either alone or by working closely with its our suppliers, continuity of Organon's our inputs and supplies, but it we cannot guarantee these efforts will always be successful. For instance, *Follistim AQ* and *Atozet*[1] have been challenged by intermittent supply disruptions.

Stock-based compensation expenses incurred by the Company were as follows:

Further, while efforts are made to diversify certain of Organon's our sources of components and materials, in certain instances there is only a sole source or it would require months or years to establish an alternative supplier. For many of Organon's our components and materials for which a single source or supplier is used, alternative sources or suppliers may exist, but Organon has we have made a strategic determination to use the single source or supplier. Although Organon does we carry strategic inventory and maintain insurance to help mitigate the potential risk related to any related supply disruption, it we cannot assure investors that such measures will always be sufficient or effective. Further, if Organon does we do seek recovery or damages from such supplier for any supply shortages or disruptions, such recovery or damages may be limited and not include indirect or consequential losses or any loss of revenue or lost profits. Organon's Our ability to achieve continuity of its our supply may also be affected by public health crises and epidemics/pandemics. A reduction or interruption in supply and an inability to quickly develop acceptable alternative sources for such supply could adversely affect Organon's our ability to manufacture and distribute its our products in a timely or cost-effective manner, negatively impacting Organon's our ability to sell its our products.

($ in millions)	Year Ended December 31, 2023	2022	2021
Stock-based compensation expense recognized in:			
Cost of sales	$ 17	$ 13	$ 11
Selling, general and administrative	68	51	36
Research and development	16	11	12
Total	$ 101	$ 75	$ 59
Income tax benefits	$ 21	$ 16	$ 12

Organon We may not realize benefits from its our investments in China and emerging markets.

Organon has We have been taking steps to increase its our sales in China and emerging markets; however, Organon's our efforts to expand sales in these markets may not succeed. Some countries within emerging markets may be especially vulnerable to periods of global financial instability or may have

In connection with the Separation, in 2021, Merck's PSUs and RSUs were converted into 3.3 million Organon RSUs at a weighted average grant date fair value of $36.77 and Merck's stock options were converted into 4.1 million Organon stock options at a weighted average grant date fair value of $8.55. Stock options at Separation were valued using a combination of option models. The Company used the Black-Scholes model as the basis for the original fair value of the options, and the Hull-White I Lattice option pricing model calculated the incremental fair value. In applying these models, the Company used both historical data and current market data to estimate the fair value of its options. The Black-

Scholes model assumptions include expected dividend yield, risk-free interest rate, volatility, and term of the options. The Hull-White I Lattice model requires several assumptions including expected exercise barrier, dividend yield, risk-free interest rate, remaining vesting life and remaining contractual life. These fair value assumptions were based on the awards and terms previously granted under the Merck incentive compensation plans to Organon employees. At December 31, 2023, the unrecognized portion of the incremental stock-based expense was $1 million.

The Company uses the Black-Scholes model to determine the fair value of the stock options as of the grant date. In applying this model, the Company uses both historical data and current market data to estimate the fair value of its options. The expected dividend yield is based on forecasted patterns of dividend payments. The risk-free interest rate is based on the rate at grant date of zero-coupon U.S. Treasury Notes with a term equal to the expected term of the option. Expected volatility is estimated using historical volatility. Due to the lack of trading history of Organon's stock at the time of valuation efforts, the historical component of expected volatility is based on historical monthly price changes of the peer group within the industry. In 2023, the historical component of expected volatility is based on historical monthly price changes of a combination of the peer group within the industry and Organon's historical monthly price changes. In 2022 and 2021, the historical component of expected volatility is based only on historical monthly price changes of a combination of the peer group within the industry. Merck's historical data for Organon employees was used to estimate equity award exercise and employee termination behavior within the valuation model. The expected term represents the amount of time that options granted are expected to be outstanding based on historical and forecasted exercise behavior.

The weighted average fair value of options granted was determined using the following assumptions:

	Year Ended December 31,		
	2023	2022	2021
Expected dividend yield	4.82 %	3.12 %	3.22 %
Risk-free interest rate	3.56	2.47	0.92
Expected volatility	42.30	43.43	45.80
Expected life (years)	5.89	5.89	5.89

annual process that will have a significant impact on mature products moving forward, which Organon expects to increase pricing pressure on its products in China. There are 300 molecules currently included under VBP, and it is expected that an aggregate of 500 molecules will be subject to VBP by 2025.

Furthermore, China has made reduction of costs and provision of affordable drugs to patients a key priority and has implemented reimbursement and procurement programs to achieve these goals, such as VBP and URPS. These programs regularly reduce the Chinese government has started its efforts to conform the price and/or reimbursement price between GQCE-approved generic products rate for drugs by over 50%. These and the applicable originator products. The URPS policy will create additional pricing and volume pressure for pharmaceutical products that are subject to the program and may other such programs could adversely affect Organon's our business and results of operations. in China.

In addition, Organon we currently relies rely on a third-party manufacturer to import, repackage and then sell a significant portion of its our products in China. China's drug regulatory landscape continues system is regularly changing in response to evolve, including reform of new policy trends. If these trends and the Market Authorization Holder, or MAH, system and change of registration and licensing related changes to the requirements for imported pharmaceutical products. These regulatory changes may limit the ability for the third-party manufacturer to continue to sell Organon's products to downstream distributors. The regulatory authority has not made it clear in the existing regulatory framework a pathway for selling these repackaged products to public hospitals. If Organon fails to identify a pathway forward, its development, importation, registration, distribution, and manufacturing of our drugs disrupt our business model that would adversely affect our business in China may be adversely affected. China.

Finally, Organon plans we plan to pivot in China from a primary focus on the public tender market to growth opportunities in the private retail segment. A failure to make such pivot effectively, or a failure to develop and maintain a presence in China or emerging markets could adversely affect Organon's our business, cash flow, results of operations, financial condition or prospects.

Current market conditions and recessionary pressures in one or more of our markets could impact our ability to grow our business.

Over the last few years in the U.S. United States and globally, market and economic conditions have been challenging. Non-U.S. countries, particularly in Europe, have experienced recessionary pressures and face continued concerns about the systemic impacts of adverse economic conditions and geopolitical issues. Any negative impact on economic conditions and international markets, continued volatility or deterioration in the capital markets, inflation, deflation or other adverse economic conditions may adversely affect our liquidity and financial condition. It may limit our ability to replace maturing liabilities and access the capital markets to meet liquidity needs, which could have a material adverse effect on our financial condition and results of operations.

Ongoing uncertain economic and financial market conditions may also adversely affect the financial condition of our customers, suppliers and other business partners. If our customers' financial conditions are adversely affected, those customers may reduce their purchases of our products or we may not be able to collect accounts receivable, each of which could have a material adverse impact on our business operations or financial results, and we may not be able to fully absorb any such additional costs or revenue declines in the prices for our products and services.

Our reputation and promising pipeline render our products prime targets for counterfeiters.

Counterfeit products pose a significant risk to patient health and safety because of the conditions under which they are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Failure to mitigate this threat could adversely impact our customers, potentially causing them harm. This, in turn, may result in the loss of confidence in our products' reputation and integrity, and potentially impact our business through lost sales, product recalls, and possible litigation.

Inflation could materially adversely affect our business and operations.

Our internal results could be materially impacted by changes in the overall macroeconomic environment and other economic factors that impact our cost structure and revenue results. Changes in economic conditions, supply chain constraints, logistics challenges, labor shortages, the war in Ukraine, and steps taken by governments and central banks, as well as other stimulus and spending programs, have led to higher inflation, which is likely to lead to an increase in costs and may cause changes in fiscal and monetary policy, including increased interest rates. In a higher inflationary environment, we may be unable to raise the prices of our products and services sufficiently to keep up with the rate of inflation.

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A summary of the equity award transactions for the year ended December 31, 2023 is as follows:

	Stock Options			Restricted Share Units		Performance Share Units	
(shares in thousands)	Shares	Weighted average exercise price	Weighted average grant date fair value	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value
Outstanding as of January 1, 2023	4,729	$ 34.34	$ 9.00	5,048	$ 33.27	486	$ 39.29
Granted	1,124	23.52	6.55	5,090	20.84	636	23.20
Vested/Exercised	—	—	—	(1,958)	33.83	—	—
Forfeited/Cancelled	(95)	36.12	9.71	(669)	29.40	—	—
Outstanding as of December 31, 2023	5,758	$ 32.20	$ 8.50	7,511	$ 25.05	1,122	$ 30.16

The following table summarizes information about equity awards outstanding that are vested and expected to vest and equity awards outstanding that are exercisable as of December 31, 2023:

	Equity Awards Vested and Expected to Vest				Equity Awards That are Exercisable			
(awards in thousands; aggregate intrinsic value in millions)	Awards	Weighted Average Exercise Price	Aggregate Intrinsic Value	Remaining Term (in years)	Awards	Weighted Average Exercise Price	Aggregate Intrinsic Value	Remaining Term (in years)
Stock Options	5,623	$ 32.20	$ —	6.79	3,311	$ 33.79	$ —	5.61
Restricted Share Units	7,023		108	1.93				
Performance Share Units	610		10	1.60				

The amount of unrecognized compensation costs as of December 31, 2023 was $153 million, which will be recognized in operating expense ratably over the weighted average vesting period of 1.86 years.

8. Restructuring

In 2023, Organon initiated restructuring activities to optimize its internal operations by reducing headcount through selected markets and functions. As a result of this program, the Company intends to restructure approximately 130 positions, with the majority of the position eliminations occurring in selected markets outside of the United States in the commercial organizations. The Company

In the fourth quarter of 2023, Organon implemented additional restructuring activities related to the ongoing optimization of its internal operations by reducing headcount in certain markets and functions. As a result of these activities, the Company's headcount will be reduced by approximately 3% over the next twelve months.

Organon expects the majority of the remaining severance payments will be paid by the end of the 2023 fiscal year. For the year ended December 31, 2022, the Company recorded restructuring charges of $28 million, which relate to severance costs for eliminated positions.

Restructuring costs for 2021 and 2020 were $3 million and $60 million, respectively. The restructuring costs for 2020 were comprised of $30 million of separation costs and $30 million related to other restructuring activities. Restructuring costs for 2021 and 2020 reflect only charges allocated to Organon from Merck prior to separation.

Liabilities for costs associated with the restructuring activities were $20 million at December 31, 2022 and are included primarily in *Accrued and other current liabilities*.

	December 31, 2023	December 31, 2022
Beginning balance	20	—
Severance & severance related costs	62	28
Cash payments and other	(21)	(8)
Ending Balance	61	20

9. Discontinued Operations

In contemplation of the Separation, the Merck Retained Products business in the Transferred Entities was distributed to Merck affiliates and, accordingly, the historical results of operations, assets and liabilities, and the cash flows of the Merck Retained Products for such Transferred Entities are reflected as discontinued operations.

The components of Loss from discontinued operations, net of tax for the Merck Retained Products business are as follows:

($ in millions)	Year Ended December 31, 2021
Sales	$ 93
Costs, Expenses and Other	
Cost of Sales	65
Selling, general and administrative	15
Research and development	4
Restructuring Costs	—
Other expense, net	4
Loss from discontinued operations before taxes	$ 5
Taxes on income	5
Loss from discontinued operations, net of taxes	$ —

Discontinued operations include related party sales of $12 million for the year ended December 31, 2021. There Costs for inventory purchases from related parties were $53 million for the year ended December 31, 2021.

10. Taxes on Income

A reconciliation between the effective tax rate and the U.S. statutory rate is as follows:

	Year Ended December 31,					
	2023		2022		2021	
($ in millions)	Amount	Tax Rate	Amount	Tax Rate	Amount	Tax Rate

We are exposed to market risk from fluctuations in currency exchange rates and interest rates.

Organon operates in multiple jurisdictions and virtually all of its sales outside the United States are denominated in currencies other than the United States dollar. Additionally, Organon has historically entered into, and will in the future enter into, business development transactions, borrowings or other financial transactions that may give rise to currency and interest rate exposure. Since Organon is exposed to uncertainty in currency exchange rates, interest rates and inflation could negatively affect Organon's business, cash flow, results of operations, financial condition or prospects.

In order to mitigate the adverse impact of these market fluctuations, Organon enters into hedging agreements from time to time. While hedging agreements, such as currency options and forwards and interest rate swaps, may limit some of the exposure to exchange rate and interest rate fluctuations, such attempts to mitigate these risks may be costly and not always successful. As a result, currency fluctuations among Organon's reporting currency, the U.S. dollar, and other currencies in which Organon does business will affect its operating results, often in unpredictable ways.

Our business and operations are subject to risks related to climate change.

The effects of climate change will present risks to our business. Natural disasters, extreme weather and other conditions caused by or related to climate change could adversely impact our supply chain, including manufacturing and distribution networks, the availability and cost of raw materials and components,

U.S. statutory rate applied to income before taxes	$ 141	21.0 %	$ 236	21.0 %	$ 321	21.0 %
Differential arising from:						
Foreign earnings	(91)	(13.6)	(113)	(10.1)	(39)	(2.5)
Tax settlements	(13)	(1.9)	(2)	(0.1)	(32)	(2.1)
Amortization of intangible assets	(686)	(102.0)	—	—	(75)	(4.9)
State taxes	(5)	(0.8)	(2)	(0.2)	(3)	(0.2)
Global Intangible Low-Taxed Income	54	8.0	67	6.1	17	1.1
Interest expense disallowance	46	6.8	13	1.2	—	—
Valuation allowance	208	30.9	4	0.4	(4)	(0.3)
Other	(44)	(6.6)	12	1.0	(7)	(0.4)
	$ (350)	(52.2)%	$ 205	18.3 %	$ 178	11.7 %

Prior to the Separation, income taxes were calculated as if the Company filed income tax returns on a separate return basis. For those years, the Company believes the assumptions supporting its allocation and presentation of income taxes on a separate return basis are reasonable.

The Company has no remaining transition tax liability as of December 31, 2021 under the Tax Cuts and Jobs Act ("TCJA") that was enacted in 2017. As a result of the TCJA, the Company has made a determination it is no longer indefinitely reinvested with respect to a majority of its previously taxed undistributed earnings from foreign subsidiaries and provided for a deferred tax liability for withholding taxes due upon future remittances, net of certain foreign income tax credits. At December 31, 2023, the deferred income tax liabilities on undistributed earnings for certain subsidiaries that are deemed indefinitely reinvested was $4 million. At December 31, 2022 the deferred tax balance was immaterial.

The effective income tax rates were (52.2)%, 18.3% and 11.7% for 2023, 2022 and 2021, respectively. These effective income tax rates reflect the beneficial impact of foreign earnings, offset by the impact of U.S. inclusions under the Global Intangible Low-Taxed Income regime and a partial valuation allowance recorded against non-deductible U.S. interest expense, as well as a $476 million tax benefit comprised of a gross benefit of $686 million, net of a $210 million valuation allowance, resulting from the termination of a tax arrangement in Switzerland recorded in the fourth quarter 2023. The valuation allowance was determined based on expected future income and the terms of the remaining Swiss tax arrangement. During 2021, the Company recorded a $75 million tax benefit relating to a portion of the non-U.S. step-up of tax basis associated with the Company's Separation from Merck. The effective income tax rate for 2021 also reflects the Internal Revenue Service ("IRS") conclusion of its examinations of Merck's 2015-2016 U.S. federal income tax returns as further detailed below.

Income before taxes consisted of:

($ in millions)	Year Ended December 31, 2023	2022	2021
Domestic	$ (554)	$ (451)	$ (96)
Foreign	1,227	1,573	1,625
	$ 673	$ 1,122	$ 1,529

Taxes on income consisted of:

($ in millions)	Year Ended December 31, 2023	2022	2021
Current provision			
Federal	$ 47	$ 51	$ 41
Foreign	87	172	435
State	1	—	(10)
	$ 135	$ 223	$ 466
Deferred provision			
Federal	$ (52)	$ (38)	$ (64)

Foreign	(428)	22	(220)
State	(5)	(2)	(4)
	$ (485)	$ (18)	$ (288)
	$ (350)	$ 205	$ 178

- limiting Organon's our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions;
- limiting Organon's our ability to refinance its our indebtedness on terms acceptable to Organon us or at all;
- restricting Organon's our operations or development plans;
- requiring Organon us to dedicate a significant portion of its our cash flows from operations to paying amounts due under its our indebtedness, thereby reducing funds available for other corporate purposes;
- impeding Organon's our ability to pay dividends;
- limiting Organon's our ability to withstand economic downturns; or
- limiting Organon's our ability to withstand competitive pressures.

Any of these restrictions on Organon's our ability to operate its our business in its our discretion could adversely affect its our business by, among other things, limiting Organon's our ability to adapt to changing economic, financial or industry conditions and to take advantage of corporate opportunities including opportunities to obtain debt financing, repurchase stock, refinance or pay principal on Organon's our outstanding debt, dispose of property, complete acquisitions for cash or debt or make other investments. In addition, events beyond Organon's our control, including prevailing economic, financial, and industry conditions, could affect Organon's our ability to satisfy applicable financial covenants, and Organon we cannot assure you that it we will satisfy them.

Any failure to comply with the restrictions of Organon's our current indebtedness, or any future financing agreements, including as a result of events beyond Organon's our control, may result in an event of default under these agreements, which in turn may result in defaults or acceleration of obligations under these agreements and other agreements, giving Organon's our lenders and other debt holders the right to terminate any commitments they may have made to provide Organon us with further funds and to require Organon us to repay all amounts then outstanding.

Changes in tax laws or other tax guidance could adversely affect our effective tax rates, financial condition and results of operations.

We expect recent changes in tax laws around the world, including as led by the Organization for Economic Cooperation and Development ("OECD"), such as the adoption by the EU and the enactment by additional countries of a global minimum tax, to negatively impact our effective tax rate and results of operations. Other changes in tax laws or regulations around the world, including in the United States, could negatively impact our cash tax liability, and will likely have a negative impact on our effective tax rate, and results of operations.

Social media and mobile messaging platforms present risks and challenges.

The inappropriate and/or unauthorized use of certain social media and mobile messaging channels could cause brand damage or information leakages or could lead to legal implications, including from the improper collection and/or dissemination of personally identifiable information. In addition, negative or inaccurate posts or comments about us or our products on any social networking platforms could damage our reputation, brand image and goodwill. Further, the disclosure of non-public Organon-sensitive information by our workforce or others through external media channels could lead to information loss. Although there are internal Organon policies that guide employees on appropriate personal and professional use of these platforms for communication about us, it may not completely secure and protect information. Identifying new points of entry as new communication tools expand also presents new challenges.

Risks Related to the Spinoff

As Organon builds its information technology infrastructure and transition its data to its own systems, Organon could incur substantial additional costs and experience temporary business interruptions.

and replace Merck's services successfully, could disrupt Organon's business or adversely affect its results of operations. In addition, if Organon is unable to replicate or transition certain systems, Organon's ability to comply with regulatory requirements could be impaired.

Merck may not satisfy its obligations under various transaction agreements that have been or will be executed as part of the spinoff, Organon we may experience

Notes to Consolidated Financial Statements

Deferred income taxes at December 31 consisted of:

	December 31,			
	2023		2022	
(Millions of dollars)	Assets	Liabilities	Assets	Liabilities
Product intangibles and licenses	$ 927	$ —	$ 164	$ —
Inventory related	3	—	—	10
Reserves and allowances	38	—	51	—
Accrued expenses	5	—	22	—
Accelerated depreciation	—	18	—	11
Unremitted foreign earnings	—	5	—	3
Right of use asset	38	—	44	—
Lease liability	—	38	—	44
Interest expense limitation carryforward	72	—	37	—
Compensation related	17	—	26	—
Hedging	—	41	—	59
Net operating losses and other tax credit carryforwards	35	—	65	—
Other	37	—	18	—
Subtotal	$ 1,172	$ 102	$ 427	$ 127
Valuation allowance	(309)	—	(52)	—
Total deferred taxes	$ 863	$ 102	$ 375	$ 127
Net deferred income taxes	$ 761		$ 248	
Recognized as:				
Other Assets	$ 808		$ 267	
Deferred income taxes	$ 47		$ 19	

A reconciliation of the beginning and ending amount of the valuation allowance is as follows:

	Years Ended December 31,	
	2023	2022
Beginning balance	$ (52)	$ (35)
Additions charged to expense	(257)	(17)
Ending balance	$ (309)	$ (52)

The Company has recognized $35 million and $65 million deferred taxes on net operating loss ("NOL") carryforwards in multiple jurisdictions as of December 31, 2023 and 2022, respectively. Valuation allowances of $309 million have been established on $250 million of foreign deferred tax assets and $59 million of U.S. deferred tax assets. The $257 million increase in the valuation allowance in 2023 is primarily due to a $210 million valuation allowance recorded in connection with the future benefit of a Swiss tax arrangement and $46 million of a valuation allowance recorded in connection with disallowed interest expense in the United States. The valuation allowance on the Swiss deferred tax assets was determined based on expected future income and the terms of the remaining Swiss tax arrangement. During 2022, the Company increased its valuation allowance by $17 million primarily due to disallowed interest expense in the United States.

Income taxes paid in 2023, 2022 and 2021, were $135 million, $214 million and $131 million, respectively.

As of December 31, 2023 and 2022, the Company deferred the income tax consequences resulting from intra-entity transfers of inventory totaling $396 million and $368 million, respectively. These amounts are reflected in *Other current assets.*

In connection with the spinoff, Organon and Merck we entered into the a Separation and Distribution Agreement with Merck (the "Separation and various other agreements, including one or more transition services agreements, Distribution Agreement"), the Transition Services Agreement, manufacturing and supply agreements, trademark license agreements, intellectual property license agreements, an employee matters agreement, a tax matters agreement and certain other commercial or operating agreements. These agreements are discussed in greater detail in the section entitled "Certain Relationships Note 19 "Third-Party Arrangements and Related Transactions. Party Disclosures." Certain of these Notes to Consolidated Financial Statements services by each company for the benefit of the other for a period of time after the distribution. Organon We may rely on Merck to satisfy its our performance and payment obligations under these agreements. If Merck is unable to satisfy its obligations under these agreements, including its indemnification obligations, Organon we could experience operational difficulties or losses.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In addition, in connection with the spinoff, Organon has we have established operations in certain most markets, but is unable to import, distribute, or trade certain products in those some markets due to pending licenses, permits, and regulatory approvals, among other requirements. Until all required approvals are received, Organon relies we rely upon Merck to perform certain activities in these markets. Organon We

($ in millions)	Year Ended December 31,		
	2023	2022	2021
Balance January 1	$ 93	$ 78	$ 219
Additions related to current year tax positions	32	30	23
Additions related to prior year tax positions	7	3	18
Reductions for tax positions of prior years	(8)	(3)	(49)
Spinoff related adjustments (1)	—	—	(108)
Settlements	(7)	(12)	(15)
Lapse of statute of limitations	(2)	(3)	(10)
Balance December 31	$ 115	$ 93	$ 78

(1) Unrecognized tax benefits were reduced by $108 million in 2021 related to positions taken prior to the spinoff for which Merck, as the Company's former Parent, is the primary obligor and is responsible for settlement and payment of any resulting tax obligation.

may incur additional costs during the period of time before all necessary approvals are granted, which may affect Organon's our business and result in additional costs in these markets.

If Organon does we do not have its our own systems and services in place, or if Organon does we do not have agreements with other providers of these services, when these agreements terminate, Organon we may not be able to operate its our business effectively and its our profitability may decline. Organon is We are in the process of creating its our own systems and services or transitioning data from Merck's systems to Organon's our systems. These systems and services may also be more expensive or less efficient than the systems and services Merck is expected to provide during the transition period.

If the Company were to recognize the unrecognized tax benefits of $115 million, at December 31, 2023, the income tax provision would reflect a favorable net impact of $115 million.

In 2023 and 2022, foreign tax authorities concluded their examinations of certain foreign income tax returns. As a result, the Company reflected a payment of $7 million and $12 million in the consolidated financial statements in 2023 and 2022, respectively. A corresponding reduction in reserves of $15 million and $11 million were also reflected in 2023 and 2022, respectively, for unrecognized tax benefits for tax positions relating to the years that were under examination.

Prior to June 2, 2021, the Company was part of Merck's consolidated U.S. federal income tax return, as well as separate and combined Merck income tax returns in numerous state and international jurisdictions. Merck was under examination by numerous tax authorities in various jurisdictions globally. During 2021, the IRS concluded its examinations of Merck's 2015-2016 U.S. federal income tax returns. As a result, the Company reflected an allocation from Merck of $18 million representing the Company's portion of the payment made to the IRS in the Consolidated Financial Statements. The Company's portion of reserves for unrecognized tax benefits for the years under examination exceeded the allocated adjustments relating to this examination period and therefore the Company included a $29 million net tax benefit for the year ended December 31, 2021. This net benefit reflects reductions in reserves for unrecognized tax benefits and other related liabilities for costs tax positions relating to the years that were under examination.

ther incurred ribution Agreement, including any pending or future legal matters. These liabilities, which could be material to Organon, us, include a general obligation to indemnify Merck for litigation or governmental proceedings relating to Organon's our products, including, but not limited to, currently pending litigation relating to Fosamax, Nolpaza®, and Propecia / Proscar where specifically Organon's our obligations to indemnify Merck may in some cases include liability for antitrust litigation, provided, however, that Organon we will not be liable for the results of the antitrust litigation related to *Zetia* or the product liability litigation in Brazil related to *Vioxx²* (rofecoxib). For a description of the related legal matters, see Note 12 20 "Contingencies" to the Financial Statements included in this report. These indemnification liabilities are intended to ensure that, as between Merck and Organon, Organon is us, we are responsible for all liabilities associated with the business we assume in connection with the spinoff and that Organon pays we pay for any liability incurred by Merck (including directors, officers, employees and agents) related to Organon's our failure to satisfy such obligations or otherwise in respect of the operation of its our business, or any breach by Organon us of the Separation and Distribution Agreement or any ancillary agreement. Organon's Our indemnity obligations to Merck as set forth in the Separation and Distribution Agreement may be substantial.

The Company is subject to income tax in the United States (federal, state and local) as well as other jurisdictions outside of the United States in which Organon operates. As part of the Separation from Merck, $79.3 million of liabilities for unrecognized tax benefits associated with restructuring activities uncertain tax positions for jurisdictions outside of the United States were conveyed to Organon.

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits as of December 31, 2023 could decrease by up to $27 million in the next 12 months as a result of various audit closures, settlements or the expiration of the statute of limitations. The Company believes that its reserves for uncertain tax positions are adequate to cover existing risks or exposures.

Interest and penalties associated with uncertain tax positions resulted in $3 million of expense in 2023 and were immaterial in 2022 and 2021. These amounts reflect the beneficial impacts of various tax settlements. Liabilities for accrued interest and penalties were $40 million and $35 million as of December 31, 2023 and 2022, respectively.

Tax Opinions

Various foreign tax examinations are in progress and for these jurisdictions, income tax returns are open for examination for the period 2007 through 2023.

the outstanding Organon shares to Merck stockholders and certain related transactions qualify as tax-free to Merck and its stockholders under Sections 355 and 368 of the U.S. Internal Revenue Code, except to the extent of any cash received in lieu of fractional shares of Organon our Common Stock. The Tax Opinions are not binding on the Internal Revenue Service ("IRS"). Accordingly, the IRS may reach conclusions with respect to the spinoff that are different from the conclusions reached in the Tax Opinions. The Tax Opinions rely on certain facts, assumptions, representations and undertakings from Merck and Organon regarding the past and future conduct of the companies' respective businesses and other matters, which, if incomplete, incorrect or not satisfied, could alter the conclusions of the party giving such Tax Opinion.

Notes to Consolidated Financial Statements taxable, the spinoff could be treated as a taxable dividend to Merck's stockholders for U.S. federal income tax purposes, and Merck's stockholders could incur significant U.S. federal income tax liabilities. In addition, Merck would recognize a taxable gain to the extent that the fair market value of Organon our exceeds Merck's tax basis in such stock on the date of the spinoff. Each of Merck and Organon generally will be responsible for any tax-related losses imposed on Merck or Organon, respectively, as a result of the failure of a transaction to qualify for tax-free treatment, to the extent that the failure to so qualify is attributable to actions, events or Merck's or Organon's respective stock, assets or business, or a breach of the relevant covenants made by Merck or Organon in the tax matters agreement.

Contractual Please also see "Contractual restrictions limit Organon's our ability to engage in certain corporate transactions. transactions that stockholders may consider favorable" below.

11. Inventories

Inventories consisted of:

($ in millions)	December 31, 2023	December 31, 2022
Finished goods	$ 566	$ 482
Raw materials	110	44

Work in process	684	601
Supplies	65	44
Total (approximates current cost)	$ 1,425	$ 1,171
Decrease to LIFO costs		(20)
	$ 1,425	$ 1,151
Recognized as:		
Inventories	$ 1,315	$ 1,003
Other assets	110	148
Inventories valued under the last-in, first-out ("LIFO") method	105	77

Amounts recognized as *Other assets* are comprised primarily of raw materials and work in process inventories and are not expected to be converted to finished goods that will be sold within one year. The Company has a long-term vendor supply contract that includes certain annual minimum purchase commitments.

During 2022 and 2021, the Company recorded $5 million and $24 million, respectively, due to estimated unavoidable losses associated with a long-term vendor supply contract. The charge was recognized as a component of *Cost of sales* during 2022 and 2021, respectively.

During 2022, the Company recorded $36 million relating to a regulatory inspection finding at December 31, 2021 the Heist manufacturing location which impacts selected injectable steroids brands. The charge was recognized as a component of *Cost of sales* and reduced the Company's *Inventory* balance during 2022.

As of December 31, 2023, total inventory purchase obligations are $1.0 billion and extend through 2031. Inventory purchase obligations due within the next twelve months amount to $318 million.

12. Property, Plant and Equipment

($ in millions)	December 31, 2023	December 31, 2022
Land	$ 14	$ 13
Buildings	721	694
Machinery, equipment and office furnishings	1,191	935
Construction in progress	274	278
Less: accumulated depreciation	(1,017)	(902)
Property, Plant and Equipment, net	$ 1,183	$ 1,018

Notes to Consolidated Financial Statements

13. Intangibles

Intangibles consists of:

	December 31, 2023			December 31, 2022		
($ in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Products and product rights	$ 24,290	$ 23,845	$ 445	$ 24,285	$ 23,746	$ 539
Licenses	231	143	88	231	121	110
	$ 24,521	$ 23,988	$ 533	$ 24,516	$ 23,867	$ 649

Acquired intangibles include products and products rights, and licenses, which are initially recorded at fair value, assigned an estimated useful life, and amortized on a straight-line basis over their estimated useful lives.

The Company did not have impairment charges in 2023. During 2022 and 2021, due to increased competition which resulted in the loss of contract tenders in certain markets and pricing pressure, the Company recorded impairment charges of $9 million and $7 million, respectively, related to a product right for a biosimilar product within *Cost of sales*.

Aggregate amortization expense recorded within *Cost of sales* was $116 million in 2023, $116 million in 2022 and $103 million in 2021.

Contractual restrictions limit our ability to engage in certain corporate transactions that stockholders may consider favorable.

To preserve the tax-free treatment to Merck of the spinoff, the Tax we entered into a tax matters agreement (the "Tax Matters Agreement restricts Organon Agreement" or "TMA") with Merck, which restricted us from taking any action that prevents would have prevented the distribution and related transactions from being tax-free for U.S. federal income tax purposes. In particular, under the tax matters agreement, for the two-year period following the distribution, Organon is prohibited, except in certain circumstances, from, among other things:

- entering into any transaction resulting in the acquisition of above a certain percentage of Organon's stock or substantially all of its assets, whether by merger or otherwise;
- merging, consolidating, or liquidating;
- selling or transferring of Organon's assets beyond certain thresholds;
- issuing equity securities beyond certain thresholds;
- repurchasing Organon's capital stock;
- amending Organon's organizational documents in certain respects;
- ceasing to actively conduct certain businesses or causing Organon's applicable affiliates to cease to actively conduct certain of their businesses; and
- taking or failing to take any action that prevents the distribution and related transactions from being tax-free.

