April 2013

Dear Shareholders,

During 2012 Merck delivered strong performance across all areas of our company. In addition, we demonstrated that our growth strategy is creating shareholder value while enabling us to continue investing for profitable global growth.

Merck’s mission is to discover, develop and provide innovative products and services that save and improve lives around the world. Our company and our people are deeply committed to ensuring we can continue to deliver on that mission for years to come, despite significant global economic challenges and a dramatically changing industry. We are transforming Merck so we can remain focused on cutting-edge science that increases life expectancy, improves quality of life, and meets and anticipates the needs of patients and customers across the globe.

Delivering a Strong Portfolio of Important Medicines and Vaccines*

Merck is focused on the areas where we are best equipped to make a difference. At the same time, our product portfolio is one of the broadest in the healthcare industry.

We expected 2012 would be a challenging year due to the U.S. patent expiration for SINGULAIR, an allergy and asthma medication, and because of pricing and other austerity measures. However we executed well and maintained revenues at the prior year’s level overall on a constant currency basis. Excluding SINGULAIR, our Global Human Health business grew 5% in 2012.

As one example of strong performance, the JANUVIA family of oral medications for treating type 2 diabetes, with 2012 sales of $5.7 billion, achieved the distinction of being the highest-selling product family on an annual basis in Merck’s history. In addition, we continued to launch VICTRELIS, a major advance for the treatment of chronic hepatitis C, in markets around the world. Last year VICTRELIS was awarded the Prix Galien in the United States, the United Kingdom, Canada, France and Belgium. This prestigious honor recognizes the technical, scientific and clinical research skills necessary to develop innovative medicines. Merck stands tall among winners of the Prix Galien award. Since the medal was created in 1970, we’ve won 38 awards in 11 countries and internationally for our medicines and vaccines – more than any other company in our industry.

Also in 2012, Merck’s vaccine sales reached $5.1 billion. In fact, considering the sales we make to customers and the contribution from our joint venture with Sanofi-Pasteur in Europe, we are now one of the leading vaccine companies in the world. Both GARDASIL, a vaccine that helps prevent cervical cancer and other diseases caused by human papillomavirus (HPV), and ZOSTAVAX, for the prevention of herpes zoster, commonly known as shingles, experienced double-digit growth.
Importantly, we continued to advance our pipeline, successfully completing four new drug applications, including investigational treatments for insomnia, atherosclerosis and platinum-resistant ovarian cancer, and for neuromuscular reversal. At the same time, the disappointing outcome of a key late-stage cardiovascular R&D program at the end of the year led us to decide not to file for U.S. approval of our Phase III drug TREDAPTIVE and remove it from markets around the world. Looking ahead, we have plans in 2013 for multiple filings, including those that address cardiovascular disease and allergies, and that expand protection against certain HPV-associated cancers. In addition, our BACE inhibitor for the treatment of Alzheimer’s disease is in Phase II/III clinical testing. We are pleased that the Pharmaceutical Research and Manufacturers Association honored the Merck team working on this potentially transformational approach with its Research and Hope Award for Biopharmaceutical Research in Alzheimer’s.

Growing Globally and with Complementary Businesses*

To help address healthcare needs around the world, Merck continues to grow globally. Excluding the impact of the 2011 REMICADE arbitration settlement, in 2012 revenues in key emerging markets grew 13% over the prior year. Sales in China grew 22%, exceeding more than $1 billion for the first time, driven by many products across multiple therapeutic areas. Sales in Japan grew 6% in 2012.

We expect to see continued growth in key emerging markets and Japan from both the expansion of our product portfolio as well as future contributions from joint ventures such as Supera Farma in Brazil, which we announced last year, and Simcere in China, announced earlier.

Our Animal Health and Consumer Care businesses complement our Human Health business and are also important contributors to our growth strategy. We are a leader in many categories in both areas and intend to leverage that leadership to enhance Merck’s overall performance. Last year Merck’s Animal Health business, which develops products for both companion animals and those raised for food production, grew 9% globally. At the same time, our Consumer Care business, which includes CLARITIN, COPPERTONE and the DR. SCHOLL’S footcare line, grew revenues 7% in 2012.

Increasing Productivity, Delivering Shareholder Value

By driving growth in our broad product portfolio and reducing costs, in 2012 we were able to absorb the impacts of a challenging year, reinvest for future growth, and increase shareholder value. We returned more than $7.5 billion to shareholders by increasing our dividend 11% and raising our share repurchase level to $2.6 billion. In total we increased the amount of cash returned to shareholders by 17% in 2012.

In 2012 we also achieved our merger synergy target of $3.5 billion in annual savings, benefiting from those synergies while making investments designed to generate higher revenues and increase our profitability over the long term. Looking ahead, we remain intently focused on aligned execution of our growth strategy and operational excellence – increasing efficiencies, streamlining processes, simplifying our business and accelerating the pace of change.
Making a Difference Around the World and at Home

Our commitments to innovating throughout our business and improving access to healthcare are woven into all we do at Merck. We see corporate responsibility as a major part of doing business, not as a separate philanthropic initiative. Ultimately it helps us provide more value to both society and shareholders by increasing our understanding of patients' and customers' needs and stimulating new and broader thinking. We also are committed to collaborating with other skilled partners who share our dedication to improving quality of life and speeding progress.

As one example, last year we celebrated the 25th anniversary of the MECTIZAN Donation Program. In 1987 Merck decided to donate our medication for the treatment of river blindness – as much as needed, for as long as needed – to eliminate this debilitating disease. Since the program’s inception, more than one billion treatments have been donated in Africa, Latin America and Yemen.

In another collaborative effort, last year Merck announced we would work with the Bill and Melinda Gates Foundation to expand access to family planning, a critical step in improving the health of women around the world. As part of Merck for Mothers, our 10-year initiative to help reduce maternal mortality around the world, we pledged up to $25 million over eight years, an amount the Gates Foundation will match.

And last year 13 Merck employees gained new and rewarding hands-on experiences through the Richard T. Clark Fellowship for World Health. Named for our previous CEO and chairman, the program enables employees to share their talents to help humanitarian organizations address the health needs of the underserved. Our Fellows benefited from three-month assignments working closely with charitable organizations in India, Bangladesh and the United States.

Focusing on our Mission and our Future

Ours is a business that requires a long-term focus, and Merck people have an unwavering commitment to our mission to save and improve lives around the world. We steadfastly believe that innovative research and development is the only sustainable way to create true and enduring value for customers, patients and shareholders. By continuing to invest in the discovery and development of medicines and vaccines – though it is challenging and expensive – we believe Merck can have a profound impact on people’s lives for years to come.

Today Merck colleagues across the globe are honoring our legacy while energetically building our future through inventive and effective approaches to both science and business. Each year, more and more lives depend on our success, and that’s a responsibility we take very seriously.

The people of Merck and I thank you for your continuing support. Be well.

*all growth rates cited exclude the impact of foreign exchange
Forward-Looking Statement

This communication includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. These statements are based upon the current beliefs and expectations of Merck’s management and are subject to significant risks and uncertainties. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements.

Risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation in the United States and internationally; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; Merck’s ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of Merck’s patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

Merck undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in Merck’s 2012 Annual Report on Form 10-K and the company’s other filings with the Securities and Exchange Commission (SEC) available at the SEC’s Internet site (www.sec.gov).