



News Release

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Merck Announces Full-Year and Fourth-Quarter 2011 Financial Results

- 2011 Full-Year Non-GAAP EPS of \$3.77, Excluding Certain Items; GAAP EPS of \$2.02; Fourth-Quarter Non-GAAP EPS of \$0.97, Excluding Certain Items; GAAP EPS of \$0.49
- 2011 Full-Year Worldwide Sales Grew Four Percent to \$48.0 Billion, Including Two Percent from Foreign Exchange; Fourth-Quarter Worldwide Sales Grew Two Percent to \$12.3 Billion
- Full-Year and Fourth-Quarter Double-Digit Global Growth for JANUVIA, JANUMET, ISENTRESS and GARDASIL
- Company plans to file five major products for approval between 2012 and 2013
- 2012 Full-Year Non-GAAP EPS Target of \$3.75 to \$3.85, Excluding Certain Items; GAAP EPS Range of \$2.04 to \$2.30

WHITEHOUSE STATION, N.J., Feb. 2, 2012 – Merck (NYSE: MRK), known as MSD outside the United States and Canada, today announced financial results for the fourth quarter and full year of 2011.

	Fourth Quarter 2011	Fourth Quarter 2010	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
\$ in millions, except EPS amounts				
Sales	\$12,294	\$12,094	\$48,047	\$45,987
GAAP EPS	0.49	(0.17)	2.02	0.28
Non-GAAP EPS that excludes items listed below ¹	0.97	0.88	3.77	3.42
GAAP Net Income (Loss) ²	1,512	(531)	6,272	861
Non-GAAP Net Income that excludes items listed below ^{1,2}	2,978	2,756	11,697	10,715

Non-GAAP (generally accepted accounting principles) earnings per share (EPS) for the fourth quarter of \$0.97 and \$3.77 for the full year of 2011 exclude acquisition-related costs, restructuring costs and certain other items.

¹ Merck is providing certain 2011 and 2010 non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's performance. This information should be considered in addition to, but not in lieu of, information prepared in accordance with GAAP. For a description of the items, see Tables 2a and 2b, including the related footnotes, attached to this release.

² Net income (loss) attributable to Merck & Co., Inc.

A reconciliation of GAAP to non-GAAP net income (loss) and EPS is provided in the tables that follow.

	Fourth Quarter 2011		Fourth Quarter 2010	
	Net Income ²	EPS	Net (Loss) Income ²	EPS
\$ in millions, except EPS amounts				
GAAP	\$1,512	\$0.49	\$(531)	\$(0.17)
Difference	1,466	0.48 ³	3,287	1.05 ³
Non-GAAP that excludes items listed below	\$2,978	\$0.97	\$2,756	\$0.88

	Year Ended Dec. 31, 2011		Year Ended Dec. 31, 2010	
	Net Income ²	EPS	Net Income ²	EPS
\$ in millions, except EPS amounts				
GAAP	\$6,272	\$2.02	\$861	\$0.28
Difference	5,425	1.75 ³	9,854	3.14 ³
Non-GAAP that excludes items listed below	\$11,697	\$3.77	\$10,715	\$3.42

	Fourth Quarter 2011	Fourth Quarter 2010	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
\$ in millions				
Acquisition-related costs ⁴	\$1,479	\$3,591	\$5,939	\$9,403
Restructuring costs	692	354	1,911	1,986
Arbitration settlement charge	—	—	500	—
Legal reserve	—	—	—	950
Gain on AstraZeneca's asset option exercise	—	—	—	(443)
Other ⁵	6	—	(258)	—
Net decrease (increase) in income before taxes	2,177	3,945	8,092	11,896
Income tax (benefit) expense ⁶	(711)	(658)	(2,667)	(2,042)
Decrease (increase) in net income	\$1,466	\$3,287	\$5,425	\$9,854

"We are positioning Merck to perform well by advancing and growing our innovative pipeline, meeting the evolving needs of customers around the world and achieving a more efficient operating model," said Kenneth C. Frazier, chairman and chief executive officer of Merck. "We closed out 2011 with a high-quality fourth quarter by growing the top and bottom lines. Our overall performance for the year confirms our ability to achieve strong operating results, while investing for the longer term. As we begin 2012 and look ahead, we are optimistic about our underlying business, our current momentum and the early success of our strategy."