These restrictions may limit Organon's ability to pursue certain strategic transactions or other transactions that Organon may believe to be in the best interests of its stockholders or that might increase the value of Organon's business. In addition, Organon is we are required to indemnify Merck against any tax liabilities as a result of such actions, even if Organon we did not participate in or otherwise facilitate such actions. In the event the spinoff fails to be tax-free as a result of such actions, Organon's our indemnity obligation for Merck's tax liability under the tax matters agreement would be substantial and could materially affect its our cash flow. In addition, certain provisions of the agreements that we entered into with Merck require Merck's consent to any assignment by us of our rights and obligations under the agreements. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that stockholders may consider favorable.

Certain of Organon's our executive officers and directors may have actual or potential conflicts of interest because of their previous positions at Merck.

Because of their former positions with Merck, certain of Organon's our executive officers and directors own shares of Merck Common Stock and continue to participate in certain Merck benefit programs. Even though Organon's our Board of Directors consists of a majority of directors who are independent, and Organon's our executive officers who were previously employees of Merck ceased to be employees of Merck in connection with the spinoff, some Organon of our executive officers and directors continue to have financial interests in Merck. Continuing ownership of Merck Common Stock and continued participation in Merck benefit programs could create, or appear to create, potential conflicts of interest if Organon we and Merck pursue the same corporate opportunities or face decisions that could have different implications for Organon us and Merck.

Risks Related to Organon's Our Common Stock

The price and trading volume of Organon's our Common Stock may be volatile, and stockholders could lose all or part of their investment in Organon. us.

The trading volume and market price of Organon's our Common Stock may be volatile. This volatility could negatively impact Organon's our ability to raise additional capital or utilize equity as consideration in any acquisition transaction Organon we may seek to pursue, and could make it more difficult for existing stockholders to sell their shares of the our Common Stock at a price they consider acceptable or at all. This volatility is caused by a variety of factors, including, among the other risks described in this report:

- Organon's our liquidity and ability to obtain additional capital, including the market's reaction to any capital-raising transaction Organon we may pursue;
- declining working capital to fund operations, or other signs of financial uncertainty;
- any negative decisions by the FDA or comparable regulatory bodies outside the United States regarding Organon's our products and product candidates;
- market assessments of any strategic transaction or collaboration arrangement Organon we may pursue;
- sales of substantial amounts of Organon's our Common Stock, or the perception that substantial amounts of Organon's our Common Stock may be sold, by stockholders in the past, following periods of volatility in the
- by securities analysts or Organon's our ability to meet those estimates;
- issuance of new or updated research or reports by securities analysts or changed recommendations for Organon's our Common Stock; and
- In addition, the stock market in general, and the market for stock of companies in the life sciences and pharmaceutical industries in particular, has experienced extreme price and

7. erall market and the market price of a particular Company's securities, securities class action litigation has often been instituted against a company. This type of litigation, if The estimated aggregate future amortization expense is as follows: a diversion of its our management's attention and resources.

Organon We cannot guarantee the timing, amount or payment of any dividends on the our Common Stock.

Organon We currently expects expect that it we will continue to pay quarterly cash dividends. The timing, declaration, amount and payment of any future dividends to stockholders will fall within the discretion of Organon's our Board of Directors. The Board of Directors' decisions regarding the payment of dividends will depend on many factors, such as Organon's our financial condition, earnings, corporate strategy, capital requirements, debt service obligations, industry practice, legal requirements, regulatory constraints, and other factors that the Board deems relevant. Organon's our ability to pay any dividends will depend on its our ongoing ability to generate cash from operations and access capital markets.

($ in millions)

2024	$ 112
2025	114
2026	105
2027	48
2028	40
Thereafter	117

14. Financial Instruments

Foreign Currency Risk Management

Certain provisions in Organon's our amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of Organon, which could decrease the trading price of the our Common Stock.

Organon We use a Delaware corporation, and its our amended and restated certificate of incorporation, bylaws, and Delaware law contain provisions that are intended to derivative instruments to manage exposures to currency exchange rate risk. Our objective is to reduce the impact of changes in foreign exchange rates on our earnings and cash flows by entering into foreign currency forward contracts to offset the effects of changes in the value of certain foreign currency denominated assets and liabilities. Changes in the fair value of these derivatives are recorded in *Exchange losses* in the Consolidated Statements of Income together with the effects of changes in the value of the underlying assets and liabilities. We do not enter into derivative financial instruments for trading or speculative purposes.

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 *Exchange losses*. The forward contracts are not designated as hedges and are marked to market through *Exchange losses*. 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 one year. The notional amount of forward contracts was $1.4 billion and $1.5 billion as of December 31, 2022 December 31, 2023 and $2.1 billion as of December 31, 2021. December 31, 2022, respectively. The cash flows and the related gains and losses from these contracts are reported as operating activities in the Consolidated Statements of Cash Flows.

Notes to Consolidated Financial Statements

The Company measures fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include: include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following financial instruments were recorded at their estimated fair value. The recurring fair value measurement of our the assets and liabilities were as follows:

($ in millions)	Fair Value Measurement Level	December 31, 2022	December 31, 2021
Forward contracts in Other current assets	2	$ 6	$ 19
Forward contracts in Accrued and other current liabilities	2	24	5

($ in millions)	Fair Value Measurement Level	December 31, 2023	December 31, 2022
Forward contracts in Other current assets	2	$ 19	$ 6
Forward contracts in Accrued and other current liabilities	2	5	24

Certain provisions of agreements that Organon entered into with Merck may limit Organon's ability to operate its business.

Certain of the agreements that Organon entered into with Merck require Merck's consent to any assignment by Organon of its rights and obligations under the agreements. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that stockholders may consider favorable.

Organon's Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by Organon's our stockholders, and the United States federal district courts as the exclusive forum for claims under the Securities Act, which could limit Organon's our stockholders' ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with Organon us or its our directors, officers or employees.

Organon's Our amended and restated bylaws provide that, unless Organon selects we select or consents consent to the selection, in writing, of an alternative forum, all internal corporate claims, which include claims in the right of Organon company (i) that are based upon a violation of a duty by a current or former director, officer, employee or stockholder in such capacity, or (ii) as to which the Delaware General Corporation Law confers jurisdiction upon the Court of Chancery, will, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have jurisdiction, another state court or a federal court located within the State of Delaware.

Foreign exchange risk is also managed through the use of economic hedges on foreign currency balances. See Note 11 16 "Long-Term Debt and Leases" for additional details. Subsequent to the Separation, €1.75 billion €1.981 billion in the aggregate of both the euro-

Furthermore, unless Organon selects we select or consents consent to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Organon's Our exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations

denominated euro-denominated term loan (€750 731 million) and of the 2.875% euro-denominated secured notes (€1.25 billion) was has been designated and was is effective as an economic hedge of the net investment in euro-denominated subsidiaries.

In December 2022, the Company de-designated the economic hedge of the net investment in euro denominated subsidiaries and designated €1.989 billion in the aggregate of both the euro-denominated term loan (€739 million) and the 2.875% euro-denominated secured notes (€1.25 billion) as an effective economic hedge of the net investment in euro-denominated subsidiaries.

Foreign currency gains (loss) gain due to spot rate fluctuations on the euro-denominated debt instruments included in foreign currency translation adjustments resulting from hedge designation were as follows:

that a court could find these exclusive forum provisions inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, and Organon we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect Organon's our business, financial condition and results of operations and result in a diversion of the time and resources of its our management and board of directors.

($ in millions)	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Foreign currency gains (loss) gain in *Other comprehensive income*	$ 1,162	$ 1,110	$ (1,110)

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy. We depend on sophisticated software applications, complex information technology systems, computing infrastructure and cloud service providers (collectively, "Information Systems") to conduct critical operations. Certain of these systems are managed, hosted, provided or used by third parties, including Merck pursuant to a transition services agreement, to assist in conducting our business.

We implement processes for the assessment, identification, and management of material risks from cybersecurity threats; however, disruption, degradation, destruction or manipulation of our Information Systems through intentional or accidental means by our employees, third parties with authorized access or cyber threat actors could adversely affect key business processes. The size and complexity of our Information Systems, and those of our third-party providers with whom we contract, make such systems potentially vulnerable to service interruptions. In addition, we and our third-party providers have experienced and expect to continue to experience phishing attempts, scanning attempts of our network, and other attempts of unauthorized access to our computers, digital systems, networks, or devices. Such attacks are increasingly sophisticated and are made by groups and individuals with a wide range of motives and expertise, including state and quasi-state actors, criminal groups, "hackers" and others. These attacks could lead to loss of confidentiality, integrity and/or availability of our data and Information Systems.

Prior to the Separation, Merck managed the impact of foreign exchange rate movements on its affiliates' earnings, cash flows and fair values of assets and liabilities through operational means and through the use of various financial instruments, including derivative instruments. Merck established revenue hedging and balance sheet risk management programs that the Company participated in to protect against the volatility of future foreign currency cash flows and changes in fair value caused by volatility in exchange rates.

In the ordinary course of business, we and our third-party providers collect, store and transmit large amounts of confidential information (including trade secrets or other intellectual property, proprietary business information and personal information), and we must do so in a secure manner to maintain the confidentiality and integrity of such confidential information. While we have processes to protect such information, and to ensure that the third-party providers on which we rely have taken adequate steps to protect such information, a breach of our Information Systems or those of our third-party providers, such as cloud-based systems, or the accidental loss, inadvertent disclosure, unapproved dissemination, misappropriation or misuse of trade secrets, proprietary information, or other confidential information, whether as a result of theft, hacking, fraud, trickery, other forms of deception, or any other cause, could enable others to produce competing products, use our proprietary technology or information, and/or adversely affect our business position. Further, any such interruption, security breach, or loss, misappropriation, and/or unauthorized access, use or disclosure of confidential information, including personal information regarding our patients and employees, or the modification of critical data, could result in financial, legal, business, and reputational harm to us, including loss of revenue, loss of critical or sensitive information from our or our third-party providers' databases or Information Systems, and substantial remediation and recovery costs.Although such risks have not materially affected us, including our business strategy, results of operations or financial condition, to date, we have, from time to time, experienced threats to our data and systems, including malware and computer virus attacks.

We use multi-layered information security and data privacy programs and practices designed to foster the safe, secure, and responsible use of the information and data our stakeholders entrust to us. We work with our customers, governments, policymakers, and others to help develop and implement standards for safe and secure transactions, as well as privacy-centric data practices. Independent third parties test our cyber capabilities and audit our cloud security. We regularly test our systems to discover and address any potential vulnerabilities.

The Consolidated Statements of Income include the impact of actual net gains (gains) and losses of Organon's derivative financial instruments, as well as the impact of Merck's derivative financial instruments prior to the Separation allocated to the Company utilizing a proportional allocation method:

($ in millions)	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Allocated net loss in net loss in *Revenues*	$ —	$ 56	$ 3
Allocated *Cost of sales*	11	4	44

Cybersecurity Governance. Our Audit Committee has primary responsibility for overseeing our risk-management program relating to cybersecurity, although the Board participates in periodic reviews and discussion dedicated to cyber risks, threats, and protections. Our information security and privacy programs provide that the Board receives annual reports from our Chief Information Security Officer and Chief Ethics and Compliance Officer to discuss our program for managing information security risks, including data security risks, the risk of cybersecurity incidents and, if applicable, remediation of any potential cybersecurity incidents. The Audit Committee receives regular briefings on both information security and data privacy from the Chief Information Security Officer and Chief Ethics and Compliance Officer, respectively, and meets at least annually with our Chief Information Security Officer regarding our information technology. The Audit Committee receives periodic updates regarding our cybersecurity risk management program, and reports to the Board on the principal risks facing us and the steps

Foreign exchange loss in *Exchange losses*	

(a)Includes net gains and losses and foreign exchange gains and losses allocated for the period prior to the Separation, as well as actual net gains and losses and foreign exchange gains and losses post-Separation.

Concentrations of Credit Risk

Organon has established accounts receivable factoring agreements with financial institutions in certain countries to sell accounts receivable. Under these agreements, Organon factored $43 $66 million and $87 $43 million of accounts receivable as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively, which reduced outstanding accounts receivable. The cash received from the financial institutions is reported within operating activities in the Consolidated Statements of Cash Flows.

Concentrations of Credit Risk

The Company monitors credit exposures through limits that were established to limit a concentration with any single issuer or institution. The majority of the Company's accounts receivable arise from product sales in the United States, Europe and China and are primarily due from drug wholesalers and retailers, hospitals, government agencies, managed health care providers and pharmacy benefit managers. The Company's customers with the largest accounts receivable balances are McKesson Corporation, Amerisource Bergen Corporation and Cardinal Health. Accounts receivable balances with McKesson Corporation and Amerisource Bergen Corporation which represented approximately 9% and 8% and 7%, respectively, of total gross account receivable at December 31, 2022 December 31, 2023. Bad debts have been minimal. The Company does not normally require collateral or other security to support credit sales.

Not applicable.

PART II

Organon's Our corporate headquarters is located in Jersey City, New Jersey. Organon We also maintains maintain operational headquarters in Pennsylvania. Organon owns We own and operates operate six manufacturing facilities in Campinas, Brazil, Cramlington, United Kingdom, Heist, Belgium, Oss, Netherlands, Panaan, Pandaan, Indonesia and Xochimilco, Mexico.

Item 3. Legal Proceedings

We are from time to time subject to claims and litigation arising in the ordinary course of business. These claims and litigation may include matters relating to intellectual property, product liability, securities law, breach of contract and tort, as well as actions of violation of United States and foreign competition law, labor laws, consumer protection laws and environmental laws and related regulations. We operate in multiple jurisdictions and, as a result, claims in one jurisdiction may lead to claims or regulatory penalties in other jurisdictions. There can be no assurance as to the ultimate outcome of a legal proceeding; however, we intend to defend vigorously against any pending or future claims and litigation, other than matters deemed appropriate for settlement. We accrue a liability for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts accrued for those claims. For a discussion of legal matters as of December 31, 2022 December 31, 2023, please See Note 12 20 "Contingencies" to our financial statements included in this report, which is incorporated into this item by reference.

Notes to Consolidated Financial Statements

Item 4. Mine Safety Disclosures

Not applicable.

15. Pension and Other Postretirement Benefit Plans

Prior to the Separation on June 2, 2021, Organon participated in Merck's U.S. and non-U.S. plans. Merck has defined benefit pension plans covering eligible employees in the United States and in certain of its international subsidiaries. Merck also provides medical benefits, principally to its eligible U.S. retirees and their dependents, through its other postretirement benefit plans. The Company participated in Merck's benefit plans as though it was a participant in a multi-employer plan with the other businesses of Merck. The Consolidated Statements of Income includes expense allocations for these benefits, which were determined using a proportional allocation method. Total benefit plan expense allocated to the Company for the years ended December 31, 2021 was $29 million. The Company's participation in the defined pension and postretirement benefit plans sponsored by Merck concluded upon the completion of the Separation on June 2, 2021.

As of June 2, 2021, Organon became the plan sponsor for certain non-U.S. defined benefit pension plans. These Consolidated Financial Statements reflect the periodic benefit costs and funded status of such plans. Organon pension plans are primarily comprised of plans in Switzerland, Belgium, Korea, Germany and Italy. The Company uses December 31 as the year-end measurement date for these plans.

Net Periodic Benefit Cost

The net periodic benefit cost for pension plans consisted of the following components:

	Year Ended December 31,		
($ in millions)	2023	2022	2021
Service cost	$ 17	$ 22	$ 17
Interest cost	5	2	2
Expected return on plan assets	(6)	(4)	(3)
Net loss amortization	(1)	—	2
Net pension benefit cost	$ 15	$ 20	$ 18

Performance Graph

The following graph compares the cumulative total stockholder returns for the period from June 2, 2021 (the effective date of Organon's our Separation from Merck) to December 31, 2022 December 31, 2023 for (i) Organon's our Common Stock; (ii) the S&P 500 Index; and (iii) the NYSE Arca Pharmaceutical Index ("DRG"). ; and the S&P 600 Index. The graph

The components of net periodic benefit cost other than the service cost component are included in *Other (income) expense, net*:kholder return on our Common Stock, the S&P 500 Index, DRG and the NYSE Arca Pharmaceutical S&P 600 Index include reinvestment of dividend. dividends. The performance shown is not necessarily indicative of future *Obligations and Funded Status* 18, 2023, we were deleted from the S&P 500 index and added to the S&P SmallCap 600 index.

Summarized information about changes in plan assets and benefit obligations, the funded status and the amounts recorded is as follows:

($ in millions)	December 31, 2023	December 31, 2022
Equity Compensation Plan Information	$ 114	$ 117
Actual return on plan assets	10	(10)
See Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."		
Company contributions	16	14
Effects of exchange rate changes	9	(4)

Item 6. [Reserved]

Notes to Consolidated Financial Statements

8. Inventories

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	(5)	(7)
Benefits paid		
Other	2	3
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS		
Net transfer of plan assets from Merck affiliates	3	1
Fair value of plan assets December 31	$ 140	$ 114
Organon makes We make statements in this Annual Report on Form 10-K, and Organon we may from time to time make other written reports and oral statements, regarding its our outlook or expectations for financial, business or strategic matters regarding or affecting Organon us that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, all of which are based on management's current expectations and are subject to risks and uncertainties which change over time and 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" "projects," "believes," "would," "potentially," "intends," "seeks," 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. Such forward-looking statements include, but are not limited to, statements relating to Organon's our growth and acquisition strategies, financial results, product development, product approvals, product potential and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ materially from Organon's our forward-looking statements. These factors may be based on inaccurate assumptions and are subject to a broad variety of other risks and uncertainties. No forward-looking statement can be guaranteed and actual future results may vary materially. The factors described in Part I. Item 1A. Risk Factors of this report or otherwise described in Organon's our filings with the SEC, provide examples of risks, uncertainties and events that may cause Organon's our actual results to differ materially from the expectations expressed in its our forward-looking statements, including, but not limited to:	$ 161	$ 189
Benefit obligation January 1		
Service cost	17	22
Interest cost	5	2
Actuarial gains	31	(41)
Benefits paid	(5)	(7)
Effects of exchange rate changes	12	(7)
Other	2	1
Net transfer of benefit obligations from Merck affiliates	3	2
Benefit obligation December 31	$ 226	$ 161
Funded status December 31	$ (77)	$ (47)
Recognized as:		
Other assets	$ —	$ 1
Accrued and other current liabilities	(1)	(1)
Other Noncurrent liabilities	(76)	(47)

- expanded brand and class competition in the markets in which Organon operates; we operate;
- difficulties with performance of third parties Organon relies we rely on for its our business growth;
- the failure of any supplier to provide substances, materials, or services as agreed;
- the increased cost of supply, manufacturing, packaging, and operations;
- difficulties developing and sustaining relationships with commercial counterparties;
- competition from generic products as Organon's our products lose patent protection;
- any failure by us to obtain an additional period of market exclusivity in the United States for *Nexplanon* subsequent to the expiration of certain key patents in 2027;
- difficulties and uncertainties inherent in the implementation of Organon's our acquisition strategy or failure to recognize the benefits of such acquisitions;

Inventories consisted of:s globally, including rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and health care reform, pharmaceutical reimbursement and pricing in general;

($ in millions)	December 31, 2022	December 31, 2021
Finished goods	$ 482	$ 377
Raw materials	44	95
Work in process	601	490
Supplies	44	40
Total (approximates current cost)	$ 1,171	$ 1,002
Decrease to LIFO costs	(20)	(11)
	$ 1,151	$ 991
Recognized as:		
Inventories	$ 1,003	$ 915
Other assets	148	76
Inventories valued under the last in, first out ("LIFO") method	77	52

- the impact of the global COVID-19 pandemic higher selling and any future pandemic, epidemic, or similar public health threat on Organon's business, operations and financial performance; promotional costs;
- changes in government laws and regulations in the United States and other jurisdictions, including laws and regulations governing the research, development, approval, clearance, manufacturing, supply, distribution, and/or marketing of Organon's our products and related intellectual property, environmental regulations, and the enforcement thereof affecting Organon's our business;
- efficacy, safety or other quality concerns with respect to our marketed products, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales;
- delays or failures to demonstrate adequate efficacy and safety of Organon's our product candidates in pre-clinical and clinical trials, which may prevent or delay the development, approval, clearance, or commercialization of Organon's our product candidates;
- future actions of third-parties, including significant changes in customer relationships or changes in the behavior and spending patterns of purchasers of health care products and services, including delaying medical procedures, rationing prescription medications, reducing the frequency of physician visits and forgoing health care insurance coverage;
- legal factors, including product liability claims, antitrust litigation and governmental investigations, including tax disputes, environmental claims and patent disputes with branded and generic competitors, any of which could preclude commercialization of products or negatively affect the profitability of existing products;
- lost market opportunity resulting from delays and uncertainties in clinical trials and the approval or clearance process of the U.S. FDA and other regulatory authorities;

Information related to the funded status of materially significant pension plans is as follows: hird-party providers' information technology systems, which could disrupt Organon's our operations;

Amounts recognized as *Other assets* are comprised primarily of raw materials and work in process inventories and are not expected to be converted to finished goods that will be sold within one year. The Company has a long-term vendor supply contract conveyed as part of the Separation that includes certain annual minimum purchase commitments. During 2022 and 2021, the Company recorded $5 million and $24 million, respectively, due to estimated unavoidable losses associated with a long-term vendor supply contract. The charge was recognized as a component of *Cost of sales* during 2022 and 2021, respectively.

During 2022, the Company recorded $36 million relating to a regulatory inspection finding at the Heist manufacturing location which impacts selected injectable steroids brands. The charge was recognized as a component of *Cost of sales* and reduced the Company's *Inventory* balance during 2022.

As of December 31, 2022, total inventory purchase obligations are $1.2 billion and extend through 2030. Inventory purchase obligations due within the next twelve months amount to $343 million.

- the impact of any future pandemic, epidemic, or similar public health threat on our business, operations and financial performance;
- loss of key employees or inability to identify and recruit new employees;

9. Property, Plant and Equipment

($ in millions)	December 31, 2022	December 31, 2021
Land	$ 13	$ 14
Buildings	694	667
Machinery, equipment and office furnishings	935	917
Construction in progress	278	257
Less: accumulated depreciation	(902)	(882)
Property, Plant and Equipment, net	$ 1,018	$ 973

- changes in accounting pronouncements promulgated by standard-setting or regulatory bodies, including the Financial Accounting Standards Board and the SEC, that are adverse to Organon; us; and
- economic factors over which Organon has we have no control, including changes in inflation, interest rates, recessionary pressures, and foreign currency exchange rates.

It is not possible to predict or identify all such factors. Consequently, one should not consider the above list or any other such list to be a complete statement of all potential risks or uncertainties. Further, any forward-looking statement speaks only as of the date on which it is made, and Organon undertakes we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

Construction in progress includes amounts capitalized associated with the implementation of Organon's new enterprise resource planning system.

($ in millions)	December 31, 2023	December 31, 2022
Pension plans with a projected benefit obligation in excess of plan assets		
Projected benefit obligation	$ 218	$ 150
Fair value of plan assets	141	103
Pension plans with an accumulated benefit obligation in excess of plan assets		
Accumulated benefit obligation	$ 171	$ 113
Fair value of plan assets	107	73

General

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to assist the reader in understanding the Company's financial condition and results of operations and should be read in connection with Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021. This section generally discusses our financial condition and results of operations for the years ended December 31, 2022 December 31, 2023 and 2021 2022 and should be read in conjunction with the Company's our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K to enhance the understanding of our results of operations, financial condition and cash flows. For Additionally, this section should be read in connection with Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC and available on the SEC's website at www.sec.gov, which includes a discussion regarding our financial condition and results of operations for the years ended December 31, 2021 December 31, 2022 and 2020, please refer to Part II — Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2021, which is available on the SEC's website at www.sec.gov.2021.

Notes to Consolidated Financial Statements

Organon & Co. ("Organon" or the "Company") is We are a global health care company with a focus on improving the health of women throughout their lives. Organon develops We develop and delivers deliver innovative health solutions through a portfolio of prescription therapies and medical devices within women's health, biosimilars and established brands (the "Organon Products"). Organon has brands. We have a portfolio of more than 60 medicines and products across a range of therapeutic areas. The Company sells We sell these products through various channels including drug wholesalers and retailers, hospitals, government agencies and managed health care providers such as health maintenance organizations, pharmacy benefit managers and other institutions. The Company operates We operate six manufacturing facilities, which are located in Belgium, Brazil, Indonesia, Mexico, the Netherlands and the United Kingdom. Unless otherwise indicated, trademarks appearing in italics throughout this document are trademarks of, or are used under license by the Organon group of our companies.

Separation from Merck

On June 2, 2021, Organon and Merck & Co. ("Merck") entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement"). Pursuant to the Separation and Distribution Agreement, Merck agreed to spin off the Organon Products into Organon, a new, publicly traded company (the "Separation"). The Separation from Merck was completed on June 2, 2021, in which Organon's Common Stock was distributed to all holders of outstanding shares of Merck Common Stock as of the close of business on May 17, 2021 (the "Record Date"). For each share of Merck Common Stock held, such holder received one tenth of one share of Common Stock, and holders received cash in lieu of any fractional share of Common Stock they otherwise would have been entitled to receive in connection with the Distribution. As a result, Organon became a standalone publicly traded company and on June 3, 2021 regular way trading of the Common Stock commenced on the New York Stock Exchange ("NYSE") under the symbol "OGN". Until the Separation on June 2, 2021, Organon's historical combined financial statements were prepared on a standalone basis and were derived from Merck's consolidated financial statements and accounting records.

During 2022 and 2021, due to increased competition which resulted in the loss of contract tenders in certain markets and pricing pressure, the Company recorded impairment charges of $9 million and $7 million, respectively, related to a product right for a biosimilar product within *Cost of sales*.

Aggregate amortization expense recorded within *Cost of sales* was $116 million in 2022, $103 million in 2021 and $86 million in 2020.

The estimated aggregate future amortization expense is

10. Intangibles

Intangibles consists of:

($ in millions)	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Products and product rights	$ 24,285	$ 23,746	$ 539	$ 24,195	$ 23,654	$ 541
Licenses	231	121	110	201	91	110
	$ 24,516	$ 23,867	$ 649	$ 24,396	$ 23,745	$ 651

Acquired intangibles include products and products rights, and licenses, which are initially recorded at fair value, assigned an estimated useful life, and amortized on a straight-line basis over their estimated useful lives.

Plan Assets

The fair values of the Company's pension plan assets at December 31 by asset category are as follows:

($ in millions)	
2023	$ 116
2024	112
2025	111
2026	105
2027	48
Thereafter	157

Key Trends Affecting Our Results of Operations

- *Generic Competition*: The majority of our established brands products are beyond market exclusivity. However, these products continue to represent a valuable opportunity arising from long-term sustainable revenue streams and well-established supply chains that together generate significant operating profit relative to low promotional and development expenses. In addition, *Nexplanon* may be eligible for an additional three years of market exclusivity in the United States subsequent to the expiration of certain key patents in 2027, although there can be no assurance that such additional terms will be granted.
- *Historical Shift Towards Long-Acting Reversible Contraceptives:* Daily contraceptive pills are by far the largest contraception market segment, with almost half of all women choosing a hormonal contraceptive choosing electing this particular method. However, the Long-Acting Reversible Contraceptives ("LARC") market segment, which includes Nexplanon, has experienced significant growth in the decade from 2010 through to 2019, driven by a significant shift away from daily oral contraception to LARC. This was driven by payors, providers and patients looking for options beyond commonly used daily contraceptive pills. The COVID-19 pandemic negatively affected the LARC segment during 2021 2020 and 2020 2021 due to clinic closures and the postponement of non-essential medical procedures during country lockdowns. The LARC segment growth did begin began to rebound in 2021 and 2022, during months when clinic restrictions were removed. The LARC market is expected to continue to be an important and large segment of the overall contraception market as payors, providers and patients consider the benefits of long acting and highly effective options including Nexplanon.
- *Increased Access to Fertility Solutions*: We believe With the global trend toward declining birthrates, governments and payors are implementing favorable policies across major markets that, in turn, drive improve access to care and drives growth in the market for women's health infertility therapies. For example, in the United States, there has been an increase in fertility insurance mandates and employer coverage, albeit subject to certain exemptions.
- *Growing Acceptance of Biosimilars*: Biologics continue to experience strong growth trends. Given the high cost of many of these biologics treatments, biosimilars are a more affordable alternative and represent a significant opportunity for patients, providers, and payors once a biologics product loses patent protection. Moreover, a significant number of biologics are expected to lose exclusivity over the next decade, representing a large opportunity for more biosimilar approvals.
- *Increased Competitive Pressures*: The markets in which we conduct our business and the pharmaceutical industry in general are highly competitive and highly regulated. Our competitors include other worldwide research-based pharmaceutical companies, smaller research companies with more limited therapeutic focus and generic drug manufacturers.

	Fair Value Measurements Using				Fair Value Measurements Using			
($ in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		2023				2022		
Cash and cash equivalents	$ 5	$ —	$ —	$ 5	$ 4	$ —	$ —	$ 4
Investment funds								
Developed markets equities	51	3	—	54	34	3	—	37
Government and agency obligations	30	1	—	31	25	1	—	26
Emerging markets equities	7	—	—	7	5	—	—	5
Other	4	—	—	4	3	—	—	3
Equity income securities								
Developed markets equities	—	—	—	—	—	—	—	—
Fixed income securities								
Government and agency obligations	—	2	—	2	—	2	—	2
Corporate Obligations	—	1	—	1	—	2	—	2
Other investments								
Insurance contracts	—	38	—	38	—	33	—	33
Other	1	1	—	2	1	1	—	2
Plan assets at fair value	$ 103	$ 46	$ —	$ 149	$ 72	$ 42	$ —	$ 114

The targeted investment portfolio for the Company's pension plans that are sponsored outside the United States varies based on the duration of pension liabilities and local government rules and regulations. There are no unfunded commitments or redemption restrictions related to these investments.

Recent Developments

Expected Contributions

Business Development

Expected contributions during 2024 are approximately $15 million for the Company's pension plans.

FINANCIAL

Expected Benefit Payments

Expected benefit payments are as follows ($ in millions):illy to become the sole distributor and promoter of the migraine medicines *Emgality* and *Rayvow* in Europe. Lilly will remain the marketing authorization holder and will manufacture the products for sale. Under the terms of the agreement, we paid an upfront payment of $50 million, upon closing of the transaction in January 2024, and will pay sales-based milestone payments. The upfront payment and certain sales-based milestone payments, which were deemed probable of being achieved, are recognized as an intangible asset in the first quarter of 2024.

2024	2025	2026	2027	2028	Thereafter
$ 9	$ 8	$ 9	$ 10	$ 11	$ 70

Claria Medical, Inc. ("Claria")

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

In January 2023, the Company we made a strategic investment in Claria, a privately-held company developing an investigational medical device being studied for use during *Amounts Recognized in Other Comprehensive Income*he terms of the agreement, Organon we paid $8 million $8 million upfront and has have the option to acquire Claria for pre-defined terms at a later date. an additional $47 million, payable if and when the option is exercised. The upfront payment will be $8 million was expensed as *Acquired in-process* Net gain or loss amounts reflect differences between expected and actual returns on plan assets as well as the effects of changes in actuarial assumptions. Net loss amounts in excess of certain thresholds are amortized into net periodic benefit cost over the average remaining service life of employees.

Cirqle Biomedical ("Cirqle")

	Year Ended December 31,		
($ in millions)	Income for 2023	2022	2021
Net (loss) gain arising during the period	$ (28)	$ 28	$ 4
Net (gain) loss amortization included in benefit cost	(1)	—	2

In July 2022, the Company entered into a research collaboration and license agreement with Cirqle for a novel investigational non-hormonal, on-demand contraceptive candidate. Under the terms of the agreement, Cirqle is responsible for conducting preclinical studies according to the mutually agreed research plan. Organon obtained exclusive worldwide rights to develop and commercialize the asset.

Under the terms of the research collaboration and license agreement, Organon recorded a $10 million upfront payment during 2022 as *Acquired in-process research and development and milestones*. Cirqle is eligible to receive potential regulatory and commercial milestone payments of up to $360 million and tiered royalties based on net sales. The

remaining potential milestone payments will be recognized by Organon when achievement of the contractual milestones is probable.

Actuarial Assumptions

The Company reassesses its benefit plan assumptions on a regular basis. The weighted average assumptions used in determining pension plan information are as follows:

	Year Ended December 31,		
($ in millions)	2023	2022	2021
Net periodic benefit cost			
Discount rate	3.82 %	1.49 %	1.46 %
Expected rate of return on plan assets	4.44	4.05	4.56
Salary growth rate	2.98	2.75	3.18
Benefit obligation			
Discount rate	5.27	3.82	1.49
Salary growth rate	2.98	2.98	2.75

The discount rate is evaluated on measurement dates and modified to reflect the prevailing market rate of a portfolio of high-quality, fixed-income debt instruments that would provide the future cash flows needed to pay the benefits included in the benefit obligation as they come due.

The expected rate of return represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid and is determined on a plan basis. The expected rate of return for each plan is developed considering long-term historical returns data, current market conditions, and actual returns on the plan assets. Using this reference information, the long-term return expectations for each asset category and a weighted-average expected return for each plan's target portfolio is developed according to the allocation among those investment categories. The expected portfolio performance reflects the contribution of active management as appropriate.

Savings Plan

Under the terms of the license agreement, Organon paid a $10 million upfront payment during 2022. Daré is eligible to receive potential regulatory and commercial milestone payments of up to $182.5 million and tiered double-digit royalties based on net sales. Xaciato is expected to be available commercially in the U.S. in the first half of 2023. During the year ended December 31, 2022, management determined that the first commercial milestone was deemed probable of achieving and recognized an intangible asset of $125 million reflecting the $70 million upfront payment and $55 million commercial milestone. The intangible asset will be amortized over its useful life of 12 years. The remaining potential milestone payments will be recognized by Organon when achievement of the contractual milestones is probable.

11. 16. Long-Term Debt and Leases

The following is a summary of Organon's total debt:

($ in millions)	December 31, 2022	December 31, 2021
Term Loan B Facility:		
LIBOR plus 300 bps term loan due 2028	$ 2,793	$ 2,893
LIBOR plus 300 bps euro-denominated term loan due 2028 (€750 million)	787	843
SOFR plus 300 bps plus SOFR adjustment term loan due 2028		
SOFR plus 300 bps plus SOFR adjustment term loan due 2028		
SOFR plus 300 bps plus SOFR adjustment term loan due 2028		

COVID-19 Update

Organon remains focused on protecting the safety of its employees and supporting Organon's communities in response to the COVID-19 pandemic. COVID-19-related disruptions, including patients' inability to access health care providers, prioritization of COVID-19 patients, as well as social distancing measures have negatively affected our results during 2021 2022 and 2022.

Our product portfolio is comprised the first half of physician prescribed products, mainly 2023, specifically, in established brands, which China. The China economy has had a slower recovery from COVID-19 and this, coupled with healthcare budget deficits, has created cost containment measures post-COVID that have been affected by social distancing measures primarily impacted our retail business, and fewer medical visits. Additionally, our portfolio in women's health includes products that are physician administered, which have been affected by reduced access to physicians and health care centers. These impacts, as well as a lesser extent has impacted the prioritization of COVID-19 patients at health care providers, resulted in reduced administration of certain products within established brands particularly for respiratory and cardiovascular products and women's health products such as *Nexplanon*, as well as our fertility brands. During 2022, our business was impacted by lockdowns in selective cities across

Shanghai Henlius Biotech, Inc. ("Henlius")

In June 2022, Organon and Henlius, a global biopharmaceutical company, entered into a definitive agreement whereby Organon is licensing commercialization rights for biosimilar candidates HLX11, referencing *Perjeta*, used for the treatment of certain patients with HER2+ breast cancer in combinations with trastuzumab and chemotherapy and HLX14, referencing *Prolia*/*Xgeva*, used for the treatment of certain patients with osteoporosis with high risk of fracture and for the prevention of skeletal-related events in patients with multiple myeloma and in patients with bone metastasis from solid tumors. Organon obtained exclusive global commercialization rights except China; including Hong Kong, Macau and Taiwan. The agreement includes an option to negotiate an exclusive license for global commercialization rights for biosimilar candidate HLX13, referencing *Yervoy*, used for the treatment of certain patients with unresectable or metastatic melanoma, as adjuvant treatment of certain patients with cutaneous melanoma, certain patients with renal cell carcinoma, colorectal cancer, hepatocellular carcinoma, non-small cell lung cancer, malignant pleural mesothelioma and esophageal cancer.

Under the terms of the license agreement, Organon paid a $73 million upfront payment during 2022, of which $3 million was reflected in *Other current assets* and the remainder was recognized as *Acquired in-process research and development and milestones*. Henlius is eligible to receive potential developmental, regulatory and commercial milestone payments of up to $468 million. During the year ended December 31, 2022, the Company paid an additional $27 million related to certain development milestones which were recognized as *Acquired in-process research and development and milestones*. The remaining potential milestone payments will be recognized by Organon when achievement of the contractual milestones is probable.

Prior to June 2, 2021, the Company participated in certain Merck defined contribution savings plans. After the Separation, Organon maintains a defined contribution savings plan in the United States. The Company matches a percentage of employees' contributions consistent with the provisions of the plan. In addition, since Separation, the Company makes retirement contributions calculated based on a predetermined formula that considers years of service and the employee's age. Total actual employer contributions to this plan in 2023 and 2022 were $39 million and $32 million, respectively. Total allocated and actual employer contributions to this plan in 2021 was $23 million.

Bayer AG

In February 2022, Organon acquired the product rights and related inventory from Bayer AG to *Marvelon* and *Mercilon*, combined oral hormonal daily contraceptive pills, in China, including Hong Kong and Macau, and entered into an agreement to acquire the rights to these products in Vietnam. *Marvelon* and *Mercilon* are already owned, manufactured, and marketed by Organon as prescription oral contraceptives in 20 other markets. The transaction was accounted for as an asset acquisition. In 2022, Organon paid $95 million to acquire the product rights and inventory in China and Vietnam.This resulted in Organon recognizing an intangible asset of $72 million in total related to the product rights with the remainder of the consideration recorded to *Inventories* for the fair value of acquired inventory during 2022. The intangible assets related to currently marketed products will be amortized over their estimated useful lives of 10 years.

EURIBOR plus 300 bps euro-denominated term loan due 2028 (€731 million in 2023 and €739 million in 2022)			
4.125% secured notes due 2028	4.125% secured notes due 2028	2,100	2,100
2.875% euro-denominated secured notes due 2028 (€1.25 billion)	2.875% euro-denominated secured notes due 2028 (€1.25 billion)	1,331	1,412
5.125% notes due 2031	5.125% notes due 2031	2,000	2,000
Other borrowings	Other borrowings	7	10
Other (discounts and debt issuance costs)	Other (discounts and debt issuance costs)	(105)	(124)
Total principal long-term debt	Total principal long-term debt	$ 8,913	$ 9,124
Less: Current portion of long-term debt	Less: Current portion of long-term debt	8	9
Total Long-term debt, net	Total Long-term debt, net of current portion	$ 8,905	$ 9,125

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Notes to Consolidated Financial Statements

Term Loan B Facility ("LOE") negatively impacted sales of certain of our products by approximately $30 million during the year ended December 31, 2022, based on the decrease in volume period over period, which mainly impacting On June 2, 2021, Organon entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the "Senior Credit Agreement"), providing for:

- a Term Loan B Facility ("Term Loan B Facility"), consisting of (i) a U.S. dollar denominated senior secured "tranche B" term loan in the amount of $3.0 billion, and (ii) a euro denominated senior secured "tranche B" term loan in the amount of €750 million, in each case with a seven-year term that matures in 2028; and
- a Revolving Credit Facility ("Revolving Credit Facility" and, together with the Term Loan B Facility, the "Senior Credit Facilities"), in an aggregate principal amount of up to $1 billion, with a five-year term that matures in 2026.

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China, which have slowed down with recent policies in China to ease the zero COVID strategy.

We believe that global health systems and patients continue to adapt to the evolving impacts of the COVID-19 pandemic. Due to the significant uncertainty that exists relative to the duration and overall impact of the COVID-19 pandemic resulting from resurgences in COVID-19 infections or new strains of the virus, our future operating performance, particularly in the short-term, may be subject to volatility. hospital side.

Operating Results

Sales Overview

($ in millions)	Year Ended December 31,			% Change	% Change Excluding Foreign Exchange	% Change	% Change Excluding Foreign Exchange
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
United States	$ 1,437	$ 1,383	$ 1,408	4 %	4 %	(2)%	(2)%
International	4,737	4,921	5,124	(4)	4	(4)	(8)
Total	$ 6,174	$ 6,304	$ 6,532	(2)%	4 %	(3)%	(6)%

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

($ in millions)	Year Ended December 31,			% Change	% Change Excluding Foreign Exchange	% Change	% Change Excluding Foreign Exchange
	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
United States	$ 1,478	$ 1,437	$ 1,383	3 %	3 %	4 %	4 %
International	4,785	4,737	4,921	1	4	(4)	4
Total	$ 6,263	$ 6,174	$ 6,304	1 %	3 %	(2)%	4 %

Worldwide sales were $6.2 billion $6.3 billion for the year ended December 31, 2022 December 31, 2023, a decrease an increase of 2% 1% compared with 2021. 2022. Worldwide sales were negatively impacted by approximately 6% 2%, or $383 million $117 million, due to unfavorable foreign exchange. Excluding foreign exchange, sales increases primarily reflect strong the performance of *Nexplanon* due to favorable pricing and demand uptake in the United States as well as volume growth across Brazil, Latin America and the Institutional business in Africa and strong volume growth for products within the established brands business, particularly for respiratory products *Nasonex* and *Singulair* primarily in Japan and China. Worldwide sales also reflected strong performance in biosimilar products mainly in the United States, resulting from the continued uptake of *Renflexis* in the United States and the strong performance of cardiovascular products, primarily of; *Atozet*, due to increased demand in France and Spain. This performance was partially offset various international markets; *Renflexis* driven primarily by declines due to the generic competition for women's health product *NuvaRing* and the authorized generic etonogestrel/ethinyl estradiol vaginal ring continued patient growth in the United States and unfavorable discount rates and lower volume growth Canada; *Follistim AQ* due to a one-time buy-in as a result of the exit of the IOM in the United States, increased patient demand in the United States and volume recovery in China related to the COVID-19 negative impact during the first half of the year; *Ontruzant* Dulera. driven by the timing of tenders and increased demand; *Jada* due to continued uptake in the United States following the launch; and *Marvelon* and *Mercilon,* resulting from the transaction with Bayer Healthcare where we gained rights in China during the second quarter of 2022 and in Vietnam during the third quarter of 2022. This performance was offset by: decreased sales of *Zetia* and *Vytorin* driven by the negative impact of VBP in China; the impact of the *Diprospan* regulatory inspection finding at the Heist manufacturing location

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that impacted the manufacturing of selected injectable steroid brands in the first quarter of 2023 (the "Market Action"); and decreased sales of *Cozaar* and *Hyzaar* (a combination of losartan potassium and hydrochlorothiazide that is marketed in Japan as *Preminent*™), primarily due to ongoing generic competition.

ty impacting impacted

ber 31, 2023, compared to the year ended December 31, 2021 December 31, 2022. Organon expects We expect VBP to impact the Company's our established brands product portfolio for the next several quarters.

Organon 22 December 31, 2023 and 202 20

Borrowings made under the Senior Credit Agreement initially bear interest, in the case of:

- term loans under the Term Loan B Facility (i) denominated in U.S. Dollars, at 3.00% in excess of Adjusted LIBOR (subject to a floor of 0.50%) or 2.00% in excess of an alternate base rate ("ABR"), at our option and (ii) denominated in euros, at 3.00% in excess of an adjusted Euro Interbank Offer Rate ("Adjusted EURIBOR") (subject to a floor of 0.00%); and
- revolving loans under the Revolving Credit Facility (i) in U.S. Dollars, at 2.00% in excess of an Adjusted LIBOR (subject to a floor of 0.00%) or 1.00% in excess of ABR, at our option and (ii) in euros, at 2.00% in excess of an Adjusted EURIBOR.

Interest payments on the term loans are due quarterly in March, June, September and December. Principal payments on the term loans are based on 0.25% of the principal amount outstanding on the Closing Date and due on the last business day of each March, June, September and December, commencing with the last business day of September 2021 (the "Principal Payments"). These Principal Payments are reduced by the amount of any voluntary prepayments.

Organon used the net proceeds from the notes offering, together with available cash on its balance sheet and borrowings under senior secured credit facilities, to distribute $9.0 billion to Merck and to pay fees and expenses related to the Separation. There were no outstanding balances under the Revolving Credit Facility as of December 31, 2022 or December 31, 2021.

The Senior Credit Agreement contains customary financial covenants, including a total leverage ratio covenant, which measures the ratio of (i) consolidated total debt to (ii) consolidated earnings before interest, taxes, depreciation and amortization, and subject to other adjustments, that must meet certain defined limits which are tested on a quarterly basis. In addition, the Senior Credit Agreement contains covenants that limit, among other things, Organon's ability to prepay, redeem or repurchase its subordinated and junior lien debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, redeem or repurchase equity interests, and create or become subject to liens. As of December 31, 2022, the Company is in compliance with all financial covenants and no default or event of default has occurred.

Worldwide sales of *Nexplanon*, a single-rod subdermal contraceptive implant, increased 8% for the year ended December 31, 2022, compared to 2021, primarily due to the impact of favorable pricing and demand uptake in China during the second quarter of 2022 and in Vietnam during the third quarter of 2022.

Worldwide sales of *NuvaRing*, a vaginal contraceptive product, declined 9% for the year ended December 31, 2022, compared to 2021, due to ongoing generic competition in the United States. We expect a continued decline in *NuvaRing* sales as a result of generic competition. In addition to sales of branded *NuvaRing*, we have an agreement with a generic manufacturer that authorizes the sale of a generic etonogestrel/ethinyl estradiol vaginal ring in the United States. Under the terms of the agreement, we are reimbursed on a cost-plus basis by the generic manufacturer for supplying finished goods and receive a share of the net profits recorded by the generic manufacturer. Under the terms of the agreement, our share in the profits declines over time as new participants enter the market. Revenues from this arrangement were $46 million and $73 million for the year ended December 31, 2022 and 2021, respectively. The decline in revenue for the year ended December 31, 2022, is due to the entry of a new market participant.

Worldwide sales of *Marvelon* and *Mercilon*, combined oral hormonal daily contraceptive pills not approved or marketed in the United States but available in certain countries outside the United States, increased 12% for the year ended December 31, 2022, compared to 2021, as a result of the recent transaction with Bayer Healthcare where Organon gained full rights in China during the second quarter of 2022 and in Vietnam during the third quarter of 2022.

Fertility

Worldwide sales of *Follistim AQ*® (marketed in most countries outside the United States as *Puregon*), a fertility treatment, declined 3% for the year ended December 31, 2022, compared to 2021, due to a one-time buy-in as a result of the exit of the IOM in the United States, increased patient demand growth in the United States and volume recovery in China related to the COVID-19 negative impact during the first half of the year. This was partially offset by the unfavorable impact of foreign exchange and the negative impact of COVID in China.

Worldwide sales of *Ganirelix Acetate Injection*, a fertility treatment, declined 10% for the year ended December 31, 2023, compared to 2022, primarily due to unfavorable discount rates in the United States and increased generic competition in Europe.

Women's Health

Year Ended December 31,				% Change	% Change Excluding Foreign Exchange	% Change	% Change Excluding Foreign Exchange
($ in millions)	2023	2022	2021	2023 vs. 2022	2023 vs. 2022	2022 vs. 2021	2022 vs. 2021
NuvaRing	$ 173	$ 191	$ 236	(9)%	(6)%	(19)%	(21)%
Marvelon/Mercilon	110	98	95	12	20	3	3
Follistim AQ	262	229	237	14	16	(3)	—
Ganirelix Acetate Injection	110	123	111	(10)	(8)	11	17
Jada	43	20	3	113	113	*	*
Nexplanon	152	173	191	(12)	(11)	(9)	(6)
Contraceptives	134	110	98	22	24	12	20
Fertility	262	229	237	14	16	(3)	—
Ganirelix acetate injection	110	123	111	(10)	(8)	11	17
Jada	43	20	3	113	113	*	*
Nexplanon	152	173	191	(12)	(11)	(9)	(6)
Other contraceptives	134	110	98	22	24	12	20
Other	2	3	4	(33)	(33)	(25)	(25)
Total	$ 830	$ 834	$ 769	(1)%	1 %	8 %	11 %

Obligations and Funded Status

Summarized information about changes in plan assets and benefit obligations, the funded status and the amounts recorded is as follows:

($ in millions)	December 31, 2023	December 31, 2022
Fair value of plan assets January 1	$ 114	$ 147
Actual return on plan assets	10	(10)
Company contributions	16	14
Effects of exchange rate changes	9	(4)
Net transfer of plan assets from Merck affiliates	3	1
Benefits paid	(5)	(7)
Other	2	3
Fair value of plan assets December 31	$ 149	$ 114
Benefit obligation January 1	$ 161	$ 189
Service cost	17	22
Interest cost	5	2
Actuarial gains	31	(41)
Benefits paid	(5)	(7)

Notes to Consolidated Financial Statements

Notes

Net periodic benefit cost for pension plans consisted of the following components:

($ in millions)	2023	2022	2021
Service cost	$ 17	$ 22	$ 18
Interest cost	5	2	2
Expected return on plan assets	(6)	(4)	(3)
Amortization	(1)	—	2
Net periodic benefit cost	$ 15	$ 20	$ 18

The components of net periodic benefit cost other than the service cost component are included in *Other (income) expense, net*.

Effects of exchange rate changes	12	(7)
Other	2	1
Net transfer of benefit obligations from Merck affiliates	3	2
Benefit obligation December 31	$ 226	$ 161
Funded status December 31	$ (77)	$ (47)
Recognized in:		
Other assets	$ —	$ 1
Accrued and other current liabilities	(1)	(1)
Other Noncurrent liabilities	(76)	(47)

Other Women's Health

Worldwide sales of Ganirelix Acetate Injection (marketed in certain countries outside the United States as *Orgalutran*) increased 11% for the year ended December 31, 2022 compared to 2021, driven by demand in early 2022.

Jada, a fertility device intended to provide control and treatment of abnormal postpartum uterine bleeding or hemorrhage when conservative management is warranted, increased 113% for the year ended December 31, 2023 compared to 2022. The sales increase is due to continued uptake in the international markets following the launch in the United States in early 2022.

Biosimilars

In April 2021, in connection with the Separation, Organon Finance 1 LLC ("Organon Finance 1"), a subsidiary of Merck, issued €1.25 billion aggregate principal amount of 2.875% senior secured notes due 2028, $2.1 billion aggregate principal amount of 4.125% senior secured notes due 2028 and $2.0 billion aggregate principal amount of 5.125% senior unsecured notes due 2031 (collectively, the "Notes"). Interest payments are due semiannually on October 30 and April 30. As part of the Separation, on June 2, 2021, Organon and a wholly-owned Dutch subsidiary of Organon, (the "Dutch Co-Issuer") assumed the obligations under the Notes as co-issuers, Organon Finance 1 was released as an obligor under the Notes, and certain subsidiaries of Organon agreed to guarantee the Notes. Each series of Notes was issued pursuant to an indenture dated April 22, 2021, between Organon and U.S. Bank National Association. Organon and the Dutch Co-Issuer assumed the obligations under the Notes pursuant to a first supplemental indenture to the relevant indenture, and the guarantors agreed to guarantee the Notes pursuant to a second supplemental indenture to the relevant indenture.

Other Borrowings

Other borrowings represent debt assumed in connection with the acquisition of Forendo Pharma in December 2021.

In 2021 the Company recorded approximately $117 million of debt issuance costs Information related to the long-term debt and $19 million funded status of discounts on the term loans. Debt issuance costs and discounts are presented as a reduction of debt on the Consolidated Balance Sheets and are amortized as a component of interest expense over the term on the related debt using the effective interest method.

Long-term debt was recorded at the carrying amount. The estimated fair value of *long-term debt* (including current portion) is as follows:

($ in millions)	December 31, 2022	December 31, 2021
Long-term debt (includes a reduction for amortized debt issuance costs)	$ 8,294	$ 9,412

Fair value was estimated using inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability and would be considered Level 2 in the fair value hierarchy.

The Company made interest payments of $379 million for the year ended December 31, 2022 related to its debt instruments. The average maturity of the Company's long-term debt as of December 31, 2022 is approximately 6.0 years and the weighted-average interest rate on total borrowings as of December 31, 2022 is 4.9%.

In both the second quarter of 2022 and the fourth quarter of 2021, the Company made a discretionary prepayment of $100 million on the U.S. Dollar-denominated term loan. As a result of these discretionary prepayments, the quarterly Principal Payments on the U.S. Dollar-denominated term loan are no longer required.

The schedule of principal payments required on long-term debt for the next five years and thereafter materially significant pension plans is as follows:

($ in millions)	
2023	$ 8
2024	9
2025	9
2026	9
2027	9
Thereafter	8,974

Leases

For periods prior to the Separation, lease costs were allocated to the Company based on a specific identification basis or, when specific identification was not practicable, a proportional cost allocation method. Allocated operating lease costs for periods prior to Separation and actual operating lease costs were $61 million, $66 million and $40 million for the year ended December 31, 2022, 2021, and 2020, respectively.

Established Brands

Established brands represents a broad portfolio of well-known brands, which generally are beyond market exclusivity, including leading brands in cardiovascular, respiratory, dermatology and non-opioid pain management, for which generic competition varies by market.

Pension plans with a projected benefit obligation in excess of plan assets

($ in millions)	December 31, 2023	December 31, 2022
Projected benefit obligation	$ 218	$ 150

Fair value of plan assets	141	103

Pension plans with an accumulated benefit obligation in excess of plan assets

Accumulated benefit obligation	$ 171	$ 113
Fair value of plan assets	107	73

Notes to Consolidated Financial Statements

None *Plan Assets*

The fair values of the Company's lease agreements contain variable lease payments. Sublease income is immaterial pension plan assets at December 31 by asset category are as follows:

	Fair Value Measurements Using																	
	Level 1		Level 2		Level 3		Total		Level 1		Level 2		Level 3		Total			
($ in millions)	2022	2021	2020	2022 vs. 2021	2021 vs. 2020		*($ in millions)*	2023	2022	2021	2022 vs. 2021		2022 vs. 2021		2023 vs. 2022			
Zetia/Vytorin	$488	$542	$664	(10) %	(3) %	(18) %	(22) %	*Zetia/Vytorin*	$436	$ 488	$ 542	(11)	(11)%	(9)%	(10)%	(3)%		
Cash and cash equivalents	$ 5	$ —	$ —	$ 5	$ 4	$ —	$ —	$ 4										
Atozet	457	458	453	—	11	1	(3)											
Investment funds																		
Rosuzet	71	68	130	5	23	(48)	(47)											
Developed markets equities	51	3	—	54	34	3	—	37										
Cozaar/Hyzaar	323	357	386	(10)	(3)	(7)	(11)											
Government and agency obligations	35	1	—	36	25	1	—	26										
Emerging markets equities	7	—	—	7	5	—	—	5										
Other	1	—	—	1	1	—	—	1										
Equity income securities																		
Developed markets equities	—	—	—	—	—	—	—	—										

Fixed income securities																		
Government and agency obligations	—	2	—	2	—	2	—	2										
Corporate Obligations	—	1	—	1	—	2	—	2										
Other investments																		
Insurance contracts	—	38	—	38	—	33	—	33										
Other	1	1	—	2	1	1	—	2										
Plan assets at fair value	$ 103	$ 46	$ —	$ 149	$ 72	$ 42	$ —	$ 114										

Combined global sales of *Zetia* (marketed in most countries outside of the United States as *Ezetrol*) and *Vytorin* (marketed outside of the United States as *Inegy*), medicines for lowering LDL cholesterol, declined 10% 11% for the year ended December 31, 2022 December 31, 2023, compared to 2021, 2022, primarily driven by increased competition, lower performance in Europe, the negative impact of VBP in China and the unfavorable impact of foreign exchange offset by increased demand resulting from competitors' supply disruptions in Japan and growing demand in China across retail and public sectors. China.

Sales of *Atozet*, a medicine for lowering LDL cholesterol, remained consistent increased 14% for the year ended December 31, 2022 December 31, 2023, compared to 2021, 2022, primarily due to increased demand in France and Spain offset by the unfavorable impact of foreign exchange. various international markets.

The targeted investment portfolio for the Company's pension plans that are sponsored outside the United States varies based on the duration of pension liabilities and there local government rules and regulations. There are no sale-leaseback transactions. The Company's lease agreements do not contain any material residual value guarantees unfunded commitments or material restrictive covenants. redemption restrictions related to these investments.

Sales of *Rosuzet*, a medicine for lowering LDL cholesterol, increased 5% for the year ended December 31, 2022, compared to 2021, primarily due to higher demand in Japan

Cash paid for amounts included in the measurement of operating lease liabilities was $55 million, $41 million and $5 million *Expected Contributions*

Expected contributions during 2024 are approximately $15 million for the year ended December 31, 2022, 2021 and 2020, respectively. Operating lease assets obtained in exchange for new operating lease liabilities were $28 million and $241 million and $23 million for the year ended December 31, 2022, 2021 and 2020, respectively, and primarily consists of real estate operating leases entered into in connection with establishing Organon as a standalone Company. Company's pension plans. ly due to lower volume growth in Japan and China and the unfavorable impact of foreign exchange. ongoing generic competition.

Supplemental balance sheet information related to operating leases is as follows:

Respiratory

($ in millions)	December 31, 2022	December 31, 2021
Assets		
Other Assets	$ 215	$ 230
Liabilities		
Accrued and other current liabilities	49	46
Other Noncurrent Liabilities	150	184
	$ 199	$ 230
Weighted-average remaining lease term (years)	5.3	5.8
Weighted-average discount rate	4.0%	3.3%

Expected Benefit Payments

Maturities of operating lease liabilities as of December 31, 2022

2023	$ 56
2024	49
2025	46
2026	18
2027	12
Thereafter	39
Total lease payments	$ 220
Less: Imputed interest	21
	$ 199

Expected benefit payments are as follows ($ in millions):

2024	2025	2026	2027	2028	Thereafter
$ 9	$ 8	$ 9	$ 10	$ 11	$ 70

12. Contingencies

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

Organon is involved Amounts Recognized in various claims Other Comprehensive Income

Net gain or loss amounts reflect differences between expected and legal proceedings of a nature considered normal to its business, including product liability, intellectual property, and commercial litigation, actual returns on plan assets as well as the effects of changes in actuarial assumptions. Net loss amounts in excess of certain additional matters including governmental and environmental matters. thresholds are amortized into net periodic benefit cost over the average remaining service life of employees.

Non-Opioid Pain, Bone and Dermatology

Given the nature of the litigation discussed in this note and the complexities involved in these matters, Organon is unable to reasonably estimate a possible loss or range of possible loss for such matters until Organon 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.

	Year Ended December 31,			% Change	% Change Excluding Foreign Exchange	% Change	% Change Excluding Foreign Exchange
($ in millions)	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
Arcoxia[1]	$ 241	$ 244	$ 258	(1)%	4 %	(5)%	(8)%

Organon 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. 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.

Organon's decision to obtain insurance coverage is dependent on market conditions, including cost and availability, existing at the time such decisions are made. Organon has evaluated its risks and has determined that the cost of obtaining product liability

	Year Ended December 31,			% Change	% Change Excluding Foreign Exchange	% Change	% Change Excluding Foreign Exchange
($ in millions)	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
Arcoxia	$ 257	$ 241	$ 244	7 %	12 %	(1)%	4 %
Diprospan	91	122	125	(25)	(22)	(3)%	2 %

($ in millions)	Year Ended December 31, 2023	2022	2021
Sales (loss) gain recognized for the period	$ (28)	$ 28	$ 4
Net (gain) loss amortization included in benefit cost	(1)	1	2

Sales of *Arcoxia*, a medicine for the treatment of arthritis and pain, declined 1% during increased 7% for the year ended December 31, 2022 December 31, 2023, compared to 2021, 2022, primarily due to the unfavorable impact of foreign exchange offset by customers buying patterns and higher demand in China and the South East Asia region. various international markets.

Sales of *Diprospan*, a corticosteroid approved for treatment of a wide range of inflammatory conditions, declined 25% for the year ended December 31, 2023, compared to 2022, due to manufacturing issues resulting from theMarket Action. In the first quarter of 2023, we resolved the regulatory inspection findings. Sales have not yet recovered. We expect the sales recovery to continue over the next twelve months.

insurance outweighs the likely benefits of the coverage that is available and, as such, has no insurance for most product liabilities.

Reference is made below to certain litigation in which Merck, but not Organon, is named as a defendant. Pursuant to the Separation and Distribution Agreement, Organon is required to indemnify Merck for liabilities relating to, arising from, or resulting from such litigation.

Product Liability Litigation

Fosamax

Merck is a defendant in product liability lawsuits in the United States involving *Fosamax*® (alendronate sodium) (the "Fosamax Litigation"). As of December 31, 2022, approximately 3,275 cases comprising the Fosamax Litigation are pending against Merck in either federal or state court. Plaintiffs in the vast majority of these cases generally allege that they sustained femur fractures and/or other bone injuries ("Femur Fractures") in association with the use of *Fosamax*.

All federal cases involving allegations of Femur Fractures have been or will be transferred to a multidistrict litigation in the District of New Jersey ("Femur Fracture MDL"). In the only bellwether case tried to date in the Femur Fracture MDL, *Glynn v. Merck*, the jury returned a verdict in Merck's favor. In addition, in June 2013, the Femur Fracture MDL court granted Merck's motion for judgment as a matter of law in the *Glynn* case and held that the plaintiff's failure to warn claim was preempted by federal law.

In August 2013, the Femur Fracture MDL court entered an order requiring plaintiffs in the Femur Fracture MDL to show cause why those cases asserting claims for a femur fracture injury that took place prior to September 14, 2010, should not be dismissed based on the court's preemption decision in the *Glynn* case. Pursuant to the show cause order, in March 2014, the Femur Fracture MDL court dismissed with prejudice approximately 650 cases on preemption grounds. Plaintiffs in approximately 515 of those cases appealed that decision to the U.S. Court of Appeals for the Third Circuit ("Third Circuit"). In March 2017, the Third Circuit issued a decision reversing the Femur Fracture MDL court's preemption ruling and remanding the appealed cases back to the Femur Fracture MDL court. In May 2019, the U.S. Supreme Court decided that the Third Circuit had incorrectly concluded that the issue of preemption should be resolved by a jury, and accordingly vacated the judgment of the Third Circuit and remanded the proceedings back to the Third Circuit to address the issue in a manner consistent with the Supreme Court's opinion. In November 2019, the Third Circuit remanded the cases back to the District Court in order to allow that court to determine in the first instance whether the plaintiffs' state law claims are preempted by federal law under the standards described by the Supreme Court in its opinion. On March 23, 2022, the District Court granted Merck's motion and ruled that plaintiffs' failure to warn claims are preempted as a matter of law to the extent they assert that Merck should have added a Warning or Precaution regarding atypical femur fractures prior to October 2010. On July 11, 2022, the District Court entered an Order to Show Cause as to why the Court should not dismiss either with prejudice or conditionally all of plaintiffs' claims that are not dependent on the preempted failure to warn claims. On November 18, 2022, as a result of the Order to Show Cause, the District Court entered a Final Judgment resulting in the dismissal with prejudice of all plaintiffs in the MDL. On December 16, 2022, those plaintiffs filed their Notice of Appeal to the Third Circuit challenging the District Court's preemption ruling. 974 of the 975 cases previously pending in the Femur Fracture MDL have either been dismissed or are on appeal to the Third Circuit. Plaintiff's motion to remand one case back to its transferor court is pending.