³ Represents the difference between calculated GAAP EPS and calculated non-GAAP EPS which may be different than the amount calculated by dividing the impact of the excluded items by the weighted average shares.

⁴ Includes expenses for the amortization of intangible assets and amortization of purchase accounting adjustments to inventories recognized as a result of mergers and acquisitions, as well as intangible asset impairment charges. Also includes integration and other costs associated with mergers and acquisitions.

⁵ Amount for full year of 2011 includes a gain on the divestiture of the company's interest in the Johnson & Johnson[®]Merck Consumer Pharmaceuticals Company joint venture and a gain on the sale of certain manufacturing facilities and related assets.

⁶ Includes an estimated income tax (benefit) expense on the reconciling items. The full year amount for 2011 includes the net favorable impact of approximately \$700 million relating to the settlement of a federal income tax audit. The full year amount for 2010 includes a \$147 million tax charge related to U.S. health care reform legislation. In addition, the full year amounts for 2011 and 2010 include \$270 million and \$391 million, respectively, of net tax benefits from changes in tax rates, which resulted in a reduction of deferred tax liabilities on intangibles established in purchase accounting.

Select Revenue Highlights

Full-year 2011 worldwide sales were \$48.0 billion, an increase of 4 percent, which includes a 2 percent benefit from foreign exchange, compared to full-year 2010. Worldwide sales were \$12.3 billion for the fourth quarter of 2011, an increase of 2 percent compared with the fourth quarter of 2010. The revenue increases largely reflect strong sales of JANUVIA (sitagliptin), SINGULAIR (montelukast sodium), JANUMET (sitagliptin/metformin hydrochloride), ISENTRESS (raltegravir) and GARDASIL [Human Papillomavirus Quadrivalent (Types 6, 11, 16 and 18) Vaccine, Recombinant].

Sales from emerging markets accounted for approximately 18 percent of pharmaceutical sales for the full year and 17 percent in the fourth quarter. China grew 37 percent for the full year and continues to be a key driver of growth in the emerging markets.

The table below reflects sales of the company's top Pharmaceutical products, as well as total sales of Animal Health and Consumer Care products.

\$ in millions	Fourth Quarter 2011	Fourth Quarter 2010	Change	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010	Change
Total Sales	\$12,294	\$12,094	2%	\$48,047	\$45,987	4%
Pharmaceutical ⁷	10,755	10,441	3%	41,289	39,267	5%
SINGULAIR	1,461	1,349	8%	5,479	4,987	10%
JANUVIA	960	675	42%	3,324	2,385	39%
REMICADE	511	710	-28%	2,667	2,714	-2%
ZETIA	640	629	2%	2,428	2,297	6%
VYTORIN	475	562	-16%	1,882	2,014	-7%
COZAAR/HYZAAR	427	415	3%	1,663	2,104	-21%
JANUMET	386	288	34%	1,363	954	43%
ISENTRESS	387	313	24%	1,359	1,090	25%
NASONEX	325	303	7%	1,286	1,219	5%
GARDASIL	274	221	24%	1,209	988	22%
PROQUAD, M-M-R II and VARIVAX	276	285	-3%	1,202	1,378	-13%
Animal Health	868	815	6%	3,253	2,941	11%
Consumer Care ⁷	361	381	-5%	1,840	1,823	1%
Other Revenues ⁸	310	457	-32%	1,666	1,956	-15%

Worldwide sales of the combined diabetes franchise of JANUVIA/JANUMET grew 40 percent to \$1.3 billion in the fourth quarter of 2011 driven by growth in all regions. The combined JANUVIA/JANUMET franchise had sales of \$4.7 billion for the full year of 2011, an increase of 40 percent.