As of December 31, 2022, approximately 2,020 cases alleging Femur Fractures have been filed in New Jersey state court and are pending in Middlesex County. The parties selected an initial group of cases to be reviewed through fact discovery, and Merck has continued to select additional cases to be reviewed.

As of December 31, 2022, approximately 275 cases alleging Femur Fractures have been filed and are pending in California state court. All of the Femur Fracture cases filed in California state court have been coordinated before a single judge in Orange County, California.

Additionally, there are four Femur Fracture cases pending in other state courts.

Discovery is presently stayed in the Femur Fracture MDL and in the state court in California.

Nexplanon/Implanon

Merck is a defendant in lawsuits brought by individuals relating to the use of *Nexplanon* and *Implanon*™ (etonogestrel implant). There are two filed product liability actions involving *Implanon*, both of which are pending in the Northern District of Ohio as well as 56 unfiled cases involving *Implanon* alleging similar injuries, which have been tolled under a written tolling agreement. The product liability action involving *Nexplanon* that had been pending in the Western District of Arkansas has been resolved. As of December 31, 2022, Merck had 18 cases pending outside the United States, of which 12 relate to *Implanon* and six relate to *Nexplanon*.

Propecia/Proscar

Merck is a defendant in product liability lawsuits in the United States involving *Propecia*® (finasteride) and/or *Proscar*® (finasteride). The federal lawsuits were consolidated for pretrial purposes in federal multidistrict litigation in the Eastern District of New York (the "MDL"), and the matters in state court in New Jersey were consolidated in Middlesex County ("N.J. Coordinated Proceedings"). In 2018, Merck and the plaintiffs' Executive Committee in the MDL and the plaintiffs' Liaison Counsel in the N.J. Coordinated Proceedings entered into an agreement to resolve the lawsuits for an aggregate amount of $4.3 million. The settlement was subject to certain contingencies, including 95% plaintiff participation and a per plaintiff clawback if the participation rate was less than 100%. The contingencies were satisfied and the settlement agreement has been finalized. The MDL was officially closed by court order on January 18, 2023, and the N.J. Coordinated Proceedings were previously concluded by court order in September 2021.

As of December 31, 2022, one case remains pending in the United States, a matter involving *Proscar* in the United States District Court for the Eastern District of California in which Merck's motion to dismiss was granted by the District Court, but the plaintiff can appeal the decision. The individual cases involving *Propecia* that had been pending in the MDL and California state court have been resolved. The Company is also defending 15 product liability cases outside the United States, two of which are class actions and three of which are putative class actions.

Governmental Proceedings

From time to time, Organon's subsidiaries may receive inquiries and may be the subject of preliminary investigation activities from competition and/or other governmental authorities, including in markets outside the United States. 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 Organon, monetary fines and/or remedial undertakings may be required. Subject to certain exceptions specified in the Separation and Distribution Agreement, Organon assumed liability for all pending and threatened legal matters related to products transferred to Organon, including competition investigations resulting from enforcement activity concerning Merck's conduct involving Organon's products. Organon could be obligated to indemnify Merck for fines or penalties, or a portion thereof, resulting from such investigations. In one such enforcement matter in Spain concerning *NuvaRing*, the National Commission on Markets and Competition ("CNMC") recently imposed a fine on Merck in the amount of €39 million for abuse of a dominant position in the market for contraceptive vaginal rings from June 2017 to April 2018. The CNMC decision to impose the fine is appealable to the National High Court in Spain. If the fine ultimately stands, Organon could be obligated to indemnify Merck for a portion thereof.

Hadlima

In July 2021, Organon received a Civil Investigation Demand ("CID") from the Office of the Attorney General for the State of Washington. The CID requests answers to interrogatories, as well as various documents, regarding certain activities related to adalimumab and adalimumab biosimilars. Organon is cooperating with the government's investigation and has produced information in response to the CID.

Patent Litigation

From time to time, generic manufacturers of pharmaceutical products file Abbreviated New Drug Applications ("ANDAs") with the FDA seeking to market generic forms of Organon's products prior to the expiration of relevant patents owned by Organon. To protect its patent rights, Organon may file patent infringement lawsuits against such generic companies. Similar lawsuits defending Organon's patent rights may exist in other countries. Organon 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, potential payment of damages and legal fees, and, with respect to products acquired through acquisitions, potentially significant intangible asset impairment charges.

Nexplanon

In June 2017, Microspherix LLC ("Microspherix") sued Organon in the U.S. District Court for the District of New Jersey asserting that the manufacturing, use, sale and importation of *Nexplanon* infringed several of Microspherix's patents that claim radio-opaque, implantable drug delivery devices. Microspherix is claiming damages from September 2014 until the patents expired in May 2021. Organon brought *Inter Partes* Review ("IPR") proceedings in the United States Patent and Trademark Office ("USPTO") and successfully stayed the district court action. The USPTO invalidated some, but not all, of the claims asserted against Organon. Organon appealed the decisions that found claims valid, and the Court of Appeals for the Federal Circuit affirmed the USPTO's decisions. The matter is no longer stayed in the district court, and Organon is currently litigating the invalidity and non-infringement of the remaining asserted claims. A claim construction hearing was held on March 2, 2022, and any further dates in the schedule will be set based on the date the court issues a claim construction order.

Other Litigation

In addition to the matters described above, there are various other pending legal proceedings involving Organon, principally product liability and intellectual property lawsuits. While it is not feasible to predict the outcome of such proceedings, in the opinion of Organon as of December 31, 2022, 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 Organon'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 Organon; the development of Organon's legal defense strategy and structure in light of the scope of its litigation; the number of cases being brought against Organon; and 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 legal defense reserve as of December 31, 2022 and 2021 was $17 million and $9 million, respectively, and represented Organon'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 Organon. Organon 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.

Environmental Matters

In management's opinion, the liabilities for all environmental matters that are probable and reasonably estimable have been accrued and totaled $20 million and $24 million at December 31, 2022 and 2021, respectively. These liabilities are undiscounted, do not consider potential recoveries from other parties and will be paid out over the periods of remediation for the applicable sites, which are expected to occur primarily over the next 15 years. It is not possible to predict with certainty the outcome of these matters, or the ultimate costs of remediation. Management also does not believe that these expenditures should result in a material adverse effect on the Company's financial condition, results of operations or liquidity for any period presented.

Notes to Consolidated Financial Statements

13. Stock-Based Compensation Plans

In connection with the Separation, and in accordance with the Employee Matters Agreement, Organon's employees with outstanding former Merck stock-based awards received replacement stock-based awards under the 2021 Incentive Stock Plan at Separation. The ratio used to convert the Merck stock-based awards was designed to preserve the aggregate intrinsic value of the award immediately after the Separation when compared to the aggregate intrinsic value of the award immediately prior to Separation. Due to the conversion, Organon incurred $17 million of incremental stock-based compensation expense in 2021. Of this amount, $4 million was related to vested option awards and was recognized immediately into earnings in connection with the Separation, and the remainder is recognized ratably over the option awards' remaining weighted average vesting period.

The Company grants stock option awards, performance share units ("PSUs") and restricted share units ("RSUs") pursuant to its 2021 Incentive Stock Plan.

Employee stock options are granted to purchase shares of Company stock at the fair market value at the time of grant. Generally, stock options have a contractual term of ten years and vest one-third each year over a three-year period, subject to limited exceptions.

RSUs are stock awards that are granted to employees and entitle the holder to shares of common stock as the awards vest. RSU awards generally vest one-third each year over a three-year period. The fair value of the stock option and RSU awards is determined and fixed on the grant date based on the Company's stock price.

The terms of the Company's PSU awards allow the recipients of such awards to earn a variable number of common shares based on the cumulative results of specified performance factors. The Company has PSU awards based on the following performance factors:

- total stockholder return of the Company relative to an index of peer companies ("relative TSR") specified in the awards
- the results of the cumulative free cash flow ("FCF") of the Company over a three year period

For FCF and TSR awards, the Company recognizes compensation costs ratably over the performance period. The PSU Awards will generally vest at the end of the three year performance period, however, the number of shares delivered will vary based upon the attained level of performance. For PSUs with a performance-based FCF goal, stock-based compensation expense is recognized based on the probability of the achievement of the financial performance metric for the respective vesting period and is assessed at each reporting date. For PSUs with a market-based relative TSR goal, stock-based compensation expense is recognized based on the estimated fair value of the award at the grant date regardless of the actual number of shares earned. PSU awards generally vest after three years.

For RSUs and PSUs, dividends declared during the vesting period are payable to the employees only upon vesting. RSU and PSU distributions will be in shares of Company stock after the end of the vesting or performance period, subject to the terms applicable to such awards.

Stock-based compensation expense incurred by the Company was as follows:

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Stock-based compensation expense recognized in:			
Cost of sales	$ 13	$ 11	$ 17
Selling, general and administrative	51	36	19
Research and development	11	12	4
Total	$ 75	$ 59	$ 40
Income tax benefits	$ 16	$ 12	$ 8

Notes to Consolidated Financial Statements

In connection with the Separation, in 2021, Merck's PSUs and RSUs were converted into 3.3 million Organon RSUs at a weighted average grant date fair value of $36.77 and Merck's stock options were converted into 4.1 million Organon stock options at a weighted average grant date fair value of $8.55. Stock options at Separation were valued using a combination of option models. The Company used the Black-Scholes model as the basis for the original fair value of the options, and the Hull-White I Lattice option pricing model calculated the incremental fair value. In applying these models, the Company used both historical data and current market data to estimate the fair value of its options. The Black-

Scholes model assumptions include expected dividend yield, risk-free interest rate, volatility, and term of the options. The Hull-White I Lattice model requires several assumptions including expected exercise barrier, dividend yield, risk-free interest rate, remaining vesting life and remaining contractual life. These fair value assumptions were based on the awards and terms previously granted under the Merck incentive compensation plans to Organon employees. At December 31, 2022, the unrecognized portion of the incremental stock-based expense was $5 million. Actuarial Assumptions

The Company uses the Black-Scholes model to determine the fair value of the stock options reassesses its benefit plan assumptions on a regular basis. The weighted average assumptions used in determining pension plan information are as of the grant date. In applying this model, the Company uses both historical data and current market data to estimate the fair value of its options. The expected dividend yield is based on forecasted patterns of dividend payments. The risk-free interest rate is based on the rate at grant date of zero-coupon U.S. Treasury Notes with a term equal to the expected term of the option. Expected volatility is estimated using historical volatility. Due to the lack of trading history of Organon's stock at the time of valuation efforts, the historical component of expected volatility is based on historical monthly price changes of the peer group within the industry. Merck's historical data for Organon employees was used to estimate equity award exercise and employee termination behavior within the valuation model. The expected term represents the amount of time that options granted are expected to be outstanding based on historical and forecasted exercise behavior. follows:

	Year Ended December 31,		
($ in millions)	2023	2022	2021
Net periodic benefit cost			
Discount rate	3.82 %	1.49 %	1.48 %
Expected rate of return on plan assets	4.44	4.05	4.50
Salary growth rate	2.98	2.75	3.18
Benefit obligation			
Discount rate	2.77	3.82	1.49
Salary growth rate	2.83	2.98	2.75

The weighted average fair value discount rate is evaluated on measurement dates and modified to reflect the prevailing market rate of options was determined using a portfolio of high-quality, fixed-income debt instruments that would provide the following assumptions: future cash flows needed to pay the benefits included in the benefit obligation as they come due.

	Year Ended December 31,	
	2022	2021
Expected dividend yield	3.12 %	3.22 %
Risk-free interest rate	2.47	0.92
Expected volatility	43.43	45.80
Expected life (years)	5.89	5.89

The expected rate of return represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid and is determined on a plan basis. The expected rate of return for each plan is developed considering long-term historical returns data, current market conditions, and actual returns on the plan assets. Using this reference information, the long-term return expectations for each asset category and a weighted-average expected return for each plan's target portfolio is developed according to the allocation among those investment categories. The expected portfolio performance reflects the contribution of active management as appropriate.

A Savings Plan

Prior to June 2, 2021, the Company participated in certain Merck defined contribution savings plans. After the Separation, Organon maintains a defined contribution savings plan in the United States. The Company matches a percentage of employees' contributions consistent with the provisions of the plan. In addition, since Separation, the Company makes retirement contributions calculated based on a predetermined formula that considers years of service and the employee's age. Total actual employer contributions to this plan in 2023 and 2022 were $39 million and $32 million, respectively. Total allocated and actual employer contributions to this plan in 2021 was $23 million.

16. Long-Term Debt and Leases

The following is a summary of the equity award transactions for the year ended December 31, 2022 are as follows: Organon's total debt:

	Stock Options			Restricted Share Units		Performance Share Units	
(shares in thousands)	Shares	Weighted average exercise price	Weighted average grant date fair value	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value
Outstanding as of January 1, 2022	4,394	$ 34.35	$ 8.63	3,280	$ 36.69	120	$ 51.63
Granted	556	34.93	11.34	3,269	31.65	373	45.23
Vested/Exercised	(15)	37.39	9.72	(1,259)	37.48	—	—
Forfeited/Cancelled	(206)	35.80	9.47	(242)	35.76	(7)	51.63
Outstanding as of December 31, 2022	4,729	$ 34.34	$ 8.91	5,048	$ 33.27	486	$ 46.72

($ in millions)	December 31, 2023	December 31, 2022
Term Loan B Facility:		
SOFR plus 300 bps plus SOFR adjustment term loan due 2028	$ 2,543	$ 2,793
EURIBOR plus 300 bps euro-denominated term loan due 2028 (€731 million in 2023 and €739 million in 2022)	809	787
4.125% secured notes due 2028	2,100	2,100
2.875% euro-denominated secured notes due 2028 (€1.25 billion)	1,384	1,331
5.125% notes due 2031	2,000	2,000
Other borrowings	8	7
Other (discounts and debt issuance costs)	(84)	(105)
Total principal long-term debt	$ 8,760	$ 8,913
Less: Current portion of long-term debt	9	8
Total Long-term debt, net of current portion	$ 8,751	$ 8,905

Notes to Consolidated Financial Statements

The following table summarizes information about equity awards outstanding that are vested and expected to vest and equity awards outstanding that are exercisable as of December 31, 2022:

	Equity Awards Vested and Expected to Vest				Equity Awards That are Exercisable			
(shares in thousands; aggregate intrinsic value in millions)	Awards	Weighted Average Exercise Price	Aggregate Intrinsic Value	Remaining Term	Awards	Weighted Average Exercise Price	Aggregate Intrinsic Value	Remaining Term
Stock Options	4,576	$ 34.34	$ 1	7.22	2,383	$ 32.92	$ 1	5.94
Restricted Share Units	4,730		141	1.92				
Performance Share Units	380		12	2.39				

The amount of unrecognized compensation costs as of December 31, 2022 was $145 million, which will be recognized in operating expense ratably over the weighted average vesting period of 1.93 years.

14. Pension and Other Postretirement Benefit Plans

Prior to the Separation on June 2, 2021, Organon participated in Merck's U.S. and non-U.S. plans. Merck has defined benefit pension plans covering eligible employees in the United States and in certain of its international subsidiaries. Merck also provides medical benefits, principally to its eligible U.S. retirees and their dependents, through its other postretirement benefit plans. The Company participated in Merck's benefit plans as though it was a participant in a multi-employer plan with the other businesses of Merck. The retirement benefits guidance provides that liabilities beyond any contributions currently due and unpaid are not required to be reported. Accordingly, no assets or liabilities associated with plans where the Company was a participant in a multi-employer plan with the other businesses of Merck have been reflected in the Company's Consolidated Balance Sheet. The Consolidated Statements of Income includes expense allocations for these benefits, which were determined using a proportional allocation method. Total benefit plan expense allocated to the Company for the years ended December 31, 2021 and 2020 was $29 million and $55 million, respectively. The Company's participation in the defined pension and postretirement benefit plans sponsored by Merck concluded upon the completion of the Separation on June 2, 2021.

In accordance with the terms of the Employee Matter Agreement, prior to the Separation, Merck continued to provide service crediting to employees that transferred to Organon under Merck's U.S. defined benefit pension plan, supplemental executive retirement, and retiree medical plans for purposes of early retirement eligibility and subsidies, as well as for certain service crediting bridges. Although Merck is responsible for providing these benefits, Organon recorded the portion of the aggregate incremental cost of providing early retirement subsidies, service crediting bridges, and retiree health care benefits under these programs that is attributable to future service. Accordingly, upon Separation, the Company recorded a "grow-in" provision granted to employees transferred to Organon of $50 million, which represented the future service earned with Organon for these transferred employees for the pension and other postretirement benefits. The "grow-in" provision was recorded as an asset and will be expensed over the estimated average service period of eight years since the Separation, in operating expenses. The unamortized balance of the asset is $40 million as of December 31, 2022, of which $34 million is reflected in *Other Assets* and $6 million is reflected in *Other current assets.*

As of June 2, 2021, Organon became the plan sponsor for certain non-U.S. defined benefit pension plans. These Consolidated Financial Statements reflect the periodic benefit costs and funded status of such plans. Organon pension plans are primarily comprised of plans in Switzerland, Belgium, Korea, Germany and Italy. The Company uses December 31 as the year-end measurement date for these plans.

Notes to Consolidated Financial Statements

Net Periodic Benefit Cost

The net periodic benefit cost for pension plans consisted of the following components:

		Year Ended December 31,		
($ in millions)	*($ in millions)*	2022	2021	2020
Service cost	Service cost	$ 22	$ 17	$ 4
Interest cost	Interest cost	2	2	1
Expected return on plan assets	Expected return on plan assets	(4)	(3)	(1)
Net loss amortization	Net loss amortization	—	2	—
Net periodic benefit cost	Net periodic benefit cost	$ 20	$ 18	$ 4

The components of net periodic benefit cost other than the service cost component are included in *Other (income) expense, net.*

Obligations and Funded Status

Summarized information about changes in plan assets and benefit obligations, the funded status and the amounts recorded is as follows:

($ in millions)	December 31, 2022	December 31, 2021
Fair value of plan assets January 1	$ 117	$ 40
Actual return on plan assets	(10)	6
Company contributions	14	19
Effects of exchange rate changes	(4)	(6)
Benefits paid	(7)	2
Other	3	—
Net transfer of plan assets from Merck affiliates	1	56
Fair value of plan assets December 31	$ 114	$ 117
Benefit obligation January 1	$ 189	$ 76
Service cost	22	17
Interest cost	2	2
Actuarial gains	(41)	(17)
Benefits paid	(7)	2
Effects of exchange rate changes	(7)	(10)
Other	1	—
Net transfer of benefit obligations from Merck affiliates	2	119
Benefit obligation December 31	$ 161	$ 189
Funded status December 31	$ (47)	$ (72)
Recognized as:		
Other assets	$ 1	$ 1
Accrued and other current liabilities	(1)	(1)
Other Noncurrent liabilities	(47)	(72)

($ in millions)	December 31, 2023	December 31, 2022
Fair value of plan assets January 1	$ 114	$ 117
Actual return on plan assets	10	(10)

Company contributions	16	14
Effects of exchange rate changes	9	(4)

Notes to Consolidated Financial Statements

Benefits paid	(5)	(7)
Other	2	3
Net transfer of plan assets from Merck affiliates	3	1
Fair value of plan assets December 31	$ 149	$ 114
Benefit obligation January 1	$ 161	$ 189
Service cost	17	22
Interest cost	5	2
Actuarial gains	31	(41)
Benefits paid	(5)	(7)
Effects of exchange rate changes	12	(7)
Other	2	1
Net transfer of benefit obligations from Merck affiliates	3	2
Benefit obligation December 31	$ 226	$ 161
Funded status December 31	$ (77)	$ (47)
Recognized as:		
Other assets	$ —	$ 1
Accrued and other current liabilities	(1)	(1)
Other Noncurrent liabilities	(76)	(47)

Information related to the funded status of materially significant pension plans is as follows:

($ in millions)	*($ in millions)*	December 31, 2022	December 31, 2021	*($ in millions)*	December 31, 2023	December 31, 2022
Pension plans with a projected benefit obligation in excess of plan assets	**Pension plans with a projected benefit obligation in excess of plan assets**					
Projected benefit obligation	Projected benefit obligation	$ 150	$ 176			
				Projected benefit obligation		
				Projected benefit obligation		
Fair value of plan assets	Fair value of plan assets	103	104			
Pension plans with an accumulated benefit obligation in excess of plan assets	**Pension plans with an accumulated benefit obligation in excess of plan assets**					

Accumulated benefit obligation	Accumulated benefit obligation	$ 113	$ 154
Accumulated benefit obligation			
Accumulated benefit obligation			
Fair value of plan assets	Fair value of plan assets	73	97

Notes to Consolidated Financial Statements

Plan Assets

The fair values of the Company's pension plan assets at December 31 by asset category are as follows:

		Fair Value Measurements Using				Fair Value Measurements Using			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		Fair Value Measurements Using							
		Level 1							
		Level 1							
		Level 1				Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
($ in millions)	*($ in millions)*	2022				2021			
Cash and cash equivalents	Cash and cash equivalents	$ 4	$ —	$ —	$ 4	$ 3	$ —	$ —	$ 3
Cash and cash equivalents									
Cash and cash equivalents									
Investment funds	*Investment funds*								
Developed markets equities									
Developed markets equities									
Developed markets equities	Developed markets equities	34	3	—	37	28	3	—	31
Government and agency obligations	Government and agency obligations	25	1	—	26	21	1	—	22
Emerging markets equities	Emerging markets equities	5	—	—	5	5	—	—	5
Other	Other	3	—	—	3	3	1	—	4
Equity income securities	*Equity income securities*								

Developed markets equities	Developed markets equities	—	—	—	—	1	—	—	1
Developed markets equities									
Developed markets equities									
Fixed income securities	*Fixed income securities*								
Government and agency obligations									
Government and agency obligations									
Government and agency obligations	Government and agency obligations	—	2	—	2	—	3	—	3
Corporate Obligations	Corporate Obligations	—	2	—	2	—	2	—	2
Other investments	*Other investments*								
Insurance contracts	Insurance contracts	—	33	—	33	—	33	—	33
Insurance contracts									
Insurance contracts									
Other	Other	1	1	—	2	12	1	—	13
Plan assets at fair value	Plan assets at fair value	$ 72	$ 42	$ —	$114	$ 73	$ 44	$ —	$117

The targeted investment portfolio for the Company's pension plans that are sponsored outside the United States varies based on the duration of pension liabilities and local government rules and regulations. There are no unfunded commitments or redemption restrictions related to these investments.

Expected Contributions

Expected contributions during 2023 2024 are approximately $11 million $15 million for the Company's pension plans.

Expected Benefit Payments

Expected benefit payments are as follows ($ in millions):

2023	2024	2025	2026	2027	Thereafter
2024					
$ 9	$ 7	$ 6	$ 8	$ 8	$ 53

2024	2025	2026	2027	2028	Thereafter

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service.

Notes to Consolidated Financial Statements

Amounts Recognized in Other Comprehensive Income

Net gain or loss amounts reflect differences between expected and actual returns on plan assets as well as the effects of changes in actuarial assumptions. Net loss amounts in excess of certain thresholds are amortized into net periodic benefit cost over the average remaining service life of employees.

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Net gain (loss) arising during the period	$ 28	$ 4	$ 6
Net loss amortization included in benefit cost	—	2	—

($ in millions)	Year Ended December 31, 2023	2022	2021
Net (loss) gain arising during the period	$ (28)	$ 28	$ 4
Net (gain) loss amortization included in benefit cost	(1)	—	2

Notes to Consolidated Financial Statements

Actuarial Assumptions

The Company reassesses its benefit plan assumptions on a regular basis. The weighted average assumptions used in determining pension plan information are as follows:

($ in millions)	($ in millions)	Year Ended December 31, 2022	2021	2020
Net periodic benefit cost	**Net periodic benefit cost**			
Discount rate	Discount rate	1.49 %	1.48 %	3.91 %
Expected rate of return on plan assets	Expected rate of return on plan assets	4.05	4.50	2.62
Salary growth rate	Salary growth rate	2.75	3.18	3.63
Benefit obligation	**Benefit obligation**			
Discount rate	Discount rate	3.82	1.49	1.52
Salary growth rate	Salary growth rate	2.98	2.75	3.63

($ in millions)	Year Ended December 31, 2023	2022	2021
Discount rate	3.82 %	1.49 %	1.48 %

The discount rate is evaluated on measurement dates and modified to reflect the prevailing market rate of a portfolio of high-quality, fixed-income debt instruments that would provide the future cash flows needed to pay the benefits included in the benefit obligation as they come due.

The expected rate of return represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid and is determined on a plan basis. The expected rate of return for each plan is developed considering long-term historical returns data, current market conditions, and actual returns on the plan assets. Using this reference information, the long-term return expectations for each asset category and a weighted-average expected return for each plan's target portfolio is developed according to the allocation among those investment categories. The expected portfolio performance reflects the contribution of active management as appropriate.

Savings Plan

Prior to June 2, 2021, the Company participated in certain Merck defined contribution savings plans. After the Separation, Organon maintains a defined contribution savings plan in the United States. The Company matches a percentage of employees' contributions consistent with the provisions of the plan. In addition, since Separation, the Company makes retirement contributions calculated based on a predetermined formula that considers years of service and the employee's age. Total actual employer contributions to this plan in 2023 and 2022 were $39 million and $32 million. million, respectively. Total allocated and actual employer contributions to this plan in 2021 were was $23 million. The amount allocated for total employer contributions in 2020 was $18 million.

Notes to Consolidated Financial Statements

15. Taxes on Income

A reconciliation between the effective tax rate 16. Long-Term Debt and the U.S. statutory rate is as follows:

	Year Ended December 31,					
	2022		2021		2020	
($ in millions)	Amount	Tax Rate	Amount	Tax Rate	Amount	Tax Rate
U.S. statutory rate applied to income before taxes	$ 236	21.0 %	$ 321	21.0 %	$ 578	21.0 %
Differential arising from:						
Foreign earnings	(109)	(9.7)	(43)	(2.8)	(93)	(3.4)
Tax settlements	(2)	(0.1)	(32)	(2.1)	—	—
Amortization of intangible assets	—	—	(75)	(4.9)	12	0.4
State taxes	(2)	(0.2)	(3)	(0.2)	—	—
Global Intangible Low-Taxed Income	57	5.1	17	1.1	—	—
Interest expense disallowance	13	1.2	—	—	—	—
Other	12	1.0	(7)	(0.4)	(1)	—
	$ 205	18.3 %	$ 178	11.7 %	$ 496	18.0 %

Prior to the Separation, income taxes were calculated as if the Company filed income tax returns on a standalone basis. For those years, the Company believes the assumptions supporting its allocation and presentation of income taxes on a separate return basis are reasonable.

The Company has no remaining transition tax liability as of December 31, 2021 under the Tax Cuts and Jobs Act ("TCJA") that was enacted in 2017. The transition tax liability was $1.5 billion at December 31, 2020, of which $161 million was included in *Income Taxes Payable* and the remainder of $1.3 billion was included in *Other Noncurrent Liabilities*. As a result of the TCJA, the Company has made a determination it is no longer indefinitely reinvested with respect to a majority of its previously taxed undistributed earnings from foreign subsidiaries and provided for a deferred tax liability for withholding taxes due upon future remittances, net of certain foreign income tax credits. At December 31, 2022 and 2021, the deferred income tax liabilities on undistributed earnings for certain subsidiaries that are deemed indefinitely reinvested are immaterial.Leases

The tax effects following is a summary of foreign earnings in the tax rate reconciliation above primarily reflect the effects of operations in jurisdictions with different tax rates than the United States thereby yielding a favorable impact on the effective tax rate compared with the U.S. statutory rate of 21%. The favorable impact is primarily attributable to a reduced tax rate arrangement that was agreed to in Switzerland for an active legal entity. Organon's total debt:

The effective income tax rates were 18.3%, 11.7% and 18.0% for 2022, 2021 and 2020, respectively. These effective income tax rates reflect the beneficial impact of foreign earnings, offset by the impact of U.S. inclusions under the Global Intangible Low-Taxed Income regime. During 2021, the Company recorded a $75 million tax benefit relating to a portion of the non-U.S. step-up of tax basis associated with the Company's Separation from Merck. The effective income tax rate for 2021 also reflects the Internal Revenue Service ("IRS") conclusion of its examinations of Merck's 2015-2016 U.S. federal income tax returns as further detailed below.

Income before taxes consisted of:

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Domestic	$ (451)	$ (96)	$ 532
Foreign	1,573	1,625	2,220
	$ 1,122	$ 1,529	$ 2,752

($ in millions)	December 31, 2023	December 31, 2022
Term Loan B Facility:		

SOFR plus 300 bps plus SOFR adjustment term loan due 2028	$ 2,543	$ 2,793
EURIBOR plus 300 bps euro-denominated term loan due 2028 (€731 million in 2023 and €739 million in 2022)	809	787
4.125% secured notes due 2028	2,100	2,100
2.875% euro-denominated secured notes due 2028 (€1.25 billion)	1,384	1,331
5.125% notes due 2031	2,000	2,000
Other borrowings	8	7
Other (discounts and debt issuance costs)	(84)	(105)
Total principal long-term debt	$ 8,760	$ 8,913
Less: Current portion of long-term debt	9	8
Total Long-term debt, net of current portion	$ 8,751	$ 8,905

Notes to Consolidated Financial Statements

Taxes on income consisted of:

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Current provision			
Federal	$ 51	$ 41	$ 91
Foreign	172	435	435
State	—	(10)	2
	$ 223	$ 466	$ 528
Deferred provision			
Federal	$ (38)	$ (64)	$ 11
Foreign	22	(220)	(44)
State	(2)	(4)	1
	$ (18)	$ (288)	$ (32)
	$ 205	$ 178	$ 496

Deferred income taxes at December 31 consisted of:

	December 31,			
	2022		2021	
($ in millions)	Assets	Liabilities	Assets	Liabilities
Product intangibles and licenses	$ 164	$ —	$ 105	$ —
Inventory related	—	10	15	—
Reserves and allowances	51	—	40	—
Accrued expenses	22	—	23	—
Accelerated depreciation	—	11	—	15
Unremitted foreign earnings	—	3	—	2
Right of use asset	44	—	51	—
Lease liability	—	44	—	51
Interest expense limitation carryforward	37	—	23	—
Compensation related	26	—	23	—
Hedging	—	59	—	36
Net operating losses and other tax credit carryforwards	65	—	103	—
Other	18	—	24	—
Subtotal	$ 427	$ 127	$ 407	$ 104
Valuation allowance	(52)	—	(35)	—

Total deferred taxes	$ 375	$ 127	$ 372	$ 104
Net deferred income taxes	$ 248		$ 268	
Recognized as:				
Other Assets	$ 267		$ 272	
Deferred Income Taxes		$ 19		$ 4

The Company has recognized $65 million and $103 million deferred taxes on net operating loss ("NOL") carryforwards in multiple jurisdictions as of December 31, 2022 and 2021, respectively. Valuation allowances of $52 million have been established on $39 million of foreign deferred tax assets and $13 million of US deferred tax assets. The $17 million increase in the valuation allowance in 2022 is primarily due to a disallowed interest expense in the US. During 2021, the Company reduced valuation allowances by $42 million as a result of the Separation.

Income taxes paid in 2022 and 2021, were $214 million and $131 million, respectively. Income taxes paid by Merck with respect to Organon for 2020 were $416 million.

Notes to Consolidated Financial Statements

Term Loan B Facility

On June 2, 2021, Organon entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (the "Senior Credit Agreement"), providing for:

As • a Term Loan B Facility ("Term Loan B Facility"), consisting of December 31, 2022 (i) a U.S. dollar denominated senior secured "tranche B" term loan in the amount of $3.0 billion, and 2021, (ii) a euro denominated senior secured "tranche B" term loan in the Company deferred amount of €750 million, in each case with a seven-year term that matures in 2028; and

• a Revolving Credit Facility ("Revolving Credit Facility" and, together with the income tax consequences resulting from intra-entity transfers Term Loan B Facility, the "Senior Credit Facilities"), in an aggregate principal amount of inventory totaling $368 million and $377 million, respectively. These amounts are reflected up to $1 billion, with a five-year term that matures in *Other current assets. 2026.*

A reconciliation On June 30, 2023, the Company entered into Amendment No. 1 to the Senior Credit Agreement. Amendment No. 1 replaces LIBOR-based rates with Adjusted Term Secured Overnight Financing Rate ("SOFR")-based rates and updates certain other provisions of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended December 31,		
($ in millions)	2022	2021	2020
Balance January 1	$ 78	$ 219	$ 213
Additions related to current year tax positions	30	23	15
Additions related to prior year tax positions	3	18	23
Reductions for tax positions of prior years	(3)	(49)	(3)
Spinoff related adjustments *(1)*	—	(108)	—
Settlements	(12)	(15)	(19)
Lapse of statute of limitations	(3)	(10)	(10)
Balance December 31	$ 93	$ 78	$ 219

(1) Unrecognized tax benefits were reduced by $108 million in 2021 related Senior Credit Agreement to positions taken prior reflect the transition from LIBOR to the spinoff for which Merck, as Adjusted Term SOFR.

Borrowings made under the Company's former Parent, is Senior Credit Agreement bear interest, in the primary obligor case of:

• term loans under the Term Loan B Facility (i) denominated in U.S. Dollars, at 3.00% in excess of Term SOFR (subject to a floor of 0.50%) plus a SOFR adjustment, or 2.00% in excess of an alternate base rate ("ABR"), at Organon's option and is responsible for settlement (ii) denominated in euros, at 3.00% in excess of an adjusted Euro Interbank Offer Rate ("Adjusted EURIBOR") (subject to a floor of 0.00%); and payment

• revolving loans under the Revolving Credit Facility (i) in U.S. Dollars, at 2.00% in excess of any resulting tax obligation. Term SOFR (subject to a floor of 0.00%) plus a SOFR Adjustment, or 1.00% in excess of ABR, at Organon's option and (ii) in euros, at 2.00% in excess of an Adjusted EURIBOR.

If The SOFR adjustment is an additional interest amount per annum of 11.448 bps for a one-month interest period, 26.161 bps for a three-month interest period, or 42.826 bps for a six-month interest period, at Organon's option.

Interest payments on the term loans are due quarterly in March, June, September and December. Principal payments on the term loans are based on 0.25% of the principal amount outstanding on the Closing Date and due on the last business day of each March, June, September and December, commencing with the last business day of September 2021 (the

"Principal Payments"). These Principal Payments are reduced by the amount of any voluntary prepayments. As a result of discretionary prepayments discussed below, the quarterly Principal Payments on the U.S. Dollar-denominated term loan are no longer required.

Organon used the net proceeds from the notes offering, together with available cash on its balance sheet and borrowings under senior secured credit facilities, to distribute $9.0 billion to Merck and to pay fees and expenses related to the Separation. There were no outstanding balances under the Revolving Credit Facility as of December 31, 2023 or December 31, 2022.

The Senior Credit Agreement contains customary financial covenants, including a total leverage ratio covenant, which measures the ratio of (i) consolidated total debt to (ii) consolidated earnings before interest, taxes, depreciation and amortization, and subject to other adjustments, that must meet certain defined limits which are tested on a quarterly basis. In addition, the Senior Credit Agreement contains covenants that limit, among other things, Organon's ability to prepay, redeem or repurchase its subordinated and junior lien debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, redeem or repurchase equity interests, and create or become subject to liens. As of December 31, 2023, the Company were is in compliance with all financial covenants and no default or event of default has occurred.

Notes to recognize the unrecognized tax benefits of $93 million, at December 31, 2022, the income tax provision would reflect a favorable net impact of $93 million. Consolidated Financial Statements

Notes

In 2022, foreign tax authorities concluded its examinations April 2021, in connection with the Separation, Organon Finance 1 LLC ("Organon Finance 1"), a subsidiary of certain foreign income tax returns. As a result, Merck, issued €1.25 billion aggregate principal amount of 2.875% senior secured notes due 2028, $2.1 billion aggregate principal amount of 4.125% senior secured notes due 2028 and $2.0 billion aggregate principal amount of 5.125% senior unsecured notes due 2031 (collectively, the Company reflected a payment of $12 million in the consolidated financial statements "Notes"). Interest payments are due semiannually on October 30 and a reduction of $11 million in reserves for unrecognized tax benefits for tax positions relating to the years that were under examination.

Prior to June 2, 2021, the Company was part of Merck's consolidated U.S. federal income tax return, as well as separate and combined Merck income tax returns in numerous state and international jurisdictions. Merck was under examination by numerous tax authorities in various jurisdictions globally. During 2021, the IRS concluded its examinations of Merck's 2015-2016 U.S. federal income tax returns. As a result, the Company reflected an allocation from Merck of $18 million representing the Company's portion of the payment made to the IRS in the Consolidated Financial Statements. The Company's portion of reserves for unrecognized tax benefits for the years under examination exceeded the allocated adjustments relating to this examination period and therefore the Company included a $29 million net tax benefit for the year ended December 31, 2021. This net benefit reflects reductions in reserves for unrecognized tax benefits and other related liabilities for tax positions relating to the years that were under examination.

The Company is subject to income tax in the United States (federal, state and local) as well as other jurisdictions outside of the United States in which we operate. April 30. As part of the Separation, from Merck, $79.3 on June 2, 2021, Organon and a wholly-owned Dutch subsidiary of Organon, (the "Dutch Co-Issuer") assumed the obligations under the Notes as co-issuers, Organon Finance 1 was released as an obligor under the Notes, and certain subsidiaries of Organon agreed to guarantee the Notes. Each series of Notes was issued pursuant to an indenture dated April 22, 2021, between Organon and U.S. Bank National Association. Organon and the Dutch Co-Issuer assumed the obligations under the Notes pursuant to a first supplemental indenture to the relevant indenture, and the guarantors agreed to guarantee the Notes pursuant to a second supplemental indenture to the relevant indenture.

Other Borrowings

Other borrowings represent debt assumed in connection with the acquisition of Forendo Pharma in December 2021.

In 2021 the Company recorded approximately $117 million of debt issuance costs related to the long-term debt and $19 million of discounts on the term loans. Debt issuance costs and discounts are presented as a reduction of debt on the Consolidated Balance Sheets and are amortized as a component of interest expense over the term on the related debt using the effective interest method.

Long-term debt was recorded at the carrying amount. The estimated fair value of *long-term debt* (including current portion) is as follows:

($ in millions)	December 31, 2023	December 31, 2022
Long-term debt	$ 8,253	$ 8,294

Fair value was estimated using inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for unrecognized tax benefits associated with uncertain tax positions for jurisdictions outside substantially the full term of the United States were conveyed to Organon. asset or liability and would be considered Level 2 in the fair value hierarchy.

The Company believes that it is reasonably possible that made interest payments related to its debt instruments of $495 million for the total amount year ended December 31, 2023. The average maturity of unrecognized tax benefits the Company's long-term debt as of December 31, 2022 could decrease by up to $15 December 31, 2023 is approximately 5.0 years and the weighted-average interest rate on total borrowings as of December 31, 2023 is 5.7%.

On March 30, 2023, the Company made a discretionary prepayment of $250 million in on the U.S. Dollar-denominated term loan.

On June 21, 2023, the Company borrowed $80 million on the Revolving Credit Facility and subsequently repaid the amount on June 30, 2023.

In both the second quarter of 2022 and the fourth quarter of 2021, the Company made a discretionary prepayment of $100 million on the U.S. Dollar-denominated term loan.

The schedule of principal payments required on long-term debt for the next 12 months five years and thereafter is as a result of various audit closures, settlements or the expiration of the statute of limitations. The Company believes that its reserves for uncertain tax positions are adequate to cover existing risks or exposures. follows:

($ in millions)	
2024	$ 9
2025	10
2026	10
2027	9
2028	6,803
Thereafter	2,003

Interest
Leases

For periods prior to the Separation, lease costs were allocated to the Company based on a specific identification basis or, when specific identification was not practicable, a proportional cost allocation method. Actual operating lease costs and penalties associated with uncertain tax positions allocated operating lease costs for periods prior to Separation were immaterial in 2022 and 2021 and resulted in an expense of $11 $67 million, in 2020. These amounts reflect the beneficial impacts of various tax settlements. Liabilities for accrued interest and penalties were $35 $61 million and $39 $66 million as of December 31, 2022 for the year ended December 31, 2023, 2022, and 2021, respectively.

Various state None of the Company's lease agreements contain variable lease payments. Sublease income is immaterial and foreign tax examinations there are no sale-leaseback transactions. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Cash paid for amounts included in progress the measurement of operating lease liabilities was $56 million, $55 million and for these jurisdictions, income tax returns are open for examination $41 million for the period 2006 through 2022. year ended December 31, 2023, 2022 and 2021, respectively. Operating lease assets obtained in exchange for new operating lease liabilities were $25 million, $28 million and $241 million for the year ended December 31, 2023, 2022 and 2021, respectively, and primarily consists of real estate operating leases entered into in connection with establishing Organon as a standalone Company.

Supplemental balance sheet information related to operating leases is as follows:

($ in millions)	December 31, 2023	December 31, 2022
Assets		
Other Assets	$ 173	$ 215
Liabilities		
Accrued and other current liabilities	46	49
Other Noncurrent Liabilities	125	150
	$ 171	$ 199
Weighted-average remaining lease term (years)	5.0	5.3
Weighted-average discount rate	4.8%	4.0%

Maturities of operating lease liabilities as of December 31, 2023 are as follows ($ in millions):

2024	$ 52
2025	48
2026	29
2027	14
2028	13
Thereafter	33
Total lease payments	$ 189
Less: Imputed interest	18
	$ 171

Notes to Consolidated Financial Statements

16. 17. Accumulated Other Comprehensive Income (Loss)

Changes in *Accumulated other comprehensive income (loss)* by component are as follows:

($ in millions)	*($ in millions)*	Employee Benefit Plans	Cumulative Translation Adjustment	Accumulated Other Comprehensive Loss (Income)	*($ in millions)*	Employee Benefit Plans	Cumulative Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at January 1, 2020, net of taxes		$ (354)	$ (560)	$ (914)				
Other comprehensive loss, pretax		(172)	(30)	(202)				
Tax		29	—	29				
Other comprehensive loss, net of taxes		(143)	(30)	(173)				
Net Transfer of benefit plans to Merck affiliates		465	—	465				
Balance at December 31, 2020, net of taxes		$ (32)	$ (590)	$ (622)				
Balance at January 1, 2021, net of taxes								
Balance at January 1, 2021, net of taxes								
Balance at January 1, 2021, net of taxes								
Other comprehensive income, pretax	Other comprehensive income, pretax	21	90	111				
Tax	Tax	(13)	—	(13)				
Other comprehensive income, net of taxes	Other comprehensive income, net of taxes	8	90	98				
Net transfer of benefit plans to Merck affiliates		11	—	11				
Net Transfer of benefit plans to Merck affiliates								
Balance at December 31, 2021, net of taxes	Balance at December 31, 2021, net of taxes	$ (13)	$ (500)	$ (513)				
Other comprehensive income (loss), pretax								
Other comprehensive income (loss), pretax								
Other comprehensive income (loss), pretax	Other comprehensive income (loss), pretax	28	(74)	(46)				
Tax	Tax	(5)	—	(5)				

Other comprehensive income (loss), net of taxes	Other comprehensive income (loss), net of taxes	23	(74)	(51)
Balance at December 31, 2022, net of taxes	Balance at December 31, 2022, net of taxes	$ 10	$ (574)	$ (564)
Balance at December 31, 2022, net of taxes				
Balance at December 31, 2022, net of taxes				
Other comprehensive (loss) income, pretax				
Other comprehensive (loss) income, pretax				
Other comprehensive (loss) income, pretax				
Tax				
Other comprehensive (loss) income, net of taxes				
Balance at December 31, 2023, net of taxes				
Balance at December 31, 2023, net of taxes				
Balance at December 31, 2023, net of taxes				

Notes to Consolidated Financial Statements

17. Product and Geographic Information **18. Samsung Collaboration**

The Company's operations include the following product portfolios, Company has an agreement with Samsung Bioepis Co., Ltd. ("Samsung Bioepis") to develop and commercialize multiple pre-specified biosimilar candidates, which constitute one operating segment engaged in developing have since launched and delivering innovative health solutions through its portfolio of prescription therapies within women's health, biosimilars and established brands.

Revenues are part of the Company's products were as follows: product portfolio. Under the agreement, Samsung Bioepis is responsible for preclinical and clinical development, process development and manufacturing, clinical trials and registration of product candidates, and the Company has an exclusive license for worldwide commercialization with certain geographic exceptions specified on a product-by-product basis. The Company's access rights to each product under the agreement last for 10 years from each product's launch date on a market-by-market basis. Gross profits are shared equally in all markets with the exception of certain markets in Brazil where gross profits are shared 65% to Samsung Bioepis and 35% to the Company. Since the Company is the principal on sales transactions with third parties, the Company recognizes sales, cost of sales and selling, general and administrative expenses on a gross basis. Generally, profit sharing adjustments are recorded either to *Cost of sales* (after commercialization) or *Selling, general and administrative* expenses (prior to commercialization).

	Year Ended December 31,								
	2022			2021			2020		
($ in millions)	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Women's Health									
Nexplanon/Implanon NXT	$ 573	$ 261	$ 834	$ 532	$ 237	$ 769	$ 488	$ 192	$ 680
Follistim AQ	105	124	229	110	127	237	84	108	193
NuvaRing	85	88	173	85	106	191	111	126	236
Ganirelix Acetate Injection	26	97	123	22	88	111	11	69	81
Marvelon/Mercilon	—	110	110	—	98	98	—	95	95
Other Women's Health (1)	110	94	204	96	111	206	165	105	270
Biosimilars									

Renflexis	196	30	226	164	21	186	123	12	135
Ontruzant	48	74	122	34	92	126	3	113	115
Brenzys	—	75	75	—	63	63	—	74	74
Aybintio	—	39	39	—	36	36	—	6	6
Hadlima	—	19	19	—	13	13	—	—	—
Established Brands									
Cardiovascular									
Zetia	8	350	357	10	368	378	(1)	483	482
Vytorin	8	123	130	11	153	164	12	170	182
Atozet	—	457	457	—	458	458	—	453	453
Rosuzet	—	71	71	—	68	68	—	130	130
Cozaar/Hyzaar	13	310	323	12	345	357	21	365	386
Other Cardiovascular (1)	3	156	159	4	187	191	3	237	239
Respiratory									
Singulair	11	400	411	15	398	413	18	444	462
Nasonex	10	229	238	4	201	206	12	206	218
Dulera	140	40	180	154	36	190	188	34	222
Clarinex	4	121	125	6	106	111	7	123	130
Other Respiratory (1)	46	36	83	56	33	89	79	40	118
Non-Opioid Pain, Bone and Dermatology									
Arcoxia	—	241	241	—	244	244	—	258	258
Fosamax	4	148	152	4	172	175	4	176	180
Diprospan	—	122	122	—	125	125	—	118	118
Other Non-Opioid Pain, Bone and Dermatology (1)	15	257	273	16	269	286	10	268	278
Other									
Proscar	1	99	101	1	116	117	2	174	176
Propecia	7	118	125	9	127	136	10	119	129
Other (1)	24	302	326	41	318	360	54	324	379
Other (2)	—	146	146	(3)	205	200	4	102	107
Revenues	$ 1,437	$ 4,737	$ 6,174	$ 1,383	$ 4,921	$ 6,304	$ 1,408	$ 5,124	$ 6,532

Totals may not foot due to rounding. Trademarks appearing above in italics are trademarks Samsung Bioepis is eligible for additional payments associated with pre-specified clinical and regulatory milestones. As of or are used December 31, 2023, potential future regulatory milestone payments of $25 million remain under license by, the Organon group of companies. agreement.

(1) *Includes sales of products not listed separately. Revenues from Marvelon/Mercilon were previously reported as part of Other Women's Health. Revenue from an arrangement In November 2023, the U.S. Food and Drug Administration accepted for review the Supplemental Biologics License Application (sBLA) for the sale of generic etonogestrel/ethinyl estradiol vaginal ring is included in Other Women's Health. interchangeability designation for Hadlima.*

(2) In July 2023, the Company began selling *Hadlima*, a biosimilar referencing *Humira*® (adalimumab), in the United States.

In August 2022, the U.S. Food and Drug Administration ("FDA") approved the citrate-free, high-concentration (100 mg/mL) formulation of*Includes manufacturing sales to Merck and Hadlima*, a biosimilar referencing *Humira*. During the third parties for current and prior periods and allocated amounts from revenue hedging activities through quarter of 2022, Organon paid Samsung Bioepis $18 million. This amount was recognized as an intangible asset which will be amortized over the date estimated useful life of Separation. approximately 10 years.

Notes to Consolidated Financial Statements

Revenues by geographic area where derived are Summarized information related to this collaboration is as follows:

	Year Ended December 31,

($ in millions)	2022	2021	2020
Europe and Canada	$ 1,631	$ 1,741	$ 1,726
United States	1,437	1,383	1,408
Asia Pacific and Japan	1,143	1,173	1,535
China	917	933	873
Latin America, Middle East, Russia and Africa	895	841	857
Other (1)	151	233	133
Revenues	$ 6,174	$ 6,304	$ 6,532

(1) *Primarily reflects manufacturing sales to Merck and third parties for current and prior periods and allocated amounts from revenue hedging activities through the date of Separation.*

	Year Ended December 31,		
($ in millions)	2023	2022	2021
Sales	$ 593	$ 481	$ 424
Cost of sales	406	315	248
Selling, general and administrative	72	86	83

As of December 31, 2022, approximately 70% of the Company's long-lived fixed assets are located in Europe and Canada, and 20% are in the United States. The Company does not disaggregate assets on a products and services basis for internal management reporting and, therefore, such information is not presented.

($ in millions)	December 31, 2023	December 31, 2022
Receivables from Samsung included in *Other current assets*	$ —	$ 21
Payables to Samsung included in *Trade accounts payable*	104	72

18. 19. Third-Party Arrangements and Related Party Disclosures

Pursuant to the Separation, Merck ceased to be a related party to Organon and accordingly, no related party transactions or balances have been reported since June 2, 2021.

In connection with the Separation, the Company entered into the Separation and Distribution Agreement, which contains provisions that, among other things, relate to (i) assets, liabilities and contracts to be transferred, assumed and assigned to each of Organon and Merck as part of the Separation, (ii) cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Organon business with Organon and financial responsibility for the obligations and liabilities of Merck's remaining business with Merck, (iii) procedures with respect to claims subject to indemnification and related matters, (iv) the allocation between Organon and Merck of rights and obligations under existing insurance policies with respect to occurrences prior to completion of the Distribution, as well as the right to proceeds and the obligation to incur certain deductibles under certain insurance policies, and (v) procedures governing Organon's and Merck's obligations and allocations of liabilities with respect to ongoing litigation matters that may implicate each of Merck's business and Organon's business.

Agreements that Organon entered into with Merck that govern aspects of Organon's relationship with Merck following the Separation include:

- Transition Services Agreements - Under the TSA, (i) Merck and certain of its affiliates provide Organon and certain of its affiliates, on an interim, transitional basis, various services, and (ii) Organon and certain of its affiliates provide Merck and certain of its affiliates, on an interim, transitional basis, various services. The services provided by Merck will include, includes, among others, information technology, human resources, finance, quality, regulatory, supply chain management, promotional services, distribution services and certain other services, and will provide provides on a cost or, where applicable, a cost-plus basis. The Merck services generally commenced on the date of the Separation and generally terminate the majority of the services terminated within 25 months following the date of Separation. Organon generally has the right to request the early termination of any or all services with advance notice. The services provided by Organon include quality, regulatory, supply chain management, promotional services, distribution services and certain other services and is provided on a cost or, where applicable, a cost-plus basis. The provisions provision of Organon certain services under the TSA generally commenced on the date expired as of Separation and terminate within 25 months following the Separation. July 2, 2023, however, certain services have been extended to at least 35 months. Merck will generally have the right to request the early termination of any or all services with advance notice.
- Interim Operating Agreements - Merck and Organon entered into a series of interim operating model ("IOM") - Merck and Organon entered into a series of IOM agreements pursuant to which Merck and certain of its affiliates that held licenses, permits and other rights in connection with marketing, import and/or distribution of Organon products in various jurisdictions prior to the Separation, will continue to market, import and distribute such products until such time as the relevant licenses and permits are transferred to Organon or its affiliates, while permitting Organon (or Merck, as applicable) to recognize revenue relating to the sale of its respective products, to the extent practicable. Under such IOM agreements and in accordance with the Separation and Distribution Agreement, the relevant Merck entity will continue operations in the affected market on behalf of Organon, with Organon receiving all of the economic benefits and burdens of such activities. Organon began receiving these economic benefits as of June 2, 2021.

Based on the terms of the IOM agreements, the Company determined it is the Principal under these arrangements. Organon holds all risks and rewards of ownership inclusive of risk of loss, market risk and benefits related to the inventory. Additionally, Organon has latitude control in pricing, has the ability to direct Merck regarding decisions over inventory, and is responsible for all credit and collections risks and losses associated with the related receivables. As such, Organon recognizes these sales on a gross basis. As of December 31, 2023, only one jurisdiction remains under an IOM.

- Manufacturing and Supply Agreements - Merck and Organon and/or their applicable affiliates entered into a number of manufacturing and supply agreements pursuant to which the relevant Merck entity will (a) manufacture manufactures and supply supplies certain active pharmaceutical ingredients for the relevant Organon entity, (b) toll manufacture manufactures and supply supplies certain formulated pharmaceutical products for such Organon entity, and (c) package packages and label labels certain finished pharmaceutical products for such Organon entity. Similarly, the relevant Organon entity will (a) manufacture manufactures and supply supplies certain formulated pharmaceutical products for the relevant Merck entity, and (b) package packages and label labels certain finished pharmaceutical products for such Merck entity.
- Tax Matters Agreement - The TMA allocates responsibility for all U.S. federal income, state and foreign income, franchise, capital gain, withholding and similar taxes, as well as all non-income taxes. The TMA also provides for cooperation between Merck and Organon with respect to tax matters, the exchange of information and the retention of records that may affect the tax liabilities of the parties to the TMA. Merck generally is responsible for any income taxes reportable on an originally filed consolidated, combined or unitary return that includes Merck or any of its subsidiaries (and Organon and/or any of its subsidiaries) for any periods or portions thereof ending on or prior to the Distribution. Organon generally is responsible for any income taxes that are reportable on originally filed returns that include only Organon and/or any of its subsidiaries, for all tax periods. Additionally, as a general matter, Merck is responsible for certain income and non-income taxes imposed as the direct result of the Separation or of an internal separation transaction. Organon is responsible for certain taxes that exclusively relate to Organon's business and for taxes resulting from any breach of certain representations or covenants that Organon made in the TMA. The TMA imposes restrictions on Organon and its subsidiaries during the two-year period following the Distribution. The restrictions are intended to prevent the Distribution and certain related transactions from failing to qualify as tax-free for U.S. federal income tax purposes. During such period, Organon and its subsidiaries generally are prohibited from, among other things, entering into transactions in which all or a portion of the shares of the Common Stock would be acquired or all or a portion of certain assets of Organon and its subsidiaries would be acquired. Organon and its subsidiaries also are prohibited, during such period, from merging or consolidating with any other person, issuing equity securities beyond certain thresholds, and repurchasing Common Stock other than in certain open-market transactions. Certain amounts are estimates and subject to possible adjustment in future periods.
- Employee Matters Agreement - The agreement allocated assets, liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the Separation.
- Other agreements that Organon entered into with Merck include the Intellectual Property License Agreements and Regulatory Agreements.

For the year ended December 31, 2023, material transactions occurred in connection with the IOM Agreements.

The amounts due under such agreements were:

($ in millions)	*($ in millions)*	December 31, 2022	December 31, 2021	*($ in millions)*	December 31, 2023	December 31, 2022
Due from Merck in *Accounts receivable*	Due from Merck in *Accounts receivable*	$ 374	$ 403			
Due to Merck in *Accounts payable*	Due to Merck in *Accounts payable*	543	928			

Sales and cost of sales resulting from the manufacturing and supply agreements with Merck were:

	Year Ended December 31,					
		Year Ended December 31,	Year Ended December 31,	Year Ended December 31,		

($ in millions)	($ in millions)	2022	2021	($ in millions)	2023	2022	2021
Sales	Sales	$127	$90				
Cost of sales	Cost of sales	116	85				

Prior to the Separation, the Company did not operate as a standalone business and the Consolidated Financial Statements were derived from the consolidated financial statements and accounting records of Merck. The following disclosure summarizes activity between the Company and Merck up to the Separation, including the affiliates of Merck that were not part of the Separation.

Notes to Consolidated Financial Statements

Cost allocations from Merck

Merck provided significant corporate, manufacturing, selling, marketing, administrative, research services and resources to the Company. The Consolidated Financial Statements reflect an allocation of these costs. Some of these services continue to be provided by Merck to the Company on a temporary basis under the Transition Services Agreement. The allocations reflected in the Consolidated Statements of Income for continuing operations are as follows:

	Year Ended December 31,	
($ in millions)	2021 (1)	2020
Cost of sales	$ 69	$ 452
Selling, general and administrative	134	658
Research and development	35	152
	$ 238	$ 1,262

	Year Ended December 31,
($ in millions)	2021 (1)
Cost of sales	$ 69
Selling, general and administrative	134
Research and development	35
	$ 238

(1) *Includes costs through the Separation Date.*

Management believes these cost allocations are a reasonable reflection of the utilization of services provided to, or the benefit derived by, the Company during the periods presented. The allocations may not, however, be indicative of the actual expenses that would have been incurred had the Company operated as a standalone public company at the time. Actual costs that may have been incurred if the Company had been a standalone public company would depend on a number of factors, including the chosen organizational structure, whether functions were outsourced or performed by the Company's employees and strategic decisions made in areas such as manufacturing, selling, information technology and infrastructure.

Related party transactions

The following transactions represent activity between Organon Entities and Transferred Entities with other Merck affiliates prior to the Separation:

	Year Ended December 31,	
($ in millions)	2021	2020
Included in continuing operations		
Supply sales to Merck affiliates	$ 143	$ 57
Purchases from Merck affiliates	65	657
Cost reimbursements and fees from Merck affiliates	1	—
Included in discontinued operations		
Supply sales to Merck affiliates	$ 12	$ 542

Purchases from Merck affiliates	53	382
Cost reimbursements and fees (to) from Merck affiliates	—	22
Interest expense, net on loans and advances with Merck affiliates	—	2

($ in millions)	Year Ended December 31, 2021
Included in continuing operations	
Supply sales to Merck affiliates	$ 143
Purchases from Merck affiliates	65
Cost reimbursements and fees from Merck affiliates	1
Included in discontinued operations	
Supply sales to Merck affiliates	$ 12
Purchases from Merck affiliates	53

Notes to Consolidated Financial Statements

The Company had the following balances with Merck affiliates:

($ in millions)	December 31, 2020
Included in continuing operations	
Short term borrowings, net	$ 1,512
Trade payables (receivables), net	(173)
Due to related party	$ 1,339
Included in discontinued operations	
Short term loans receivables, net	$ 247
Short term notes payable, net	(25)
Trade payables, net	(33)
Due from related party	$ 189

Net transfers to Merck & Co., Inc.

Prior to the Separation, net transfers to Merck were included within *Net investment from Merck & Co., Inc.* on the Consolidated Statement of Equity and represent the net effect of transactions between the Company and Merck. The components of *Net transfers to Merck & Co., Inc.* were as follows:

($ in millions)	Year Ended December 31, 2021 (1)	2020
Cash pooling and general financing activities	$ 168	$ 5,216
Cost allocations, excluding non-cash stock-based compensation	(209)	(1,222)
Taxes deemed settled with Merck	(259)	(409)
Allocated derivative and hedging (losses) gains	(88)	(51)
Net transfers (from) to Merck & Co., Inc. as reflected in the Consolidated Statement of Cash Flows for Continuing Operations (2)	$ (388)	$ 3,534
Net transfers to (from) Merck included in Net Cash Provided by (Used in) Discontinued Operations	597	(194)
Total net transfers to Merck as included in the Consolidated Statement of Cash Flows	$ 209	$ 3,340
Stock-based compensation expense (includes $3 and 7 of discontinued operations for the year ended December 31, 2021 and 2020, respectively)	(32)	(54)
Net assets contributed by Merck affiliates	(778)	250
Derecognition of amounts in *Accumulated other comprehensive loss* related to employee benefit plan transfers to Merck affiliates	13	465
Net transfers (from) to Merck & Co., Inc. as reflected in the Consolidated Statement of Equity	$ (588)	$ 4,001

($ in millions)	Year Ended December 31, 2021 (1)
Cash pooling and general financing activities	$ 168
Cost allocations, excluding non-cash stock-based compensation	(209)
Taxes deemed settled with Merck	(259)
Allocated derivative and hedging (losses) gains	(88)
Net transfers (from) to Merck & Co., Inc. as reflected in the Consolidated Statement of Cash Flows for Continuing Operations (2)	$ (388)
Net transfers to Merck included in Net Cash Used in Discontinued Operations	597
Total net transfers to Merck as included in the Consolidated Statement of Cash Flows	$ 209
Stock-based compensation expense (includes $3 of discontinued operations)	(32)
Net assets contributed by Merck affiliates	(778)
Derecognition of amounts in *Accumulated other comprehensive loss* related to employee benefit plan transfers to Merck affiliates	13
Net transfers (from) to Merck & Co., Inc. as reflected in the Consolidated Statement of Equity	$ (588)

(1) *Amounts represent activity through the date of the Separation.*

(2) *Net transfers (from) to Merck & Co., Inc. as reflected in the Consolidated Statement of Cash Flows for Continuing Operations for the year ended December 31, 2021 include Separation adjustments of $52 million, identified after the date of the Separation.*

Prior to the Separation, transfers between the Organon Entities, the Transferred Entities and Merck affiliates were recognized in Net transfers to Merck & Co., Inc. in the Consolidated Statement of Equity at Merck's historical cost. Additionally, in connection with the Separation, certain assets and liabilities included in the pre-Separation balance sheet were retained by Merck and certain assets and liabilities not included in the pre-Separation balance sheet were transferred to Organon.

Separation-related adjustments were also recognized in Net transfers to Merck & Co., Inc. Adjustments for transfers and separations are reflected in the Company's Consolidated Financial Statements for the year ended December 31, 2021 and were comprised of (i) the retention of assets and liabilities by Merck affiliates including accounts receivable, net of $751 million, inventories of $265 million, transition tax liabilities of $1.4 billion and certain liabilities net of other assets of $210 million,

partially offset by (ii) the contribution of assets and liabilities to Organon Entities from Merck affiliates, including assets of $59 million and liabilities of $35 million.

Merck conveyed to Organon $79.3 million of reserves for unrecognized tax benefits associated with uncertain tax positions for jurisdictions outside of the United States. See Note 15 10 "Taxes on Income" for further details. The Company also incurred costs related to employee matters in connection with the Separation, primarily related to stock-based and pension related compensation costs. See Notes 13 7 "Stock-Based Compensation Plans" and 14 15 "Pension and Other Postretirement Benefits Benefit Plans" for further details.