Worldwide sales of SINGULAIR, a once-a-day oral medicine indicated for the chronic treatment of asthma and the relief of symptoms of allergic rhinitis, grew 8 percent from the fourth quarter of 2010 to \$1.5 billion. Full-year worldwide sales for SINGULAIR were \$5.5

⁷ In the first quarter of 2011, Merck changed the reporting for certain over-the-counter products. Sales of these products outside the United States were previously recorded in the Pharmaceutical business, and are now reported in the Consumer Care business. Prior period amounts have been recast on a comparative basis.

⁸ Other revenues are primarily comprised of alliance revenue, miscellaneous corporate revenues and third-party manufacturing sales. Revenue from AstraZeneca LP recorded by Merck was \$256 million in the fourth quarter and \$1.2 billion for the full year of 2011.

billion, a 10 percent increase compared with the prior year. The U.S. patent for SINGULAIR will expire in Aug. 2012, and the company expects a significant decline in sales following expiry.

Global sales of REMICADE (infliximab) and SIMPONI (golimumab), treatments for inflammatory diseases, for the full year of 2011 increased 4 percent and declined 24 percent for the fourth quarter. In territories retained, the combined sales of REMICADE and SIMPONI grew 21 percent for the full year and 8 percent for the fourth quarter of 2011. In July 2011, the company transferred exclusive marketing rights for REMICADE and SIMPONI to Johnson & Johnson in Canada, Central and South America, the Middle East, Africa and Asia Pacific. Merck retained exclusive marketing rights in Europe, Russia and Turkey.

ISENTRESS, an HIV integrase inhibitor for use in combination with other antiretroviral agents for the treatment of HIV-1 infection in adults, children and adolescents 2 years of age and older and weighing at least 10 kg, grew 24 percent in the fourth quarter. Global sales of ISENTRESS for the full year of 2011 were \$1.4 billion, a 25 percent increase compared with the prior year.

Sales of GARDASIL, a vaccine to help prevent certain diseases caused by four types of human papillomavirus (HPV), were \$274 million, an increase of 24 percent for the quarter driven by increased vaccination of males ages 9 through 26. Worldwide sales of GARDASIL for the year were \$1.2 billion, a 22 percent increase compared with the prior year.

Sales of VICTRELIS (boceprevir), the company's oral hepatitis C virus NS3/4A protease inhibitor, were \$87 million in the quarter and \$140 million for the full year of 2011. In addition to the United States, the company has recently launched VICTRELIS in 19 markets including France, Germany, Canada and Brazil.

Sales of ZOSTAVAX (Zoster Vaccine Live) were \$78 million in the quarter. Global sales of ZOSTAVAX for the full year of 2011 were \$332 million, a 37 percent increase compared with the prior year due to an improved supply status. The company recently filled all back orders and resumed a normal supply schedule in the United States.

As expected, global sales of Merck's antihypertensive medicines COZAAR (losartan potassium) and HYZAAR (losartan potassium and hydrochlorothiazide) declined for the full year of 2011 following loss of marketing exclusivity in the United States and in major European markets in 2010.

Product Performance – Animal Health

Merck Animal Health sales totaled \$868 million for the fourth quarter of 2011, a 6 percent increase over the same period last year. Animal Health had strong fourth-quarter performance across most regions, with growth primarily led by increased sales of swine, poultry and companion animal products. The division's products include pharmaceutical and vaccine products for the prevention, treatment and control of disease in all major farm and companion

animal species. Animal Health global sales for 2011 full year were \$3.3 billion, an 11 percent increase, which includes a 3 percent benefit from foreign exchange, compared with the prior year.

Product Performance – Consumer Care

2011 full-year global sales of Consumer Care were \$1.8 billion, a 1 percent increase compared to full-year 2010. Fourth-quarter global sales were \$361 million, a decrease of 5 percent compared to the fourth quarter of 2010. The sales decrease was primarily due to declines in CLARITIN and COPPERTONE. Despite competition, CLARITIN continues to maintain a leadership position in the over-the-counter allergy market.

Fourth-Quarter and Full-Year Expense and Other Information

The costs detailed below totaled \$10.8 billion on a GAAP basis during the fourth quarter of 2011 and include \$2.2 billion of acquisition-related costs and restructuring costs.