19. Discontinued Operations 20. Contingencies

In contemplation Organon is involved in various claims and legal proceedings of the Separation, the Merck Retained Products a nature considered normal to its business, in the Transferred Entities was distributed to Merck affiliates including product liability, intellectual property, and accordingly, the historical results of operations, assets commercial litigation, as well as certain additional matters including governmental and liabilities, environmental matters.

Organon records accruals for contingencies when it is probable that a liability has been incurred and the cash flows of the Merck Retained Products for such Transferred Entities amount can be reasonably estimated. These accruals are reflected adjusted periodically as discontinued operations.

The components of Loss from discontinued operations, net of tax for the Merck Retained Products business assessments change or additional information becomes available. Individually significant contingent losses are as follows:

($ in millions)	Year Ended December 31, 2021	2020
Sales	$ 93	$ 1,564
Costs, Expenses and Other		
Cost of Sales	65	1,228
Selling, general and administrative	15	310
Research and development	4	94
Restructuring Costs	—	10
Other expense (income), net	4	(6)

Loss from discontinued operations before taxes	$ 5	$ (72)
Taxes on income	5	24
Loss from discontinued operations, net of taxes	$ —	$ (96)

Discontinued operations include related party sales of $12 million accrued when probable and $542 million for the year ended December 31, 2021 reasonably estimable. Legal defense costs expected to be incurred in connection with a loss contingency are accrued when probable and 2020, respectively. Costs for inventory purchases from related parties were $53 million and $382 million for the year ended December 31, 2021 and 2020, respectively.

reasonably estimable.

Notes to Consolidated Financial Statements

The components

Given the nature of assets the litigation discussed in this note and the complexities involved in these matters, Organon is unable to reasonably estimate a possible loss or range of possible loss for such matters until Organon 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.

Organon's decision to obtain insurance coverage is dependent on market conditions, including cost and availability, existing at the time such decisions are made. Organon 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.

Reference is made below to certain litigation in which Merck, but not Organon, is named as a defendant. Pursuant to the Separation and Distribution Agreement, Organon is required to indemnify Merck for liabilities relating to, arising from, or resulting from such litigation.

Product Liability Litigation

Fosamax

Merck is a defendant in product liability lawsuits in the United States involving *Fosamax*® (alendronate sodium) (the "Fosamax Litigation"). As of discontinued operations December 31, 2023, approximately 3,125 cases comprising the Fosamax Litigation are pending against Merck in either federal or state court. Plaintiffs in the vast majority of these cases generally allege that they sustained femur fractures and/or other bone injuries ("Femur Fractures") in association with the use of *Fosamax*.

All federal cases involving allegations of Femur Fractures have been or will be transferred to a multidistrict litigation in the District of New Jersey ("Femur Fracture MDL"). In the only bellwether case tried to date in the Femur Fracture MDL, *Glynn v. Merck*, the jury returned a verdict in Merck's favor. In addition, in June 2013, the Femur Fracture MDL court granted Merck's motion for judgment as a matter of law in the *Glynn* case and held that the plaintiff's failure to warn claim was preempted by federal law.

In August 2013, the Femur Fracture MDL court entered an order requiring plaintiffs in the Femur Fracture MDL to show cause why those cases asserting claims for a femur fracture injury that took place prior to September 14, 2010, should not be dismissed based on the court's preemption decision in the *Glynn* case. Pursuant to the show cause order, in March 2014, the Femur Fracture MDL court dismissed with prejudice approximately 650 cases on preemption grounds. Plaintiffs in approximately 515 of those cases appealed that decision to the U.S. Court of Appeals for the Third Circuit ("Third Circuit"). In March 2017, the Third Circuit issued a decision reversing the Femur Fracture MDL court's preemption ruling and remanding the appealed cases back to the Femur Fracture MDL court. In May 2019, the U.S. Supreme Court decided that the Third Circuit had incorrectly concluded that the issue of preemption should be resolved by a jury, and accordingly vacated the judgment of the Third Circuit and remanded the proceedings back to the Third Circuit to address the issue in a manner consistent with the Supreme Court's opinion. In November 2019, the Third Circuit remanded the cases back to the District Court in order to allow that court to determine in the first instance whether the plaintiffs' state law claims are preempted by federal law under the standards described by the Supreme Court in its opinion. On March 23, 2022, the District Court granted Merck's motion and ruled that plaintiffs' failure to warn claims are preempted as a matter of law to the extent they assert that Merck should have added a Warning or Precaution regarding atypical femur fractures prior to October 2010. On July 11, 2022, the District Court entered an Order to Show Cause as to why the Court should not dismiss either with prejudice or conditionally all of plaintiffs' claims that are stated separately not dependent on the preempted failure to warn claims. On November 18, 2022, as a result of December 31, 2020 the Order to Show Cause, the District Court entered a Final Judgment resulting in the Consolidated Balance Sheets are comprised dismissal with prejudice of all plaintiffs in the MDL. On December 16, 2022, those plaintiffs filed their Notice of Appeal to the Third Circuit challenging the District Court's preemption ruling. 974 of the following items:

($ in millions) *975 cases previously pending in the Femur Fracture MDL have either been dismissed or are on appeal to the Third Circuit. Plaintiff's motion to remand one case back to its transferor court is pending. The Third Circuit has scheduled oral arguments for March 5, 2024.*

	December 31, 2020
Assets	
Cash and cash equivalents	$ 58
Accounts receivable	322
Inventories	58
Due from related party	189
Other current assets	47
Total current assets of discontinued operations	674
Property, Plant and Equipment, net	14
Other Noncurrent Assets	77
Total Noncurrent Assets of Discontinued Operations	91
Total Assets of Discontinued Operations	$ 765
Liabilities	
Trade accounts payable	$ 35
Accrued and other current liabilities	93
Total current liabilities of discontinued operations	128
Deferred Income Taxes	—
Other Noncurrent Liabilities	83
Total Noncurrent Liabilities of Discontinued Operations	83
Total Liabilities of Discontinued Operations	$ 211

20. Earnings per Share ("EPS")

On June 2, 2021 As of December 31, 2023, the date approximately 1,870 cases alleging Femur Fractures have been filed in New Jersey state court and are pending in Middlesex County. The parties selected an initial group of the Separation, 253,516,000 shares of the Common Stock were distributed cases to be reviewed through fact discovery, and Merck stockholders of record as of the Record Date. This share amount is utilized for the calculation of basic and diluted earnings per share for all periods presented prior continued to the Separation. For the year ended December 31, 2021 and 2020, these shares are treated as issued and outstanding as of January 1, 2021 and 2020, respectively, for purposes of calculating historical basic and diluted earnings per share.

select additional cases to be reviewed.

The calculation As of basic December 31, 2023, approximately 275 cases alleging Femur Fractures have been filed and diluted earnings per common share are pending in California state court. All of the Femur Fracture cases filed in California state court have been consolidated before a single judge in Orange County, California.

Additionally, there are four Femur Fracture cases pending in other state courts.

Discovery is presently stayed in the Femur Fracture MDL and in the state court in California.

Nexplanon/Implanon

Merck is a defendant in lawsuits brought by individuals relating to the use of *Nexplanon* and *Implanon*™ (etonogestrel implant). There are two filed product liability actions involving *Implanon*, both of which are pending in the Northern District of Ohio as well as 56 unfiled cases involving *Implanon* alleging similar injuries, all of which have been tolled under a written tolling agreement. As of December 31, 2023, Merck had 20 cases pending outside the United States, of which 13 relate to *Implanon* and seven relate to *Nexplanon*.

Propecia/Proscar

As of December 31, 2023, one case involving *Proscar*® (finasteride) remains pending in the United States in the United States District Court for the year ended December 31, 2022 Eastern District of California in which Merck's motion to dismiss was granted by the District Court, but the plaintiff can appeal the decision. The Company is also defending 12 product liability cases involving *Propecia*® (finasteride) outside the United States, two of which are class actions and 2021 was as follows:

($ in millions and shares in thousands, except per share amounts)	Year Ended December 31, 2022	2021	2020
Net income:			
Income from continuing operations	$ 917	$ 1,351	$ 2,256
Income from discontinued operations	—	—	(96)
Net income	$ 917	$ 1,351	$ 2,160
Basic weighted average number of shares outstanding	254,082	253,538	253,516
Stock awards and equity units (share equivalent)	1,087	655	—
Diluted weighted average common shares outstanding	255,169	254,193	253,516
Earnings per Share - Basic:			
Continuing operations	$ 3.61	$ 5.33	$ 8.90
Discontinued operations	—	—	(0.38)
Net Earnings per Share - Basic	$ 3.61	$ 5.33	$ 8.52
Earnings per Share - Diluted:			
Continuing operations	$ 3.59	$ 5.31	$ 8.90
Discontinued operations	—	—	(0.38)
Net Earnings per Share - Diluted	$ 3.59	$ 5.31	$ 8.52
Anti-dilutive shares excluded from the calculation of EPS	4,375	4,871	—

three of which are putative class actions.

For periods Governmental Proceedings

From time to time, Organon's subsidiaries may receive inquiries and may be the subject of preliminary investigation activities from competition and/or other governmental authorities, including in markets outside the United States. 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 Organon, monetary fines and/or remedial undertakings may be required. Subject to certain exceptions specified in the Separation and Distribution Agreement, Organon assumed liability for all pending and threatened legal matters related to products transferred from Merck to Organon in connection with the spinoff, including competition investigations resulting from enforcement activity concerning Merck's conduct involving Organon's products. Organon could be obligated to indemnify Merck for fines or penalties, or a portion thereof, resulting from such investigations. In one such enforcement matter in Spain concerning *NuvaRing*, in October 2022, the National Commission on Markets and Competition ("CNMC") imposed a fine on Merck in the amount of €39 million for abuse of a dominant position in the market for contraceptive vaginal rings from June 2017 to April 2018. The CNMC decision to impose the fine has been appealed to the National High Court in Spain. If the fine ultimately stands, Organon could be obligated to indemnify Merck for a portion thereof.

Hadlima

In July 2021, Organon received a Civil Investigation Demand ("CID") from the Office of the Attorney General for the State of Washington. The CID requests answers to interrogatories, as well as various documents, regarding certain activities related to adalimumab and adalimumab biosimilars. Organon is cooperating with the government's investigation and has produced information in response to the CID.

Patent Litigation

From time to time, generic manufacturers of pharmaceutical products file Abbreviated New Drug Applications with the FDA seeking to market generic forms of Organon's products prior to the Separation, expiration of relevant patents owned by Organon. To protect its patent rights, Organon may file patent infringement lawsuits against such generic companies. Similar lawsuits defending Organon's patent rights may exist in other countries. Organon intends to vigorously defend its patents, which it is assumed that there were no dilutive equity instruments as there were no equity awards of Organon outstanding believes are valid, against infringement by companies attempting to market products prior to the Separation. 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, potential payment of damages and legal fees, and, with respect to products acquired through acquisitions, potentially significant intangible asset impairment charges.

For periods subsequent

Nexplanon

In June 2017, Microspherix LLC ("Microspherix") sued Organon in the U.S. District Court for the District of New Jersey asserting that the manufacturing, use, sale and importation of Nexplanon infringed several of Microspherix's patents that claim radio-opaque, implantable drug delivery devices. Microspherix claimed damages from September 2014 until the patents expired in May 2021. Organon brought Inter Partes Review proceedings in the United States Patent and Trademark Office ("USPTO") and successfully stayed the district court action. The USPTO invalidated some, but not all, of the claims asserted against Organon. Organon appealed the decisions that found claims valid, and the Court of Appeals for the Federal Circuit affirmed the USPTO's decisions. A claim construction hearing was held on March 2, 2022, and a claim construction order issued on February 27, 2023. This case was scheduled for trial before a jury in Camden, New Jersey starting on October 16, 2023. On October 13, 2023, the parties informed the district court that an agreement in principle of the key terms of a settlement was reached. In December 2023, the parties executed the settlement agreement and the district court dismissed the case. Organon reserved $80 million to cover the settlement in 2023.

Other Litigation

In addition to the Separation matters described above, there are various other pending legal proceedings involving Organon, principally product liability and intellectual property lawsuits. While it is not feasible to predict the outcome of such proceedings, in the opinion of Organon as of December 31, 2023, 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 Organon'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 Organon; the development of Organon's legal defense strategy and structure in light of the scope of its litigation; the number of cases being brought against Organon; and the Distribution, diluted earnings per share is computed 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 legal defense reserve as of December 31, 2023 and December 31, 2022 was $20 million and $17 million, respectively, and represented Organon'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 giving effect Organon. Organon 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.

Environmental Matters

In management's opinion, the liabilities for all potentially dilutive stock awards environmental matters that are outstanding. The computation probable and reasonably estimable have been accrued and totaled $19 million and $20 million at December 31, 2023 and 2022, respectively. These liabilities are undiscounted, do not consider potential recoveries from other parties and will be paid out over the periods of diluted earnings per share excludes remediation for the applicable sites, which are expected to occur primarily over the next 15 years. It is not possible to predict with certainty the outcome of these matters, or the ultimate costs of remediation. Management also does not believe that these expenditures should result in a material adverse effect on the Company's financial condition, results of the potential exercise of stock-based awards, when the effect of the potential exercise would be anti-dilutive. operations or liquidity for any period presented.

21. Subsequent Events

In January December 2023, Organon announced an agreement with Lilly to become the Company made a strategic investment sole distributor and promoter of the migraine medicines *Emgality*® (galcanezumab) and *Rayvow*™ (lasmiditan) in Claria Medical, Inc. ("Claria"), a privately-held company developing an investigational medical device being studied Europe. Lilly will remain the marketing authorization holder and will manufacture the products for use during minimally invasive laparoscopic hysterectomy. sale. Under the terms of the agreement, Organon paid $8 an upfront payment of $50 million, upfront upon closing of the transaction in January 2024, and has the option to acquire Claria for pre-defined terms at a later date. will pay sales-based milestone payments. The upfront payment will be expensed and certain sales-based milestone payments, which were deemed probable, are recognized as *Acquired in-process research and development and milestones* in our statement of income an intangible asset in the first quarter of 2023. 2024.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management of the Company, Our management with the participation of its our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's our disclosure controls and procedures. Based on their evaluation, as of the end of the period covered by this Form 10-K, the Company's our Chief Executive Officer and

Chief Financial Officer have concluded that the Company's our disclosure controls and procedures (as defined in Rules 13a-15(f) 13a-15(e) or 15d-15(f) 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Act)) are effective.

Changes in Internal Control Over Financial Reporting

In 2022, the Company We began an implementation of an enterprise resource planning, or ERP, ("ERP") system, which will replace the existing core financial system. The ERP system is designed to accurately maintain the Company's our financial records used to report operating results. The implementation of the consolidated financial reporting module will be was completed during the 2023 fiscal year and the year. The implementation of the general ledger modules will occur module is in progress and occurring in phases and will is expected to be completed by the first half of 2024. The Company changes in process under the new ERP will evaluate each quarter whether there are changes that materially affect, or are reasonably likely continue to materially affect be subject to our evaluation of the operating effectiveness of internal control over financial reporting.

For Except for the fourth quarter implementation of 2022, an ERP system, there have been was no changes change in our internal control over financial reporting that occurred during the fourth quarter of 2023, that has materially affected, or are is reasonably likely to materially affect, the Company's our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934. The Company's Act. Our internal control over financial reporting is designed 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 in the United States of America. Management conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2022 December 31, 2023 based on the framework in Internal Control — Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that internal control over financial reporting was effective as of December 31, 2022 December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's our internal control over financial reporting as of December 31, 2022 December 31, 2023, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Item 9B. Other Information

None. During the three months ended December 31, 2023, none of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Organon has We have a Code of Conduct applicable to all of our employees, including the our principal executive officer, principal financial officer, principal accounting officer, and controller, and all directors. The Our Code of Conduct is available at organon.com/about-organon/mission-vision-and-values/code-of-conduct. To the extent required by the rules of the U.S. Securities and Exchange

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Commission (the "SEC") SEC or the New York Stock Exchange, (the "NYSE"), Organon intends we intend to disclose amendments to and waivers of the Code of Conduct applicable to our executive officers and directors, if any, on that website within four business days following the date of any such amendment or waiver.

Additional information required by this item will be included in the 2023 2024 Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be included in the 2023 2024 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in the 2023 2024 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in the 2023 2024 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be included in the 2023 2024 Proxy Statement and is incorporated herein by reference.

Part IV

Items 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements: The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K.

- Report of Independent Registered Public Accounting Firm
- Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
- Consolidated Balance Sheet
- Consolidated Statement of Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

2. Exhibits: See Item 15(b) below.

(b) Exhibits

The exhibits listed on the Exhibit Index beginning on page 114 96, which is incorporated herein by reference, are filed or furnished as part of this report or are incorporated into this report by reference.

Number		Description
2.1	—	Separation and Distribution Agreement, dated as of June 2, 2021, by and between Merck & Co., Inc. and Organon & Co. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021
3.1	—	Amended and Restated Certificate of Incorporation of Organon & Co. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
3.2	—	Amended and Restated Bylaws of Organon & Co. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on December 9, 2022)
4.1	—	Form of Specimen Common Stock Certificate (incorporated herein (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K (File No. 001-40235) filed on March 21, 2022)
4.2	—	Description of Registrant's Securities (incorporated herein by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K (File No. 001-40235) filed on March 21, 2022)
†10.1	—	Tax Matters Agreement, dated as of June 2, 2021, by and between Merck & Co., Inc. and Organon & Co. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.2	—	Employee Matters Agreement, dated as of June 2, 2021, by and between Merck & Co., Inc. and Organon & Co. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
†10.3	—	Transition Services Agreement, dated as of June 2, 2021, by and between Merck & Co., Inc. and Organon & Co. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
†10.4	—	Transition Services Agreement, dated as of June 2, 2021, by and between Merck & Co., Inc. and Organon & Co. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.5	—	Indenture, dated as of April 22, 2021, among Organon Finance 1 LLC, Organon Foreign Debt Co-Issuer B.V., U.S. Bank National Association, as trustee and collateral agent, and Elavon Financial Services DAC, UK Branch, as principal paying agent, transfer agent and registrar, with respect to 2.875% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.6	—	Indenture, dated as of April 22, 2021, among Organon Finance 1 LLC, Organon Foreign Debt Co-Issuer B.V. and U.S. Bank National Association, as trustee and collateral agent, with respect to 4.125% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.7	—	Indenture, dated as of April 22, 2021, among Organon Finance 1 LLC, Organon Foreign Debt Co-Issuer B.V. and U.S. Bank National Association, as trustee, with respect to 5.125% Senior Notes due 2031 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.8	—	First Supplemental Indenture, dated as of June 2, 2021, among Organon & Co., Organon Foreign Debt Co-Issuer B.V., Organon Finance 1 LLC and U.S. Bank National Association, as trustee and collateral agent, with respect to 2.875% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.9	—	First Supplemental Indenture, dated as of June 2, 2021, among Organon & Co., Organon Foreign Debt Co-Issuer B.V., Organon Finance 1 LLC and U.S. Bank National Association, as trustee and collateral agent, with respect to 4.125% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.10	—	First Supplemental Indenture, dated as of June 2, 2021, among Organon & Co., Organon Foreign Debt Co-Issuer B.V., Organon Finance 1 LLC and U.S. Bank National Association, as trustee, with respect to 5.125% Senior Notes due 2031 (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)

10.11	—	Second Supplemental Indenture, dated as of June 2, 2021, among Organon LLC, Organon Global Inc., Organon Trade LLC, Organon Pharma Holdings LLC, Organon USA LLC, Organon Canada Holdings LLC, Organon & Co., Organon Foreign Debt Co-Issuer B.V. and U.S. Bank National Association, as trustee and collateral agent, with respect to 2.875% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.12	—	Second Supplemental Indenture, dated as of June 2, 2021, among Organon LLC, Organon Global Inc., Organon Trade LLC, Organon Pharma Holdings LLC, Organon USA LLC, Organon Canada Holdings LLC, Organon & Co., Organon Foreign Debt Co-Issuer B.V. and U.S. Bank National Association, as trustee and collateral agent, with respect to 4.125% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 10.12 to the Company's Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.13	—	Second Supplemental Indenture, dated as of June 2, 2021, among Organon LLC, Organon Global Inc., Organon Trade LLC, Organon Pharma Holdings LLC, Organon USA LLC, Organon Canada Holdings LLC, Organon & Co., Organon Foreign Debt Co-Issuer B.V. and U.S. Bank National Association, as trustee, with respect to 5.125% Senior Notes due 2031 (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.14	—	Senior Secured Credit Agreement, dated as of June 2, 2021, by and among Organon & Co., Organon Foreign Debt Co-Issuer B.V., JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent, and the L/C Issuers and Lenders party thereto (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
10.15	—	Amendment No. 1 to Senior Secured Credit Agreement, dated as of June 30,2023, to the Credit Agreement by and among Organon & Co., Organon Foreign Debt Co-Issuer B.V.,JPMorgan Chase Bank, N.A., as Administrative Agent, Collateral Agent, and the L/C Issuers and Lendersparty thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K(File No. 001-40235) filed on July 7, 2023).
+10.15 10.16	—	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
+10.16 10.17	—	Organon & Co. 2021 Incentive Stock Plan (incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
+10.17 10.18	—	Organon & Co. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
+10.18 10.19	—	Organon & Co. Executive Change in Control Severance Program (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
+10.19 10.20	—	Organon & Co. Executive Severance Program (incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K (File No. 001-40235) filed on June 3, 2021)
*10.21		Organon & Co. Executive Severance Program, as amended and restated on February 8, 2024.
+10.20 10.22	—	Organon Non-Employee Director Savings Plan (incorporated by reference to Exhibit 10.20 to Organon's Quarterly Report on Form 10-Q (File No. 001-40235) filed on November 12, 2021)
+10.21 10.23	—	Form of Global Terms for 2021 Restricted Stock Unit Grants Under the Organon & Co. 2021 Incentive Stock Plan (incorporated by reference to Exhibit 10.21 to Organon's Quarterly Report on Form 10-Q (File No. 001-40235) filed November 12, 2021)
+10.22 10.24	—	Form of Global Terms for 2021 Performance Share Unit Award Under the Organon & Co. 2021 Incentive Stock Plan (incorporated by reference to Exhibit 10.22 to Organon's Quarterly Report on Form 10-Q (File No. 001-40235) filed November 12, 2021)
+10.23 †10.25	—	Form of Global Terms for 2021 Non-qualified Stock Option Grants Under the Organon & Co. 2021 Incentive Stock Plan (incorporated by reference to Exhibit 10.23 to Organon's Quarterly Report on Form 10-Q (File No. 001-40235) filed on November 12, 2021
†10.24 10.26	—	Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated February 18, 2013 (incorporated by reference to Exhibit 10.4 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)
†10.25 10.27	—	Amendment No. 1 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated July 21, 2014 (incorporated by reference to Exhibit 10.5 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)

†10.26 10.28	—	Amendment No. 2 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated August 2, 2017 2014 (incorporated by reference to Exhibit 10.6 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)

10.27	10.29	—	Amendment No. 3 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated October 1, 2017 (incorporated by reference to Exhibit 10.7 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)
10.28	10.30	—	Amendment No. 4 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated September 1, 2018 (incorporated by reference to Exhibit 10.8 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)
10.29	10.31	—	Amendment No. 5 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated October 15, 2018 (incorporated by reference to Exhibit 10.9 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)
†10.30	10.32	—	Amendment No. 6 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated December 19, 2018 (incorporated by reference to Exhibit 10.10 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)
†10.31	10.33	—	Amendment No. 7 to

†10.31	10.33			Amendment No. 7 to Development and Commercialization Agreement by and between Samsung Bioepis Co., Ltd., and Merck Sharp & Dohme Corp., dated May 15, 2020 (incorporated by reference to Exhibit 10.11 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 14, 2021)
†10.32	+10.34			Specified Technology License Agreement (Nexplanon Rod Technology) by and between Merck Sharp & Dohme B.V. and Merck Sharp & Dohme RT B.V., dated October 28, 2020 (incorporated by reference to Exhibit 10.12 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on March 17, 2021)
+10.33	10.35			Letter Agreement between Kevin Ali and Merck & Co., Inc. dated October 14, 2020 (incorporated by reference to Exhibit 10.15 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 29, 2021)
+10.34	10.36			Letter Agreement between Matthew M. Walsh and Merck Sharp & Dohme Corp. dated March 24, 2020 (incorporated by reference to Exhibit 10.16 to Organon's Registration Statement on Form 10 (File No. 001-40235) filed on April 29, 2021)
10.35	10.37			Supplemental License Agreement (Nexplanon Rod Technology) by and between Merck Sharp & Dohme B.V. and Merck Sharp & Dohme RT B.V., dated December 13, 2021 (filed on March 21, 2022)

		2022)
*10.38		Form of Executive Separation Agreement
*21.1	—	List of Subsidiaries
*23.1	—	Consent of PricewaterhouseCoopers LLP
*24.1	—	Power of Attorney (included on signature page)
*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
*97.1	—	Organon & Co. Dodd-Frank Policy On Recoupment Of Incentive Compensation
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).

+ Management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith.

† Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant agrees to furnish a copy of any omitted schedule or exhibit to the SEC upon request; provided, however, that the registrant may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

[1] Indicates, in this 2022 2023 Form 10-K, brand names of products, which are not available in the United States.

[2] Indicates, in this 2022 2023 Form 10-K, brand names of products, which are registered trademarks not owned by the Company or its subsidiaries. *Prolia* and *Xgeva* are trademarks registered in the U.S. in the name of Amgen Inc.; *Humira* is a trademark registered in the U.S. in the name of Abbvie AbbVie Biotechnology Ltd.; *Enbrel* is a trademark registered in the U.S. in the name of Immunex Corporation; *Remicade* is a trademark registered in the U.S. in the name of Janssen Biotech, Inc.; *Avastin, Perjeta* and *Herceptin* are trademarks registered in the U.S. in the name of Genentech, Inc.; *Yervoy* is a trademark registered in the U.S. in the name of Bristol-Myers Squibb Company; *Clarinex* is a trademark registered in the U.S. in the name of Bayer Healthcare LLC (used under license); and *Vioxx* is a trademark registered in the name of Merck in several countries. countries: *Emgality* is a trademark registered in the U.S. in the name of Eli Lilly and Company (used under license); and *Rayvow* is a registered trademark of Eli Lilly in the European Union and other countries (used under license). Brand names of products that are in all italicized letter, letters, without the footnote, are registered trademarks of Organon and/or one of its subsidiaries.

Item 16. Form 10-K Summary

None.

Signatures

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

ORGANON & CO.

Date: February 27, 2023 February 26, 2024

/s/ Matthew Walsh

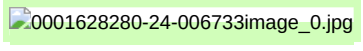
Matthew Walsh

Chief Financial Officer

We, the undersigned directors and officers of Organon, hereby severally constitute Kevin Ali and Matthew Walsh, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE		TITLE		DATE
/s/ Kevin Ali		Chief Executive Officer and Director		February 26, 2024
/s/ Matthew Walsh		Chief Financial Officer		February 26, 2024
/s/ Kathryn DiMarco		SVP Finance – Corporate Controller		February 26, 2024
/s/ Carrie Cox		Chairman of the Board of Directors		February 26, 2024
/s/ Robert Essner		Director		February 26, 2024
/s/ Alan Ezekowitz		Director		February 26, 2024
/s/ Ma Fatima de Vera Francisco		Director		February 26, 2024
/s/ Helene Gayle		Director		February 26, 2024
/s/ Rochelle Lazarus		Director		February 26, 2024
/s/ Deborah Leone		Director		February 26, 2024
/s/ Martha McGarry		Director		February 26, 2024
/s/ Philip Ozuah		Director		February 26, 2024
/s/ Cynthia Patton		Director		February 26, 2024
/s/ Grace Puma		Director		February 26, 2024
/s/ Shalini Sharp		Director		February 26, 2024



Organon Executive Severance Program

This document sets forth the terms of the Organon Executive Severance Program (as the same may be amended, the "**Plan**") as amended and restated effective February 8, 2024. This document is both the legal plan document as well as the Summary Plan Description for the Plan.

The Plan applies to certain executives of Organon & Co. and its wholly owned subsidiaries who are determined to be participants in the Plan.

Organon reserves the right to amend, modify or terminate the Plan in whole or in part or to discontinue the Plan completely at any time.

Terms that are frequently used in the Plan are defined in the Glossary.

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About Your Executive Severance Program

The following About Your Executive Severance Program section provides you with important information about eligibility and other administrative details.

Overview

This Plan is designed to help you meet financial needs if your employment with the Employer is terminated under certain circumstances.

Eligibility

Eligibility in General

Termination without Cause. You will be eligible to receive Separation Pay, Separation Benefits and Outplacement Benefits under this Plan if you are an Eligible Employee whose employment with the Employer terminates in a Qualifying Termination as a result of your termination by the Employer without Cause (and not as the result of your performance). Such benefits are provided only if you have signed and, if a revocation period is applicable, not revoked, a Release of Claims.

Release of Claims. The Release of Claims will contain such terms and conditions as determined by the Employer, including but not limited to a general release of claims, known or unknown, that you may have against the Employer and its affiliates, including claims related to your employment and termination of employment. Such Release of Claims may also contain, in the Employer's discretion, other terms and conditions including, without limitation, post-termination cooperation, non-disclosure, confidentiality, non-disparagement, non-solicitation and/or non-competition provisions.

Eligible Employee. An Eligible Employee under this Plan includes employees of an Employer in Band 700 or higher. However, any employee of an Employer who has an individual employment, separation or similar agreement with the Employer that provides for separation, severance or termination payments or benefits will not be eligible for Separation Plan Benefits under this Plan, but rather the terms of such individual employment, separation or similar agreement will control. In addition, should benefits be payable to a participant in the Organon Executive Change in Control Severance Plan, no payments or benefits will be provided under this Plan.

See the Glossary for the full definition of Eligible Employee, Qualifying Termination and Release of Claims.

When Eligibility Ends

Your eligibility to participate in this Plan ends on the earliest of:

- The date your employment with the Employer terminates for any reason other than a Qualifying Termination;
- The date you are no longer an Eligible Employee; or
- The date this Plan is terminated by the Employer.

ERISA

This Plan is considered a "welfare benefit plan" under the Employee Retirement Income Security Act of 1974, as amended (ERISA). You are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants are entitled to:

Receive Information About Your Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing this Plan.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of this Plan and updated summary plan descriptions. The Plan Administrator may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules. See Filing a Claim and Appealing aClaim.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan (if applicable) and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you submit a claim for benefits under this Plan within the time period specified for filing a claim and your claim is:

(i) ignored, or

(ii) denied, and you file an appeal within the applicable time frame and that appeal is then

(a) ignored or

(b) denied,

you may file a lawsuit in a state or Federal court. Please note that before you can file a lawsuit in a state or Federal court, you must follow the Plan's procedures for filing a claim and an appeal of a denied claim.

If it should happen that the plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file a lawsuit in a Federal court. If you file a lawsuit the court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about this Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or write to the following address:

Division of Technical Assistance and Inquiries
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration or visiting their website.

Administrative Information

This section contains information on the administration and funding for this Plan. While you may not need this information for day-to-day participation in this Plan, you should read through this section. It is important for you to understand your rights, the procedures you need to follow, and the appropriate contacts you may need in certain situations.