\$ in millions	Included in the expense for the period				
	GAAP	Acquisition-Related Costs ⁴	Restructuring Costs	Certain Other Items	Non-GAAP ¹
Fourth Quarter 2011					
Materials and production	\$4,176	\$1,212	\$68	\$7	\$2,889
Marketing and administrative	3,704	86	42	–	3,576
Research and development	2,419	244	49	–	2,126
Restructuring costs	533	–	533	–	–
Fourth Quarter 2010					
Materials and production	\$4,440	\$1,206	\$105	\$ –	\$3,129
Marketing and administrative	3,537	160	13	–	3,364
Research and development	4,559	2,225	115	–	2,219
Restructuring costs	121	–	121	–	–

The costs detailed below totaled \$40.4 billion on a GAAP basis for full-year 2011 and include \$7.9 billion of acquisition-related costs and restructuring costs.

\$ in millions

	Included in the expense for the period				
	GAAP	Acquisition-Related Costs ⁴	Restructuring Costs	Certain Other Items	Non-GAAP ¹
Full Year 2011					
Materials and production	\$16,871	\$5,137	\$348	\$7	\$11,379
Marketing and administrative	13,733	278	119	–	13,336
Research and development	8,467	587	138	–	7,742
Restructuring costs	1,306	–	1,306	–	–
Full Year 2010					
Materials and production	\$18,396	\$6,566	\$430	\$–	\$11,400
Marketing and administrative	13,125	379	143	–	12,603
Research and development	11,111	2,441	428	–	8,242
Restructuring costs	985	–	985	–	–

The gross margin was 66.0 percent for the fourth quarter of 2011 and 63.3 percent for the fourth quarter of 2010, reflecting 10.5 and 10.8 percentage point unfavorable impacts, respectively, from the acquisition-related costs and restructuring costs noted above.

Marketing and administrative expenses, on a non-GAAP basis, were \$3.6 billion in the fourth quarter of 2011, an increase from \$3.4 billion in the fourth quarter of 2010. The increase was primarily due to the impact of product launches, U.S. health care reform fees and corporate charges.

Research and development expenses, on a non-GAAP basis, were \$2.1 billion in the fourth quarter of 2011, a decrease from \$2.2 billion in the fourth quarter of 2010. The decrease was primarily due to efficiency savings.

Equity income from affiliates was \$257 million for the fourth quarter and \$610 million for the full year, which primarily includes partnerships with AstraZeneca LP and Sanofi Pasteur MSD.

Key Developments

The company noted the following recent developments:

- Received a Complete Response Letter from the U.S. Food and Drug Administration (FDA) regarding the company's supplemental new drug application for DULERA (mometasone furoate and formoterol fumarate dihydrate) for the treatment of chronic obstructive pulmonary disease. The company is discussing the letter with the FDA to determine next steps.
- Obtained FDA approval to update the label for VYTORIN (ezetimibe/simvastatin) with results from the Study of Heart and Renal Protection in patients with moderate-to-severe chronic kidney disease

- Received FDA approval for a new use of ISENTRESS in combination with other antiretroviral medicines for the treatment of HIV-1 infection in pediatric patients 2 years of age and older and weighing at least 10 kg
- Announced the establishment of an Asia Research & Development (R&D) headquarters for innovative drug discovery and development located in Beijing, China
- Increased the quarterly dividend 11 percent to \$0.42 per share
- The Centers for Disease Control and Prevention's Advisory Committee on Immunization Practices recommended the routine use of GARDASIL in boys ages 11 to 12 and catch-up vaccination for males ages 13 to 21 who have not been vaccinated previously
- Launched JUVISYNC (sitagliptin and simvastatin) in the U.S. market. JUVISYNC is the first drug to be approved that combines the blood-sugar lowering of a DPP-4 inhibitor with the cholesterol-lowering benefits of simvastatin.

In November, the company held its R&D and Business Briefing for investors, highlighting nearly 20 candidates in Phase III clinical trials targeting a broad range of diseases. Merck plans to advance its pipeline and file five major products for approval between 2012 and 2013, including:

- BRIDION (sugammadex), a potential first-in-class neuromuscular reversal agent in the United States
- V503, an investigational vaccine to help protect against certain HPV associated cancers
- Odanacatib, an investigational once-weekly oral compound with a unique mechanism of action for the treatment of osteoporosis
- TREDAPTIVE (ER niacin/laropiprant), an investigational extended release niacin plus laropiprant for the treatment of atherosclerosis in the United States
- Suvorexant, an investigational, first-in-class treatment for patients with insomnia.

Financial Targets

Merck expects full-year 2012 non-GAAP EPS to be between \$3.75 and \$3.85, and the 2012 GAAP EPS range to be \$2.04 to \$2.30. The 2012 non-GAAP range excludes acquisition-related costs and costs related to restructuring programs.

Merck expects full-year 2012 revenues to be at or near 2011 levels on a constant currency basis. At current exchange rates, sales would be unfavorably affected by about 2 to 3 percent.

In addition, the company expects full-year 2012 non-GAAP R&D expense to be at approximately the same level as in 2011 and expects its full-year 2012 non-GAAP tax rate to be in the range of 23 to 25 percent.

A reconciliation of anticipated 2012 EPS as reported in accordance with GAAP to non-GAAP EPS that excludes certain items is provided in the table below.⁹

\$ in millions, except EPS amounts	Full Year 2012
GAAP EPS	\$2.04 to \$2.30
Difference ³	1.71 to 1.55
Non-GAAP EPS that excludes items listed below	\$3.75 to \$3.85
Acquisition-related costs ⁴	\$5,200 to \$4,900
Restructuring costs	1,100 to 800
Net decrease (increase) in income before taxes	6,300 to 5,700
Estimated income tax (benefit) expense	(1,110) to (985)
Decrease (increase) in net income	\$5,190 to \$4,715

Total Employees

As of Dec. 31, 2011, Merck had approximately 86,000 employees worldwide.

Earnings Conference Call

Investors are invited to a live audio webcast of Merck's fourth-quarter earnings conference call today at 8:00 a.m. EST by visiting Merck's Web site, www.merck.com/investors/events-and-presentations/home.html. Institutional investors and analysts can participate in the call by dialing (706) 758-9927 or (877) 381-5782. Journalists are invited to monitor the call by dialing (706) 758-9928 or (800) 399-7917. A replay of the call will be available starting at 11 a.m. EST today for approximately one week. To listen to the replay, dial (404) 537-3406 or (855) 859-2056 and enter ID No. 23636062.

About Merck

Today's Merck is a global healthcare leader working to help the world be well. Merck is known as MSD outside the United States and Canada. Through our prescription medicines, vaccines, biologic therapies, and consumer care and animal health products, we work with customers and operate in more than 140 countries to deliver innovative health solutions. We also demonstrate our commitment to increasing access to healthcare through far-reaching policies, programs and partnerships. For more information, visit www.merck.com and connect with us on Twitter, Facebook and YouTube.

Forward-Looking Statement

This news release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such statements may include, but are not limited to, statements about the benefits of the merger

⁹ Both non-GAAP and GAAP EPS guidance for 2012 assume the potential exercise by AstraZeneca of the Shares Option in mid-2012 and include the estimated associated impact on revenue and equity income from affiliates. They do not reflect any gain on the potential transaction, which would be reflected only in the company's GAAP results.

between Merck and Schering-Plough, including future financial and operating results, the combined company's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Merck's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the possibility that the expected synergies from the merger of Merck and Schering-Plough will not be realized, or will not be realized within the expected time period; the impact of pharmaceutical industry regulation and health care legislation; the risk that the businesses will not be integrated successfully; disruption from the merger making it more difficult to maintain business and operational relationships; Merck's ability to accurately predict future market conditions; dependence on the effectiveness of Merck's patents and other protections for innovative products; the risk of new and changing regulation and health policies in the U.S. and internationally and the exposure to 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 2010 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).

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