Sponsor

Organon LLC sponsors this Plan. The employer identification number assigned to Organon LLC by the IRS is #85-2269702. The address and phone number for Organon LLC is as follows:

Organon LLC
30 Hudson Street
Jersey City, NJ 07302
551-430-6000

Plan Administrator

The Plan Administrator for this Plan is Organon's Administrative Committee or its delegate; provided, however, that the Talent Committee of the Board of Directors of Organon & Co. (the "Board") administers this Plan with respect to any executive officers of Organon & Co. other than the Chief Executive Officer of Organon & Co. and the Board administers this Plan with respect to the Chief Executive Officer of Organon & Co. Any references to Organon's "Administrative Committee" will refer to the Talent Committee or the Board with respect to such Participants. Administration of this Plan is the responsibility of the Plan Administrator. The Plan Administrator makes determinations as to eligibility and benefits.

The Plan Administrator has the full exclusive discretionary authority to:

- Construe and interpret the provisions of this Plan (including without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of this Plan);
- Determine all questions of fact arising under this Plan;
- Decide all questions of eligibility for benefits;
- Determine the amount of benefits;
- Establish such rules and regulations (consistent with the terms of this Plan) as it deems necessary or appropriate for administration of this Plan;
- Delegate responsibilities to others to assist in administration of the Plan; and
- Perform all other acts it believes reasonable and proper in connection with the administration of this Plan.

Its decisions on such matters are final and conclusive. The Plan Administrator has reserved the right to delegate all or any portion of its discretionary authority described in the preceding sentence to a representative and the representative's decisions on such matters are final and conclusive. With respect to determining claims and appeals for benefits under this Plan, the Claims Reviewer (and its delegate) is the delegate of the Plan Administrator and has all of the powers and duties of the Plan Administrator described above.

Any interpretations or determinations made pursuant to such discretionary authority of the Plan Administrator or its representative will be upheld in judicial review unless it is shown that the interpretation or determination was an abuse of discretion.

If you have any questions concerning this Plan, please contact the Plan Administrator as follows:

Organon Administrative Committee
Organon & Co.
30 Hudson Street
Jersey City, NJ 07302

Agent for Service of Legal Process

If, for any reason, you want to seek legal action against this Plan, you can serve legal process on Organon, by directing service to the following address:

General Counsel
Organon & Co.
30 Hudson Street
Jersey City, NJ 07302

Plan Funding and Administration

Separation Pay and Outplacement Benefits under this Plan are financed entirely by the Employer, are paid from the Employer's general assets as due and constitute an unfunded obligation of the Employer. This Plan constitutes solely an unsecured promise by the Employer to pay the benefits to Participants to the extent provided herein. Participant contributions are required for the continued medical and dental benefits which are part of the Separation Benefits. Separation Benefits under this Plan provide Participants with eligibility for continued medical and dental and life insurance coverage under the applicable plans of Employer or its subsidiaries. This Plan does not provide the substantive benefits under those plans. For information on the funding and administration of each of those plans, see the summary plan descriptions (and any applicable summaries of material modification) applicable to each individual plan.

This Plan is not intended to be an "employee pension plan" as the term is defined in section 3(2) of ERISA. The Plan is, however, intended to be an employee welfare benefit plan as the term is defined in section 3(1) of ERISA.

This Plan and all rights thereunder are to be governed by and construed in accordance with ERISA and, to the extent not preempted by Federal law, with the laws of the state of Delaware, wherein venue shall lie for any dispute arising hereunder.

SIGNATURE Plan Funding and Administration Chart					
Formal Plan Name	Plan Number	Plan/Type Benefits Type	Plan Administrator	Type of Administration	Insured or Self-insured
Organon Executive Severance Program	514	Welfare/ Severance	Organon Administrative Committee	Employer Administration	Self-insured by the Employer

No Right to Employment

Nothing in this Plan represents nor is considered an employment contract, and neither the existence of this Plan nor any statements made by or on behalf of the Employer can be construed to create any promise or contractual right to employment or to the benefits of employment. Subject to the requirements of applicable law, the Employer or you may terminate the employment relationship without notice at any time and for any reason.

Plan Amendment and Termination

The Administrative Committee has the right to amend, modify or terminate this Plan at any time without prior notice to or the consent of any employee; provided, however, that any such action that affects benefits payable hereunder to the Chief Executive Officer shall be approved by the Board and any such action that affects any other executive officer of the Organon & Co. shall be approved by the Talent Committee of the Board.

Notwithstanding the foregoing, for two years following a Change in Control, the material terms of this Plan (including terms relating to eligibility, benefit calculation, benefit accrual, cost to participants, subsidies and rates of employee contributions) may not be modified in a manner that is materially adverse to Eligible Employees. During that two-year period, the Employer will pay the legal fees and expenses of any Eligible Employee that prevails on at least one material item of his or her claim for relief in an action regarding an impermissible amendment (other than ordinary claims for benefits).

Any Eligible Employee whose employment continues after amendment of this Plan is governed by the Plan as so amended. Any Eligible Employee whose employment continues after termination of this Plan has no right to Separation Plan Benefits. Nothing in this Plan in any way limits the right of the Employer (or its applicable subsidiary) to amend or terminate any or all of the plans of the Employer (or its applicable subsidiary) that provide Separation Benefits under this Plan.

Plan Year

The plan year for this Plan ends on December 31 of each year. The financial records of this Plan are kept on a calendar-year basis.

TITLE

Benefits under the Executive Severance Program

How the Plan Works

Termination without Cause

You may receive Separation Pay, Separation Benefits and Outplacement Benefits under this Plan if your employment is terminated by the Employer without Cause (and not as the result of your performance). Such benefits are provided only if you have signed, and, if a revocation period is applicable, not revoked, a Release of Claims. If you meet all these conditions for eligibility, you are considered a Participant in the Plan.

Separation Pay Schedule

Upon a Qualifying Termination, your Separation Pay under this Plan includes:

(i) a lump sum cash severance payment in an amount equal to the sum of your Annual Base Salary (the "**Base Salary Separation Pay**") and your Annual Target Bonus; provided, however, if you are the Chief Executive Officer of Organon & Co. such payment shall be equal to the sum of

two times (2x) your Annual Base Salary and two times (2x) your Annual Target Bonus; and

(ii) if your employment is terminated between June 30th and December 31st of the calendar year, a pro-rata Annual Target Bonus for the calendar year in which your termination of employment occurs, calculated based on the AIP-Eligible Months that you were employed during the year.

Notwithstanding the foregoing, if you were employed by Merck & Co., Inc. or any of its direct or indirect wholly-owned subsidiaries immediately prior to the legal separation of Organon & Co. and Merck & Co., Inc., the Base Salary Separation Pay component of your Separation Pay shall be no less than the amount calculated in Exhibit A (based on your complete years of continuous service with the Employer and Merck & Co., Inc. and its wholly-owned subsidiaries to the extent recognized by Merck & Co., Inc. and its subsidiaries immediately prior to legal separation of Organon & Co. and Merck & Co., Inc.). For purposes of this Plan, years of continuous service will be calculated from your most recent re-hire date.

Continuation of Medical and Dental Coverage

A Participant who is covered under any of the Employer's group employee medical and dental plans as of his or her Separation Date will be provided the opportunity to continue his or her employee and dependent coverage during his or her Benefits Continuation Period (as such coverage may be amended from time to time, in accordance with the terms and conditions of such plans), provided the Participant timely pays the required contribution to continue coverage. The required contribution is calculated at the active employee rates applicable to such coverage, as the same may be changed from time to time, during his or her Benefits Continuation Period.

A Participant who, prior to his or her Separation Date, had elected no employee medical or dental coverage under the applicable employee medical or dental plan will not be permitted to change from no medical and/or dental coverage to coverage as a result of a Qualifying Termination.

The Benefits Continuation Period begins on the first day of the month following the Participant's Separation Date and shall end on the last day of the month in which the Benefits Continuation Period ends, provided the Participant pays the required contributions for coverage in the time and manner required. If the Participant fails to pay the required contributions for coverage in the time and manner required, or the Participant elects to terminate active medical and/or dental coverage, coverage will end as of the last day of the month for which the contribution was paid and it will not be reinstated during the Benefits Continuation Period. If the Participant has medical and/or dental coverage on the last day of the Benefits Continuation Period, the Participant may be eligible to continue coverage in effect at the end of the Benefits Continuation Period in accordance with COBRA or other similar law by timely electing and paying the full COBRA, or other applicable, premium.

If the Participant elects to end the Benefits Continuation Period earlier than the period set forth in the definition of the Benefits Continuation Period, all employee medical and/or dental benefit coverage that the Participant would otherwise have been eligible to receive during the maximum Benefits Continuation Period will be permanently and irrevocably forfeited.

If, as of his or her Separation Date, a Participant is eligible to participate in the Merck Retiree Medical Plan, then he or she:

- will be eligible to continue active Organon medical and dental benefits during the Benefits Continuation Period as described above; and
- following the completion of the Benefits Continuation Period, will be eligible for retiree medical benefits in accordance with the terms of the Merck Retiree Medical Plan, as it may be amended from time to time.

If a Participant is not eligible to continue Organon employee medical coverage during the Benefits Continuation Period (i.e., because the Participant had no employee coverage on his/her Separation Date) or the Participant's medical coverage ends during the Benefits Continuation Period (for any reason, including non-payment), the Participant cannot enroll for Merck Retiree Medical Plan coverage until the end of the Benefits Continuation Period. If the Participant elects to end the Benefits Continuation Period earlier than the period set forth on Exhibit A, all Organon employee medical and/or dental benefit coverage that the Participant would otherwise have been eligible to receive during the maximum Benefits Continuation Period will be permanently and irrevocably forfeited. A Participant cannot be covered as an Organon employee and as a Merck retiree (even under the retiree no coverage option, if available) during the same period; provided, however, that a Participant may be covered through COBRA at full COBRA rates for Organon employee dental coverage even if during that period the Participant is also covered as a Merck retiree for medical coverage.

Continuation of Basic Life Insurance Coverage

A Participant other than the Chief Executive Officer will be eligible to continue Basic Life Insurance coverage at no cost to the Participant during his or her Benefits Continuation Period subject to and in accordance with the terms of the applicable life insurance plan as they may be amended from time to time. The Participant is responsible for paying applicable tax on imputed income, if any, for Basic Life Insurance coverage during his or her Benefits Continuation Period.

A Chief Executive Officer of Organon & Co. who becomes a Participant will be eligible to continue Basic Life Insurance coverage at no cost to the Participant for a period of eighteen (18) months following the first day of the calendar month following his or her Separation Date, subject to and in accordance with the terms of the applicable life insurance plan as they may be amended from time to time. The Participant is responsible for paying applicable tax on imputed income, if any, for Basic Life Insurance coverage during this eighteen (18) month period.

Outplacement Benefits

A participant will be eligible for 12 months of outplacement counseling or other outplacement services. Outplacement Benefits are provided through a third party vendor. The Employer reserves the right to change the vendor or the programs at any time.

Reduction of Benefits

Notwithstanding anything in this Plan to the contrary, a Participant's Separation Pay and Separation Benefits, if applicable, will be reduced by:

- Any amount the Plan Administrator reasonably concludes the Participant owes the Employer including, without limitation, unpaid bills under the corporate credit card program and for vacation used, but not earned;
- Any severance or severance-type benefits that the Employer must pay to a Participant under applicable law or collective or labor agreement (other than unemployment compensation under applicable law), including any amounts payable pursuant to the Worker Adjustment and Retraining Notification Act ("WARN") or any other similar federal, state or local statute;
- Where permitted by law, any payments received by the Participant pursuant to state workers compensation laws; and
- Short-term disability benefits where applicable law does not permit Separation Pay to be offset from short-term disability benefits (or where the Employer in its sole and absolute discretion determines it is administratively easier for the Employer to reduce Separation Pay by short-term disability benefits in lieu of reducing short term disability benefits by Separation Pay).

When and How Benefits Are Paid

Separation Pay will be paid in a lump sum (less applicable withholdings) as soon as practicable after the Participant's Separation Date and the expiration of any period during which the Participant may consider, sign and, if a revocation period is applicable, revoke the Release of Claims, but in no event later than March 15 of the calendar year following the Participant's Separation Date. If the period during which the Participant may consider, sign and, if a

revocation period is applicable, revoke, the Release of Claims spans two calendar years the Separation Pay will be paid in the second calendar year.

Notwithstanding anything in this Plan to the contrary, benefits under this Plan (including Separation Pay and Separation Benefits) that are subject to Section 409A of the Code, will be administered to comply with and to avoid the excise tax under Section 409A. The Employer will take any and all steps it determines are necessary, in its sole and absolute discretion, to adjust benefits under this Plan (including Separation Pay and Separation Benefits) to avoid the excise tax under Section 409A, including but not limited to, reducing or eliminating benefits, changing the time or form of payment of benefits, etc.

Notwithstanding anything contained in this Plan to the contrary, if a Participant is a "Specified Employee" (as defined under Section 409A) on his or her Separation Date, to the extent required by Section 409A, no payments will be made to him or her until the earlier of (i) his or her death; or (ii) the expiration of the six-month period following his or her Separation Date. Instead, amounts that would otherwise have been payable during that six-month period will be accumulated and paid, without interest, as soon as administratively feasible, and in all events within 30 days, following the end of such six-month period.

Taxation of Benefits

Separation Pay is subject to the withholding of appropriate Federal, state and local taxes. The Employer will withhold taxes as required, but the Employer reserves the right to treat Separation Pay as supplemental wages subject to flat-rate withholding (not taking into account any exemptions).

In the event that any payments or benefits provided or to be provided by the Employer or its affiliates for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise, constitute parachute payments within the meaning of Section 280G of the Code and would be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then such payments or benefits shall be reduced to the minimum extent necessary to avoid the imposition of the Excise Tax, but only if such reduction would cause the amount to be retained by the Participant to be greater than would be the case if the Participant were required to pay the Excise Tax. Any such reduction shall be made by the Employer in its sole discretion consistent with the requirements of Section 409A of the Code.

Forfeiture of Benefits

The Employer reserves the right, in its sole and absolute discretion, to cancel all Separation Plan Benefits and to seek the return of Separation Pay in the event a Participant engages in any activity that the Employer considers detrimental to its interests (or the interests of any of its affiliates) as determined by Organon's Administrative Committee. Activities that the Employer considers detrimental to its interest (or the interests of any of its subsidiaries or affiliates) include, but are not limited to:

- Any activity that constitutes Cause (regardless of whether such activity is known before or after the Eligible Employee's Separation Date, unless the Claims Reviewer determines in its sole discretion that Cause shall not cause the forfeiture of Separation Plan Benefits in a particular case);
- Breach of any obligations of the Participant's terms and conditions of employment;

- Making false or misleading statements about the Employer or any of its affiliates or their products, officers or employees to competitors, customers, potential customers or to current employees or former employees of the Employer; and
- Breaching any of the terms of the Release of Claims, including, if included in the Release of Claims, any non-solicitation or non-competition provisions.

Cessation of Separation Pay and Benefits

Separation Pay and Separation Benefits cease in the event a Participant is rehired by the Employer or one of its affiliates.

A Participant shall cease to participate in the Plan, and all Separation Plan Benefits shall cease upon the occurrence of the earliest of:

- Termination of the Plan;
- Inability of the Employer to pay Separation Plan Benefits when due;
- Completion of payment to the Participant of the Separation Plan Benefits for which the Participant is eligible; and
- The Claims Reviewer's determination, in its sole discretion, of the occurrence by the Eligible Employee of an activity that constitutes Cause, regardless of whether such determination occurs before or after the Eligible Employee's Separation Date, unless the Claims Reviewer determines in its sole discretion that Cause shall not cause the cessation of Separation Plan Benefits in a particular case.

Return of Separation Pay

If an event occurs pursuant to which Separation Plan Benefits would cease or otherwise be reduced or offset (see Reduction of Benefits, Forfeiture of Benefits and Cessation of Separation Pay and Benefits), then, to the fullest extent permitted by applicable law, the Participant must repay to the Employer the gross amount of any Separation Plan Benefits previously paid or provided within thirty (30) days following receipt of a demand for such repayment.

Death of Participant

If a Participant dies following his or her Separation Date and a valid Release of Claims was signed by the Participant or is signed by the Participant's estate then:

- any unpaid Separation Pay will be paid to the Participant's estate; and
- if the Participant was eligible to continue medical and/or dental coverage during the Benefits Continuation Period on the Participant's date of death and the Participant's surviving dependents were coveredunder the Participant's medical and dental coverages at the time of the Participant's death, they may continue such coverage for the balance of the Benefits Continuation Period, provided they continue to remain eligible dependents and they pay the applicable contributions at active employee rates, as they may change from time to time.

Medical and dental coverage under this section is subject to and in accordance with the terms of the applicable plans of Employer (or its subsidiaries) as they may be amended from time to time.

Filing a Claim

If benefits are not automatically paid or provided to you and you feel you are entitled to benefits under this Plan or if you have a dispute regarding a benefit paid or provided, you (or your duly authorized representative) must file a claim with the Claims Reviewer at the following address:

Administrative Committee
Organon LLC
30 Hudson Street
Jersey City, NJ 07302

Your claim must be received by the Claims Reviewer within 60 days after your employment with an Employer ends; provided, however for claims regarding the cessation of Separation Plan Benefits, the claim must be received by the Claims Reviewer within 60 days after the date Separation Plan Benefits are cancelled.

The claim for benefits will be reviewed by, and a determination made by, the Claims Reviewer. The Claims Reviewer will make a determination regarding the claim within a reasonable time, but not later than 90 days after its receipt by the Claims Reviewer. If the Claims Reviewer determines that an extension of time to process the claim is required, you will receive written notice before the end of the initial 90-day period indicating the

special circumstances requiring an extension (not to exceed an additional 90 days without your written consent) and the date by which the Claims Reviewer expects to render a decision.

If the Claims Reviewer does not fully agree with your claim, you will receive a written or electronic notice of an "adverse benefit determination" within the 90-day period (as it may be extended as described above). The notice of adverse benefit determination will include:

- The specific reason(s) for the adverse benefit determination;
- The specific provision(s) of this Plan on which the determination was based;
- Any material or information necessary for the benefits to be paid or provided as well as an explanation of why the material or information is necessary;
- An explanation of the appeal procedures set forth below; and
- A statement of your right to bring a civil action under section 502(a) of ERISA following the denial of your appeal.

An "adverse benefit determination" is a denial, reduction, or termination of, or failure to provide, or make payment (in whole or in part) of a benefit.

With respect to Separation Benefits, the claims and appeals procedure described in this Plan apply only to claims for eligibility to continue participation in medical, dental and life insurance coverage due to a Qualifying Termination under the applicable plans of Employer. Claims and appeals for substantive benefits (e.g., payment of medical/dental or life insurance claims incurred) under those plans must be filed in accordance with the applicable provisions of those plans.

Appealing An Adverse Benefit Determination

If you receive notice of an adverse benefit determination, you are entitled to apply for a full and fair review of your claim and the adverse benefit determination. To apply for the a review, you or your duly authorized representative must file an appeal within 60 days after your receipt of the Claims Reviewer's notice of adverse benefit determination. If you fail to file a written appeal within the 60-day period, the Claims Reviewer's adverse benefit determination is final and conclusive.

The appeal must be made in writing and must be filed with the Plan Administrator within the 60-day period at the following address:

Administrative Committee
Organon LLC
30 Hudson Street
Jersey City, NJ 07302

The appeal is deemed to be filed when it is received by the Administrative Committee.

You or your duly authorized representative may upon request and free of charge have reasonable access to, and copies of, all documents, records and other information relevant (the relevance to be determined by the Administrative Committee in accordance with ERISA) to your claim for benefits and may submit in writing any comments, documents, records and other information relating to your claim for benefits. The Administrative Committee will re-examine all issues relevant to the original adverse benefit determination taking into account all comments, documents, records and other information submitted by you or your duly authorized representative relating to the claim without regard to whether the information was submitted or considered in the initial benefit determination.

The Administrative Committee will provide written or electronic notice to you or your duly authorized representative of its determination on review. The notice will be provided within a reasonable time, but not later than 60 days after the appeal is received by the Administrative Committee. If the Administrative Committee determines that an extension of time to process the claim is required, you will receive written notice before the end of the

initial 60-day period indicating the special circumstances requiring an extension (not to exceed an additional 60 days without your written consent), and the date by which the Administrative Committee expects to render a decision.

If your appeal is denied, you will receive a notice of adverse benefit determination on review. The notice will include:

- The specific reason(s) for the adverse determination on review;
- Reference to the specific provisions of the Executive Severance Program on which the benefit determination is based;
- A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits (the relevance to be determined by the Administrative Committee in accordance with ERISA); and
- A description of your right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

All decisions of the Administrative Committee are final and binding unless determined to be arbitrary and capricious by a court of competent jurisdiction.

		DATE
/s/ Kevin Ali	Chief Executive Officer and Director	February 27, 2023
/s/ Matthew Walsh	Chief Financial Officer	February 27, 2023
/s/ Kathryn DiMarco	SVP Finance – Corporate Controller	February 27, 2023
/s/ Carrie Cox	Chairman of the Board of Directors	February 27, 2023
/s/ Robert Essner	Director	February 27, 2023
/s/ Alan Ezekowitz	Director	February 27, 2023
/s/ Ma Fatima de Vera Francisco	Director	February 27, 2023
/s/ Helene Gayle	Director	February 27, 2023
/s/ Rochelle Lazarus	Director	February 27, 2023
/s/ Deborah Leone	Director	February 27, 2023
/s/ Martha McGarry	Director	February 27, 2023
/s/ Philip Ozuah	Director	February 27, 2023
/s/ Cynthia Patton	Director	February 27, 2023
/s/ Grace Puma	Director	February 27, 2023
/s/ Shalini Sharp	Director	February 27, 2023Glossary

Glossary Terms
"**AIP-Eligible Months**" means the number of days that a Participant was employed in a position that was eligible to participate in the Employer's annual bonus program during the Plan Year adjusted for any leaves of absence and divided by 30, with regular rounding rules applied.
"**Annual Base Salary**"means a Participant's annual base salary as in effect at his or her Separation Date, according to the Employer's payroll records, without reduction for any contributions to Employer-sponsored benefit plans. Annual Base Salary does not include bonuses, commissions, overtime pay, shift pay, premium pay, lump sum merit increases, cost of living allowances, income from stock options or other incentives under an incentive stock plan of the Employer, stock grants or other incentives, or other pay not specifically included above.
"**Annual Target Bonus**"means a Participant's annual target bonus opportunity as in effect at his or her Separation Date under the annual bonus plan or program maintained by the Employer.
"**Basic Life Insurance**" means life insurance provided to an Eligible Employee under a plan sponsored by the Employer equal to 1.0 x "base pay" as defined under the life insurance plan in which the Eligible Employee participates, as it may be amended from time to time.
"**Benefits Continuation Period**"means twelve (12) months following the first day of the calendar month following the Eligible Employee's Separation Date; provided, however, if the Eligible Employee is the Chief Executive Officer of Organon & Co. such period shall be twenty-four (24) months following the first day of the calendar month following the Eligible Employee's Separation Date. Notwithstanding the foregoing, if you were employed by Merck & Co., Inc. or any of its direct or indirect wholly-owned subsidiaries immediately prior to the legal separation of Organon & Co. and Merck & Co., Inc and have 20 or more complete years of continuous service (based on your complete years of continuous service with the Employer and Merck & Co., Inc. and its wholly-owned subsidiaries to the extent recognized by Merck & Co., Inc. and its subsidiaries immediately prior to legal separation of Organon & Co. and Merck & Co., Inc.), such period shall be 78 weeks following the first day of the calendar month following the Eligible Employee's Separation Date (or through the last day of the month in which such 78-week period ends if the Eligible Employee is eligible for subsidized retiree medical benefits under the Merck Retiree Medical Plan on their Separation Date).

"**Cause**"means a Participant's: (i) material breach of any written agreement between the Participant and the Employer, including the Participant's breach of any material representation, warranty or covenant made under any such agreement, or the Participant's breach of any written policy or code of conduct established by the Employer and applicable to Participant; (ii) commission of an act of gross negligence, willful misconduct, breach of fiduciary duty, fraud, theft or embezzlement; (iii) commission of, or conviction or indictment for, or plea of nolo contendere to, any felony (or state law equivalent) or any crime involving moral turpitude; or (iv) willful failure or refusal to perform Participant's duties to the Employer or to follow any lawful directive from the Board or Participant's supervisor.
"**Claims Reviewer**"means Organon's Administrative Committee or its delegate.
"**COBRA**"means the Consolidated Omnibus Budget Reconciliation Act of 1985, Section 4980B of the Code, and Section 601, et seq., of ERISA.
"**Code**" means the Internal Revenue Code of 1986, as amended.
"**Eligible Employee**"means any regular full-time or regular part-time employee of an Employer who is in Band 700 or higher excluding any employee who has an individual employment, separation or similar agreement with the Employer that provides for separation, severance or termination payments or benefits. An "Eligible Employee" does not include any individual who is considered by the Employer in its sole discretion to be an independent contractor, regardless of whether the individual is in fact an employee of the Employer. Whether an individual is an Eligible Employee or not is determined as of the date of his/her Qualifying Termination.
"**Employer**"means Organon & Co. and its subsidiaries, successors and assigns who participate in this Plan by virtue of employing an Eligible Employee.
"**Outplacement Benefits**" means benefits for outplacement counseling or other outplacement services made available to a Participant who incurs a Qualifying Termination described in the Outplacement Benefits section of this Plan.
"**Participant**"means an Eligible Employee who has experienced a Qualifying Termination and who has signed, and, if a revocation period is applicable, not revoked, a Release of Claims in a form that is satisfactory to the Employer in its sole and absolute discretion.

"**Plan**"means this Organon Executive Severance Program, as it may be amended from time to time.
"**Plan Administrator**"means the Administrative Committee or its delegate.
"**Plan Year**"means the calendar year January 1 through December 31 on which the records of the Plan are kept.
"**Qualifying Termination**" means the termination of an Eligible Employee's employment by the Employer without Cause (and not as the result of the Eligible Employee's performance). The determination of whether a termination of an Eligible Employee's employment by the Employer is a Qualifying Termination and was not the result of the Eligible Employee's performance shall be made in the sole discretion of the Employer.
"**Release of Claims**"means the agreement that an Eligible Employee must execute in order to become a Participant and to receive Separation Plan Benefits, which shall be prepared by the Employer and shall contain such terms and conditions as determined by the Employer, including but not limited to a general release of claims, known or unknown, that the Eligible Employee may have against the Employer and its affiliates, including claims related to the employment and termination of employment of the Eligible Employee. Such Release of Claims may also contain, in the Employer's discretion, other terms and conditions including, without limitation, post-termination cooperation, non-disclosure, confidentiality, non-disparagement, non-solicitation and/or non-competition provisions.
"**Separation Benefits**"means the continuing medical, dental and Basic Life Insurance benefits described in this Plan in the sections entitled *Continuation of Medical and Dental Coverage* and *Continuation of Basic Life Insurance Coverage.*
"**Separation Date**"means the Eligible Employee's last day of employment with the Employer due to a Qualifying Termination.
"**Separation Pay**"means the cash benefit payable under this Plan as described in the section entitled *Separation Pay Schedule.*
"**Separation Plan Benefits**"means, collectively, Separation Pay, Separation Benefits and Outplacement Benefits.

Exhibit A

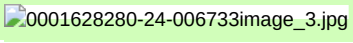
Base Salary Separation Pay

(For Eligible Employees Previously Employed with Merck & Co., Inc.)

Complete Years of Continuous Service at Separation Date	Amount of Base Salary Separation Pay in Weeks (Annual Base Salary Divided by 52)
0	26
1	40
2	40
3	40
4	40
5	42
6	44
7	46
8	48
9	50
10	52
11	54
12	56

13	58
14	60
15	62
16	64
17	66
18	68
19	70
20	72
21	74
22	76
23+	78

[Organon] Confidential



To:	
Subject:	SEPARATION AGREEMENT AND GENERAL RELEASE
Date:	

This memorandum will confirm that your employment at Organon & Co. (“Organon” or the "Company") and/or one of its Affiliates (as defined below) is ending as the result of a termination without cause. You are entitled to certain benefits in accordance with the Organon Executive Severance Program ("Severance Program") provided that you sign and do not revoke the attached Separation Agreement and General Release ("Separation Agreement") in accordance with the time periods set forth below.

The Separation Agreement is an important legal document. Please do not sign it until you have thoroughly reviewed it and understand its terms and effect and unless you do so voluntarily. In order for the Separation Agreement to cover the entire term of your employment, please do not sign it until on or after your Separation Date, as defined below. If you sign the Separation Agreement before the Separation Date or after the time period set forth in the "Acceptance" provision below, the Separation Agreement will be voidable in the sole discretion of Organon, upon written notice to you.

This offer is contingent upon you remaining eligible for benefits under the Severance Program through the Separation Date (as defined below) in accordance with the requirements described in the Severance Program. If an event occurs that renders you ineligible for benefits prior to the Separation Date, then this offer will be rendered null and void.

You are receiving a notice period from [_____] to [_____].

Your Separation Date is [_____].

Separation Information:

The cessation of your employment has been designated as a Termination without Cause as defined in the Severance Program.

You have been provided a summary plan description ("SPD") that describes the benefits available to you under the Severance Program in effect at the time of your Separation Date.

Severance Benefits:

You are eligible for the following **Severance Benefits**, subject to and in accordance with the terms and conditions of the SPD:

- A lump sum severance payment equal to the sum of the following gross amounts (as described in the Severance Program), less applicable deductions and withholdings:
  a.
  - $[___], which is equal to [___]weeks of base pay;
  - $[___], equal to your annual target bonus; and

  - if your employment was terminated between June 30th and December 31st of the calendar year, $[____], representing a pro-rata annual target bonus based upon the bonus-eligible months that you were employed in the year of your termination (as described in the Severance Program).

- Please note that if you elected to contribute any portion of your base salary or annual target bonus to the Organon US Savings Plan, those elections will NOT apply to the payments described in this section.
- Provided you are currently participating in these plans, medical (including prescription drug) and dental coverage at subsidized rates equal to active employee contribution rates for [_____] months.
- Basic life insurance coverage at no cost to you for [_____] months.
- Outplacement assistance for a total of twelve (12) months from a firm selected by Organon.

Additional Information:

- In order to receive these **Severance Benefits**, you must accept the terms of the attached Separation Agreement by signing and returning the document in the time period described below and by not subsequently revoking that acceptance.
- You have the right and we advise you to consult with an attorney prior to signing the Separation Agreement. Because your decision is important, we suggest that you take your time and consider your decision carefully.
- In order for the Separation Agreement to cover the entire term of your employment, please do not sign the Separation Agreement until on or after your Separation Date.
- The Company has determined the termination of your employment constitutes an Involuntary Termination within the meaning of your outstanding grants of restricted stock units, performance share units and options, if any.
- You will receive payment for any and all accrued, unused vacation days as of your Separation Date as soon as practicable after your Separation Date.
- **[You have been given or will be given a separate document containing the disclosures required by the Older Workers Benefit Protection Act ("OWBPA Disclosures"). If not provided to you with this document, then these OWBPA Disclosures will be delivered to you via email or via hard-copy mailing to your home, in most instances, prior to your Separation Date.]**
- You will have **[21][45]** days from your Separation Date **[or your receipt of the OWBPA Disclosures, whichever is later,]** to sign and return your Separation Agreement.
- If you wish, you can accept the offer and return this document before the end of your **[21][45]**-day review period, but no earlier than your Separation Date **[and the date on which you receive the OWBPA Disclosures]**. If you sign this agreement before that period expires, you agree, represent, and warrant that the decision to sign is knowing, voluntary, and not induced by the Company through fraud, misrepresentation or threat to withdraw or alter the offer.

[Organon] Confidential

<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

- If you accept this offer of Severance Benefits, you will have seven (7) days following the date of your acceptance to change your mind and revoke your decision. Your signed Separation Agreement will not become effective and will not be enforceable until after the 7-day revocation period expires.
- If you sign the Separation Agreement before your Separation Date or after the 45-day period has expired, then the Separation Agreement will be voidable in the sole discretion of Organon, upon written notice to you.

Pleaseread and review this entire document very carefully. You should contact your HR Business Partner if youhave any questions regarding the benefits outlined in this document before you make your decision.

If you do choose to accept the terms, then please print, sign, scan and return via email an entire electronic copy of the Separation Agreement and General Release to Organon & Co. at: **org_restructure@organon.com**.

Sincerely,

Organon Human Resources

[Organon] Confidential

<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

SEPARATION AGREEMENT AND GENERAL RELEASE ("Separation Agreement")

DEFINITIONS

Definition of Company:
As used in this Separation Agreement, the word "Company" means Organon & Co..

Definition of Affiliates:
As used in this Separation Agreement, the word "Affiliates" means each and every entity that is a Company subsidiary and/or in which the Company or a Company subsidiary has a 50% or greater ownership, including but not limited to Organon LLC.

Definition of Released Parties:
As used in this Separation Agreement, the word "Released Parties" means the Company, its Affiliates and its and their current and former directors, officers, employees, agents, benefit plans, benefit plan administrators, fiduciaries, insurers or other agents of those individual and/or plans, and all predecessors, successors and assigns of these entities and individuals, jointly and individually.

GENERAL RELEASE

In exchange for the Severance Benefits described above, I release the Released Parties, from all claims and liabilities (both known and unknown) in any jurisdiction worldwide which I may have against each or any of them as of the date on which I sign this Separation Agreement. These claims include, without limitation

- Any and all claims arising out of or in any way related to my employment with the Company and/or its Affiliates, the terms and conditions of my employment with the Company and/or its Affiliates, and the termination of my employment with the Company and/or its Affiliates;
- Any and all claims arising under any federal, state, national or local law, statute, ordinance, regulation, or executive order that prohibits employment discrimination, harassment or retaliation based on race, national origin, ancestry, color, creed, religion, sex, sexual orientation, marital status, age, disability, handicap, medical condition or veteran status or any other characteristic protected by law including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Americans with Disabilities Act Amendments Act, the Rehabilitation Act of 1973, the Genetic Information Non-Discrimination Act, Executive Order 11246, the Uniformed Services Employment and Reemployment Rights Act, the Pennsylvania Human Relations Act, the New Jersey Law Against Discrimination, and any other federal, national, state or local law or regulation, and any amendment thereto, that prohibits employment discrimination, harassment or retaliation of any kind;
- Any and all claims under any other federal, state, national or local law that restricts the termination of employment or that otherwise regulates employment, including, without limitation, (to the extent permitted by law) the Worker Adjustment and Retraining Notification Act, the Millville Dallas Airmotive Plant Job Loss Notification Act, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act, the

New Jersey Family Leave Act, any wage payment and collection law, and any law protecting “whistleblowers” including, without limitation, the New Jersey Conscientious Employee Protection Act;

- Any and all claims under contract, tort or common law, including, but not limited to, claims for wrongful or constructive discharge, personal injury, intentional or negligent infliction of emotional distress, fraud, negligent hiring/supervision, defamation, invasion of privacy, interference with contract or with prospective economic advantage, breach of

express or implied contract, breach of covenants of good faith and fair dealing and/or any other wrongful conduct, including specifically, any claims arising out of any legal or contractual restriction on the Company's and/or its Affiliates' right to terminate its employees

- Any and all claims for wages, bonuses, stock or stock options, deferred compensation, disability benefits, termination indemnities, severance, notice pay, attorneys’ fees and costs.

I affirm I have no information not previously disclosed to the Company and/or its Affiliates which would form the basis of a claim of fraudulent or illegal activity by the Company and/or its Affiliates or that would be in violation of any federal, national, state or local law or regulation by the Company and/or its Affiliates

I further affirm that by executing this Separation Agreement, I waive and surrender any right to become, and promise not to consent to become, a member of any class or collective action in which claims are asserted against the Company and/or its Affiliates that are related in any way to my employment or the termination of my employment with the Company and/or its Affiliates. If, without my prior knowledge or consent, I am made a member of a class in any proceeding, I agree to opt-out of the class at the first opportunity.

I understand that by signing this Separation Agreement, I am waiving any and all claims against any and all Released Parties to the greatest extent allowable under law.

I understand that this Separation Agreement shall not include a waiver of any claim that I might have to enforce this Separation Agreement, or to any claim which may arise or accrue after I sign this Separation Agreement, or to any claim that is not subject to waiver as a matter of law (for example, a worker's compensation claim in a jurisdiction where such a claim is not subject to waiver).

I understand that nothing in this Separation Agreement affects my eligibility, if any, to receive vested pension benefits that I may have as a result of my employment with the Company and/or its Affiliates in accordance with the terms of any applicable plan sponsored by the Company and/or its Affiliates in which I participated. I further understand that nothing in this Separation Agreement affects my right to elect, at my sole expense, continued health care coverage under the Company’s or a Company Affiliate's health plan pursuant to the coverage continuation provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA)

I understand that this agreement is based on a termination without cause. I affirm that I do not have any allegations or claims of harassment, discrimination or retaliation against any of the Released Parties.

OTHER PROVISIONS

Payment of Severance – Section 409:

I understand that, if at the time my employment terminates, I am a “Specified Employee” which I understand is defined in Treas. Reg. Sec. 1.409A-1(i) or any successor thereto, which in general includes the top 50 employees of a company ranked by compensation, subject to certain exceptions, then payments generally may not be made to me on account of a separation from service for six months following termination of employment. Therefore, I understand that if and to the extent required by Section 409A of the Internal Revenue Code of 1986, as amended, no payments will be made to me prior to the first day of the month following such six-month period; rather, amounts that would have been paid to me will be accumulated and will be paid, without interest, as soon as administratively feasible thereafter

[Organon] Confidential

<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

Applications for Other Positions:

I understand that all applications I may have submitted for other positions at the Company and/or its Affiliates will be withdrawn as of the date on which I sign this Separation Agreement and that I will no longer be a candidate for any open positions for which I may have applied.

No Pending Action:
I have not commenced any legal, equitable or administrative action against any of the Released Parties or, if I have, I agree to voluntarily dismiss any and all such actions with prejudice.

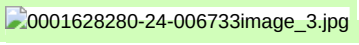
No Claim for Wages:
I agree that, except for the payments owed to me in accordance with the SPD, no other compensation, wages, bonuses, cash awards, commissions or benefits will be provided to me or on my behalf. I also state that I have no claim against the Released Parties or each or any of them for unpaid wages under any federal, state or local law. I acknowledge and agree that the Company and/or its Affiliates have issued to me all wage payments to which I was entitle

Promise Not to Sue:
Except for my right to file a lawsuit to receive my Severance Benefits (in the event the Company fails to provide these benefits to me), I give up all rights that I have to file a lawsuit against each and any of the Released Parties with respect to any and all claims (both known and unknown) in any jurisdiction worldwide which I may have against each or any of them as of the date on which I sign this Separation Agreement. I also give up my right to any remedies that I could otherwise receive for any such claims, if someone else filed a lawsuit against each or any of the Released Parties

Non-Admission of Liability:
I understand that neither the offer of this Separation Agreement nor the Separation Agreement itself may be viewed as an admission that the Released Parties or each or any of them have failed in any way to act lawfully or properly in connection with my employment, and, in fact, that the Released Parties expressly deny any wrongful or unlawful conduct towards me.

Confidentiality:
I understand and agree that my employment created a relationship of confidence and trust between me and the Company and/or its Affiliates with respect to Confidential Information. “Confidential Information” means nonpublic information belonging to the Company and/or its Affiliates which is of value to the Company and/or its Affiliates in the course of conducting its and/or their business and the disclosure of which could result in a competitive or other disadvantage to the Company and/or its Affiliates. Confidential Information includes without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property, trade secrets, know-how, designs, processes or formulae, software, market or sales information or plans, customer lists; and business plans, prospects, strategies (business, marketing or otherwise) and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Company and/or its Affiliates. Confidential Information includes information developed by me in the course of my employment, as well as other information to which I have had access in connection with my employme

I promise that I will keep in confidence and trust all such Confidential Information and will not use or disclose any such Confidential Information without the written consent of an Officer of the Company.



<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

Return of Company Property:
I understand that all documents, records, data, apparatus, equipment and other physical property which are or were furnished to me by the Company or its Affiliates or which were produced by me in connection with my employment at the Company and/or its Affiliates (whether or not such property or information is Confidential information) are and remain the sole property of the Company and/or its Affiliates.

I affirm that I have, on or before the date of my signature below, returned to the Company all property and information belonging to the Company and/or an Affiliate generated or received by me in the course of my employment, including, without limitation, my Company car (if any), laptop, cell phone or other personal digital assistant (e.g. Blackberry), corporate credit card, employee identification card, access card, any and all copies of any and all papers, documents, files, information, reports, studies, data and other similar materials whether in tangible or intangible for

I also affirm that I have not retained any copies (including without limitation computer generated copies) of any property or information belonging to the Company or its Affiliates.

Cooperation with Investigations/Litigations:
I understand that, in connection with litigation, investigation, inquiry or proceedings before a court, arbitrator, government or administrative agency or other tribunal or in connection with any such threatened actions, I may be asked by the Company and/or its Affiliates to testify as a witness or to provide information concerning matters that I was involved in or became knowledgeable about during the course of my employment. I agree to cooperate fully with the Company and/or its Affiliates by making myself available to discuss such information, to review my testimony reasonably in advance of any such litigation or proceedings, and/or by making myself available to testify at depositions or trial as required or requested by the Company and/or its Affiliates; provided, however, the Company or its Affiliates will use reasonable efforts to schedule such assistance at a mutually-convenient time and place. Other than travel expenses and applicable, or statutorily mandated, witness fees, I agree that I will not be paid in connection with my testimony, appearance or participation pursuant to this paragraph. I also understand that this paragraph does not affect any right I may have to indemnification under the Company's corporate bylaws or policies, or my eligibility to have the Company advance to me reasonable costs, disbursements and counsel fees under certain circumstances, in connection with proceedings related to or arising out of my activities as an employee of the Company and/or its Affiliate

Non-Disparagement:
I promise that I shall not make, participate in the making of, or encourage any other person to make, any public statements, written or oral or by any other medium of communication (including, but not limited to, Internet communications such as e-mails, message boards, “chat rooms” and web postings), which are intended to criticize, disparage, or defame the goodwill or reputation of, or which are intended to embarrass the Released Parties. I further agree not to make any negative public statements, written or oral or by any other medium of communication, relating to my employment, my separation of employment, or any aspect of the business of the

<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

Company and/or its Affiliates. Nothing in this agreement prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful

Reports to Government Entities:
Notwithstanding any provisions of this Separation Agreement, including but not limited to those relating to pending actions and my Promise Not to Sue, Confidentiality, and Non-Disparagement, I understand that nothing in this Separation Agreement shall prevent me from initiating communications directly with, responding to any inquiries from, providing testimony before, providing information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the “Regulators”), or from making other disclosures that are protected under the provisions of state or federal law or regulation. However, to the maximum extent permitted by law, I am waiving my right to receive any individual monetary relief from the Company or the Released Parties resulting from such claims or conduct, regardless of whether I or another party has filed them. In the event that I obtain such monetary relief, the Company will be entitled to an offset for the payments made pursuant to this Separation Agreement. This Separation Agreement does not limit my right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. I do not need the prior authorization of the Company to engage in conduct protected by this paragraph, and I do not need to notify the Company that you have engaged in such cond

Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

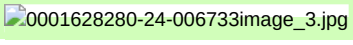
Non-Solicitation:
For a period of two (2) years following my Separation Date, I will not directly or indirectly, cause, induce or influence any employee of the Company and/or its Affiliates to leave the employ of the Company and/or its Affiliates or to accept employment with me or any other person, firm, association or company. I understand that nothing contained in this paragraph will prohibit me from providing personal references or recommendations for individuals in connection with such individuals’ application for employment by, or other association with, a person, firm, association or company if the personal reference or recommendation was requested by such person, firm, association or company without my initiation and if I am not employed by or otherwise associated with such person, firm, association or compan

Other Obligations of Employment:

I understand that nothing in this Separation Agreement relieves me from any existing obligations that I owe to the Company in accordance with other documents, including, without limitation, the Company's Conditions of Employment Agreement, the Company's Confidentiality and Invention Agreement, and/or applicable law. I understand also that any and all such obligations will continue in full force and effect.

Termination of Company Relationship:
Effective as of my Separation Date, I hereby resign my directorship(s), officership(s), or other relationship with the Company and/or its Affiliates, if any. I agree to cooperate with the Company and/or its Affiliates to execute any documents (including without limitation letters of resignation and share transfer agreements) and take any other actions reasonably necessary to terminate such relationships, including signing any other document(s) which may be legally required, consistent with the terms of this Separation Agreement.

[Organon] Confidential



<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

ACKNOWLEDGMENTS

I have carefully read and fully understand this entire Separation Agreement, including the “General Release” and “Other Provisions” sections. I understand that the Separation Agreement represents the entire understanding between the Company and me and I have not relied upon any other representation or statement (either written or oral) concerning the reasons for my termination or the terms of this document. I also affirm that my decision to accept the Company’s offer of Severance Benefits is entirely voluntary and that no representative of the Company and/or its Affiliates has tried to influence my decision. I acknowledge that the Severance Benefits are significant and substantially greater than those benefits to which I am otherwise entitled under the policies of the Company and/or its Affiliates.

I acknowledge and agree that to the extent that Severance Benefits described above are different or vary in any way, including providing more or less benefits than those described in the SPD, the terms and conditions of the SPDshall govern and shall supersede the Severance Benefits as described above; that the Severance Benefits as described will be reformed to conform to the terms of the SPD; and that I waive any claim that I have to enforce the Severance Benefits as described to the extent that they are different from the terms and conditions set forth in the SPD..

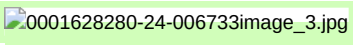
I acknowledge and agree that this Separation Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its choice of law principles or the choice of law principles of any other state.

If any term, condition, or provision of this Separation Agreement shall be determined by a court of competent jurisdiction to be void or invalid, I agree that this shall not affect the enforceability of the other provisions of this Separation Agreement and that I will negotiate with the Company and/or its Affiliate, as appropriate, the provision(s) in good faith to effectuate their purpose and to conform the provision(s) to law.

I acknowledge that the Company and/or its Affiliates has advised me to consult with an attorney prior to signing this Separation Agreement.

I acknowledge that I was provided with [45][21] days to consider my decision to sign this Separation Agreement.

[Organon] Confidential



<FIRST NAME> <MIDDLE INITIAL> <LAST NAME><INDIVIDUAL NOTIFICATION DATE (mm/dd/yyyy)>
<EMPLOYEE ID>

ACCEPTANCE

As a reminder, please do not sign this Separation Agreement until on or after your Separation Date [and receipt of the OWBPA Disclosures]. You have [45][21] days from your Separation Date [or receipt of the OWBPA Disclosures, whichever is later], to sign this Separation Agreement and accept the above offer of Severance Benefits.If you sign this agreement before that period expires, you agree, represent, and warrant that the decision to sign is knowing, voluntary, and not induced by the Company through fraud, misrepresentation or threat to withdraw or alter the offer. If you sign this Separation Agreement before your Separation Date or after the [45][21]-day period has expired, this Separation Agreement will be voidable in the sole discretion of the Company, upon written notice to you.

I wish to receive the Severance Benefits described above. In exchange, and with the intent to be legally bound, I accept the terms and conditions of this Separation Agreement and General Release.

Date: _____ _____
<FIRST NAME><MIDDLE INITIAL><LAST NAME>
<EMPLOYEE ID>
Separation Date: <Individual Sep Dt (Month DD,YYYY)>

Please return your entire signed Separation Agreement to:

Organon & Co.
org_restructure@organon.com

OPPORTUNITY TO REVOKE DECISION:

If you elect to receive the Severance Benefits described above, and you accept the terms and conditions of the Separation Agreement, you will have seven (7) days after the date on which you execute this Separation Agreement to reconsider your decision. This Separation Agreement will not become effective and will not be enforceable until that period has expired. If you wish to revoke your acceptance, you should direct your written revocation to:

Organon & Co.
org_restructure@organon.com

Exhibit 21.1

ORGANON & CO.
LIST OF SUBSIDIARIES

Organon & Co., a Delaware corporation, had the U.S. and international subsidiaries shown below as of **December 31, 2022 2023**. Organon & Co. is not a subsidiary of any other entity. Certain subsidiaries have been omitted as they are not significant in the aggregate.

Name	Country or State of Incorporation or Organization
Organon Algeria SARL	Algeria
Organon Argentina S.R.L.	Argentina
Organon Pharma Pty Ltd	Australia
Organon Austria GmbH	Austria
Organon Belgium BV	Belgium
Organon Heist BV	Belgium
Organon BH d.o.o.	Bosnia
Organon Farmacêutica Ltda.	Brazil
Organon Canada Inc.	Canada
Organon Chile SPA SpA	Chile
Organon Hong Kong Limited	People's Republic of China
Organon (Shanghai) Pharmaceutical Technology Co., Ltd.	China, People's Republic of China
Organon (Shanghai) Pharmaceutical Trading Co., Ltd.	China, People's Republic of China
Organon Colombia S.A.S.	Colombia
Organon Pharma Costa Rica S de R.L.	Costa Rica
Organon Pharma d.o.o.	Croatia
Organon Czech Republic s.r.o.	Czech Republic
Organon Denmark ApS	Denmark
Organon-Ecuador S.A.	Ecuador
Organon Pharmaceutical Egypt LLC	Egypt
Organon R&D Finland Oy	Finland
Novuro Oy	Finland
Organon Finland Oy	Finland
Organon France SAS	France
Organon Healthcare GmbH	Germany
Organon Hong Kong Limited	Hong Kong
Organon Hungary Korlatolt Felelossegu Tarsasag	Hungary
Fulford (India) Limited	India
Organon (India) Private Limited	India
PT Organon Pharma Indonesia Tbk	Indonesia
Organon (Ireland) Ltd	Ireland
Organon Pharma (Ireland) Limited	Ireland
Organon Pharma Israel Ltd.	Israel
Organon Italia S.r.l.	Italy
Organon Japan Holdings G.K.	Japan
Organon K.K.	Japan
Organon Korea Co., Ltd.	Korea, Republic of
Organon Malaysia Sdn. Bhd.	Malaysia

Organon Malaysia Sdn. Bhd.	Malaysia
Organon Comercializadora, S. de R.L. de C.V.	Mexico
Productos Farmaceuticos Organon Mexicana S. de R.L. de C.V.	Mexico

Schering-Plough S.A. de C.V.	Mexico
Servicios Organon S. de R.L. de C.V.	Mexico
Undra, S.A. de C.V.	Mexico
Organon Maroc S.A.R.L.	Morocco
GTS FI B.V.	Netherlands
N.V. Organon	Netherlands
OBS Human Health Holding B.V.	Netherlands
OBS International 9 B.V.	Netherlands
Organon Mexico Holdings B.V.	Netherlands
Organon (I.A.) B.V.	Netherlands
Organon (I.A.) II B.V.	Netherlands
Organon Argentina Holdings B.V.	Netherlands
Organon Asia Holdings B.V.	Netherlands
Organon Canada Holdings B.V.	Netherlands
Organon Foreign Debt Co-Issuer B.V.	Netherlands
Organon Holding I B.V.	Netherlands
Organon Holdings 9 B.V.	Netherlands
Organon International Holdings 9 B.V.	Netherlands
Organon International Holdings B.V.	Netherlands
Organon Ireland Holdings B.V.	Netherlands
Organon Japan Holdings B.V.	Netherlands
Organon Participations B.V.	Netherlands
Organon Pharma B.V.	Netherlands
Organon New Zealand Limited	New Zealand
Organon Norway A/S	Norway
Organon Latin America Services S. de R.L.	Panama
Organon Pharma S. de R.L.	Panama
Organon BioSciences Peru S.R.L.	Peru
Organon (Philippines) Incorporated	Philippines
Organon Polska Sp. z.o.o.	Poland
Organon Global Shared Services Center (GSS), Unipessoal Lda.	Portugal
Organon Portugal, Sociedade Unipessoal Lda.	Portugal
Organon Puerto Rico LLC	Puerto Rico
Organon BioSciences S.R.L.	Romania
Organon Limited Liability Company	Russian Federation
Organon d.o.o. Belgrade Beograd	Serbia
Organon Asia Pacific Services Pte. Ltd.	Singapore
Organon Singapore Pte. Ltd.	Singapore
Organon Slovakia s.r.o.	Slovakia
Organon South Africa Pty Ltd.	South Africa
Organon Salud, S.L.	Spain
Organon Sweden AB	Sweden
Organon Central East GmbH	Switzerland
Organon GmbH	Switzerland
Organon International GmbH	Switzerland
Organon International Services GmbH	Switzerland
Organon KSA GmbH	Switzerland

Organon International GmbH	Switzerland
Organon International Services GmbH	Switzerland
Organon KSA GmbH	Switzerland
Organon (Thailand) Ltd.	Thailand
Organon Turkey Ilaclari Limited Sirketi	Turkey
Organon Ukraine Limited Liability Company	Ukraine
Organon Pharma FZ-LLC	United Arab Emirates
Dashtag	United Kingdom
Organon Pharma (UK) Limited	United Kingdom
Organon Limited Liability Company	Vietnam
Alydia Health, Inc.	Delaware, USA
Organon Canada Holdings LLC	Delaware, USA
Organon Global Inc.	Delaware, USA
Organon LLC	Delaware, USA
Organon Pharma Holdings LLC	Delaware, USA
Organon Trade LLC	Delaware, USA
Organon USA LLC	New Jersey, USA

Exhibit 21.1

ORGANON & CO.
LIST OF BRANCHES, REPRESENTATIVE OFFICES
AND SCIENTIFIC OFFICES

The following are branches, representative offices, and scientific offices of Organon & Co. as of December 31, 2022 December 31, 2023. Certain subsidiaries have been omitted as they are not significant in the aggregate.

Name	Country of Organization
Organon (I.A.) BV B.V. - Bulgaria Branch	Bulgaria
Organon (Shanghai) Pharmaceutical Technology Co., Ltd. - Beijing Branch	China, People's Republic of China
Organon (Shanghai) Pharmaceutical Technology Co., Ltd. - Guangzhou Branch	China, People's Republic of China
Organon (Shanghai) Pharmaceutical Technology Co., Ltd. - Hangzhou Branch	China, People's Republic of China
Organon (Shanghai) Pharmaceutical Technology Co., Ltd. – Xuhui Branch	China, People's Republic of China
Organon (Shanghai) Pharmaceutical Technology Co., Ltd. – Chengdu Branch	People's Republic of China
Organon Pharma BV B.V. - Cyprus Branch	Cyprus
Organon Pharmaceutical Egypt LLC – Organon Egypt Scientific Office	Egypt
Organon Pharma BV B.V. - Estonia Representative Office	Estonia
Organon Central East GmbH - Jordan Representative Office	Jordan
Organon Pharma BV B.V. - Latvia Representative Office	Latvia
Organon Central East GmbH - Lebanon Representative Office	Lebanon
Organon Pharma BV B.V. - Lithuania Representative Office	Lithuania
Organon Belgium BV - Luxembourg Branch	Luxembourg
Organon Trade LLC - Dutch Representative office	Netherlands
Organon International Services GmbH - Dutch Representative Office	Netherlands
Organon Central East GmbH - North Macedonia Representative Office	North Macedonia
Organon KSA GmbH - Saudi Scientific Office	Saudi Arabia
Organon Pharma BV. B.V., Oss - Ljubljana Branch	Slovenia
Organon (I.A.) B.V. - Taiwan Branch	Taiwan, Province of China
The Representative Office of Organon Central East GmbH in Ho Chi Minh City	Vietnam
The Representative Office of Organon Central East GmbH in Hanoi City	Vietnam
The Representative Office of Organon Hong Kong Limited in Hanoi City	Vietnam

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-256757) of Organon & Co. of our report dated February 27, 2023 February 26, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 27, 2023 26, 2024

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Ali, certify that:

1. I have reviewed this Form 10-K of Organon & Co;

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 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 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.

February 27, 2023 26, 2024

/s/ Kevin Ali

Kevin Ali

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew Walsh, certify that:

1. I have reviewed this Form 10-K of Organon & Co;

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 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 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.

February 27, 2023 26, 2024

/s/ Matthew Walsh

Matthew Walsh

Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C.§ 1350, the undersigned certifies that, to the best of my knowledge, the Annual Report on Form 10-K for the period ended December 31, 2022 December 31, 2023 of Organon & Co. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.§ 78m or 78o(d)) and that the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Organon & Co.

February 27, 2023 26, 2024

/s/ Kevin Ali

Kevin Ali

Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C.§ 1350, the undersigned certifies that, to the best of my knowledge, the Annual Report on Form 10-K for the period ended December 31, 2022 December 31, 2023 of Organon & Co. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.§ 78m or 78o(d)) and that the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Organon & Co.

February 27, 2023 26, 2024

/s/ Matthew Walsh
Matthew Walsh
Chief Financial Officer

ORGANON & CO.
DODD-FRANK POLICY ON RECOUPMENT OF INCENTIVE COMPENSATION

Introduction

The Board of Directors (the "Board") of Organon & Co. (the "Company") has adopted this Dodd-Frank Policy on Recoupment of Incentive Compensation (this "Policy"), which provides for the recoupment of compensation in certain circumstances in the event of a restatement of financial results by the Company. This Policy shall be interpreted to comply with the requirements of U.S. Securities and Exchange Commission rules and New York Stock Exchange ("NYSE") listing standards implementing Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and, to the extent this Policy is in any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with such rules.

Administration

This Policy shall be administered by the Talent Committee of the Board (the "Committee"). Any determinations made by the Committee shall be final and binding on all affected individuals. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, in all cases consistent with the Dodd-Frank Act. The Board may amend this Policy from time to time in its discretion.

Covered Executives

This Policy applies to any current or former "executive officer," within the meaning of Rule 10D-1 under the Securities Exchange Act of 1934, as amended, of the Company or a subsidiary of the Company (each such individual, an "Executive"). This Policy shall be binding and enforceable against all Executives and their beneficiaries, executors, administrators, and other legal representatives.

Recoupment Upon Financial Restatement

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "Financial Restatement"), the Committee shall cause the Company to recoup from each Executive, as promptly as reasonably possible, any erroneously awarded Incentive-Based Compensation, as defined below.

No-Fault Recovery

Recoupment under this Policy shall be required regardless of whether the Executive or any other person was at fault or responsible for accounting errors that contributed to the need for the Financial Restatement or engaged in any misconduct.

Compensation Subject to Recovery; Enforcement

This Policy applies to all compensation granted, earned or vested based wholly or in part upon the attainment of any financial reporting measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measures, whether or not presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission, including stock price and total shareholder return ("TSR"), including but not limited to performance-based cash, stock, options or other equity-based awards paid or granted to the Executive ("Incentive-Based Compensation"). Compensation that is granted, vests or is earned based solely upon the occurrence of non-financial events,

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such as base salary, restricted stock or options with time-based vesting, or a bonus awarded solely at the discretion of the Board or Committee and not based on the attainment of any financial measure is not subject to this Policy.

In the event of a Financial Restatement, the amount to be recovered will be the excess of (i) the Incentive-Based Compensation received by the Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare the Financial Restatement, as determined in accordance with the last sentence of this paragraph, or any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (provided that a transition period between the last day of the Company's previous fiscal year and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year) (the "Recovery Period"), based on the erroneous data and calculated without regard to any taxes paid or withheld, over (ii) the Incentive-Based Compensation that would have been received by the Executive had it been calculated based on the restated financial information, as determined by the Committee. For this purpose, Incentive-Based Compensation is considered to have been received by an Executive in the fiscal year during which the applicable financial reporting measure was attained or purportedly attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period. The date on which the Company is required to prepare a Financial Restatement is the earlier to occur of (A) the date the Board or a Board committee (or authorized officers of the Company if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare a Financial Restatement.

For Incentive-Based Compensation based on stock price or TSR, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the Committee shall determine the amount to be recovered based on a reasonable estimate of the effect of the Financial Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received and the Company shall document the determination of that reasonable estimate and provide it to the NYSE.

The Company may use any legal or equitable remedies that are available to the Company to recoup any erroneously awarded Incentive-Based Compensation, including but not limited to by collecting from the Executive cash payments or shares of Company common stock or by forfeiting any amounts that the Company owes to the Executive. Executives shall be solely responsible for any tax consequences to them that result from the recoupment or recovery of any amount pursuant to this Policy, and the Company shall have no obligation to administer the Policy in a manner that avoids or minimizes any such tax consequences.

No Indemnification

The Company shall not indemnify any Executive or pay or reimburse the premium for any insurance policy to cover any losses incurred by such Executive under this Policy or any claims relating to the Company's enforcement of rights under this Policy.

Exceptions

The compensation recouped under this Policy shall not include Incentive-Based Compensation received by an Executive (i) prior to beginning service as an Executive or (ii) if he or she did not serve as an Executive at any time during the performance period applicable to the Incentive-Based Compensation in question. The Committee (or a majority of independent directors serving on the Board) may determine not to seek recovery from an Executive in whole or part to the extent it determines in its sole discretion that such recovery would be impracticable because (A) the direct expense paid to a third party to assist in enforcing recovery would exceed the recoverable amount (after having made a reasonable attempt to recover the erroneously awarded Incentive-Based Compensation and providing corresponding documentation of such attempt to the NYSE), (B) recovery would violate the home country law that was adopted prior to November 28, 2022, as

determined by an opinion of counsel licensed in the applicable jurisdiction that is acceptable to and provided to the NYSE, or (C) recovery would likely cause the Company's 401(k) plan or any other tax-qualified retirement plan to fail to meet the requirements of

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Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

Other Remedies Not Precluded

The exercise by the Committee of any rights pursuant to this Policy shall be without prejudice to any other rights or remedies that the Company, the Board or the Committee may have with respect to any Executive subject to this Policy, whether arising under applicable law (including pursuant to Section 304 of the Sarbanes-Oxley Act of 2002), regulation or pursuant to the terms of any other policy of the Company, employment agreement, equity award, cash incentive award or other agreement applicable to an Executive, including without limitation the rights and remedies set forth in the Organon & Co. Compensation Recoupment Policy. Notwithstanding the foregoing, there shall be no duplication of recovery of the same Incentive-Based Compensation under this Policy and any other such rights or remedies.

Acknowledgment

To the extent required by the Committee, each Executive shall be required to agree and acknowledge that they will be bound by the terms of, and comply with, this Policy by electronically executing an acknowledgment substantially in the form attached as Exhibit A in conjunction with receiving future equity-based awards. For the avoidance of doubt, each Executive shall be fully bound by, and must comply with, the Policy, whether or not such Executive has electronically executed such an acknowledgement.

Effective Date

This Policy has been adopted by the Board on October 24, 2023 and shall apply to any Incentive-Based Compensation that is received by an Executive on or after October 2, 2023.

EXHIBIT A

DODD-FRANK COMPENSATION CLAWBACK POLICY

ACKNOWLEDGEMENT

Capitalized terms used but not otherwise defined in this Acknowledgement shall have the meanings ascribed to such terms in the Policy.

> For employees in Band 600 and above, this [GRANT TYPE] will be subject to recoupment in the event of certain violations of Company policy in accordance with the Company's Compensation Recoupment Policy and/or Dodd-Frank Policy on Recoupment of Incentive Compensation (collectively the "Recoupment Policies"), in effect as of the Grant Date or as may be amended to comply with applicable law or regulation and as applicable to you. In accepting the [GRANT TYPE] Award, you acknowledge and agree that you (a) have received and reviewed copies of the Recoupment Policies, (b) are and will be continue to be subject to the Recoupment Policies to the extent applicable to you, both during and after your employment with Organon and/or any of its direct or indirect subsidiaries or affiliates and (c) will abide by the terms of the Recoupment Policies to the extent applicable, including, without limitation, by reasonably promptly returning any recoverable compensation to the Company as required by the Recoupment Policies, as determined by the Committee in its sole discretion.

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DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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