

Merck Global Health Innovation

IBF Corporate Venturing

**In Search of Transformational Solutions
for Customer-Centric Healthcare:
Introducing Merck Global Health Innovation (GHI)**

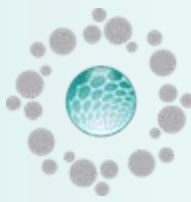
February 2011

William J. Taranto

Managing Director, Global Health Innovation Fund, LLC

Executive Director, Global Health Innovation Group





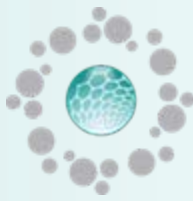
Forward-Looking Statement

This presentation 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 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.

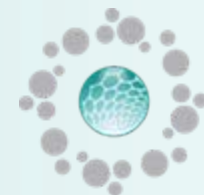
Merck undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in Merck’s 2009 Annual 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).

Contents



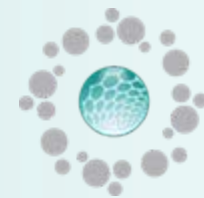
- **Innovation at Merck – A History**
- **Introducing Global Health Innovation**
- **GHI Investment Focus**
- **Closing**

Key Company Facts



TRADE NAME	The Company is known as Merck in the United States and Canada. Everywhere else, we are known as MSD.
LEGAL ENTITY NAME	Merck & Co., Inc. remains the name of the publicly traded company. It also is the formal legal entity name of our holding company, which has operating companies under it, including Merck Sharp & Dohme Corp., Schering Corp. and N.V. Organon, for example.
EMPLOYEES	Approximately 94,000
HEADQUARTERS	Whitehouse Station, New Jersey, U.S.A.
BUSINESSES	Pharmaceuticals, Vaccines, Biologics, Consumer Care and Animal Health
2010 REVENUES	\$46 billion
2010 R&D EXPENSE	\$8.1 billion
EXTERNAL LICENSING	In 2010, 46 significant licensing and partnership deals were executed.

Areas of Focus



Cardiovascular

**Diabetes/
Obesity**



**Bone/Immunology/
Respiratory/
Dermatology**



Oncology

**Neurosciences/
Ophthalmology**

**Infectious
Diseases**

Vaccines

Biologics

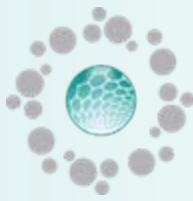


Diversified Brands



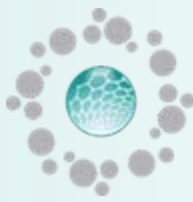
**Women's
Health/
Endocrine**

Evolution of Merck: Our Heritage

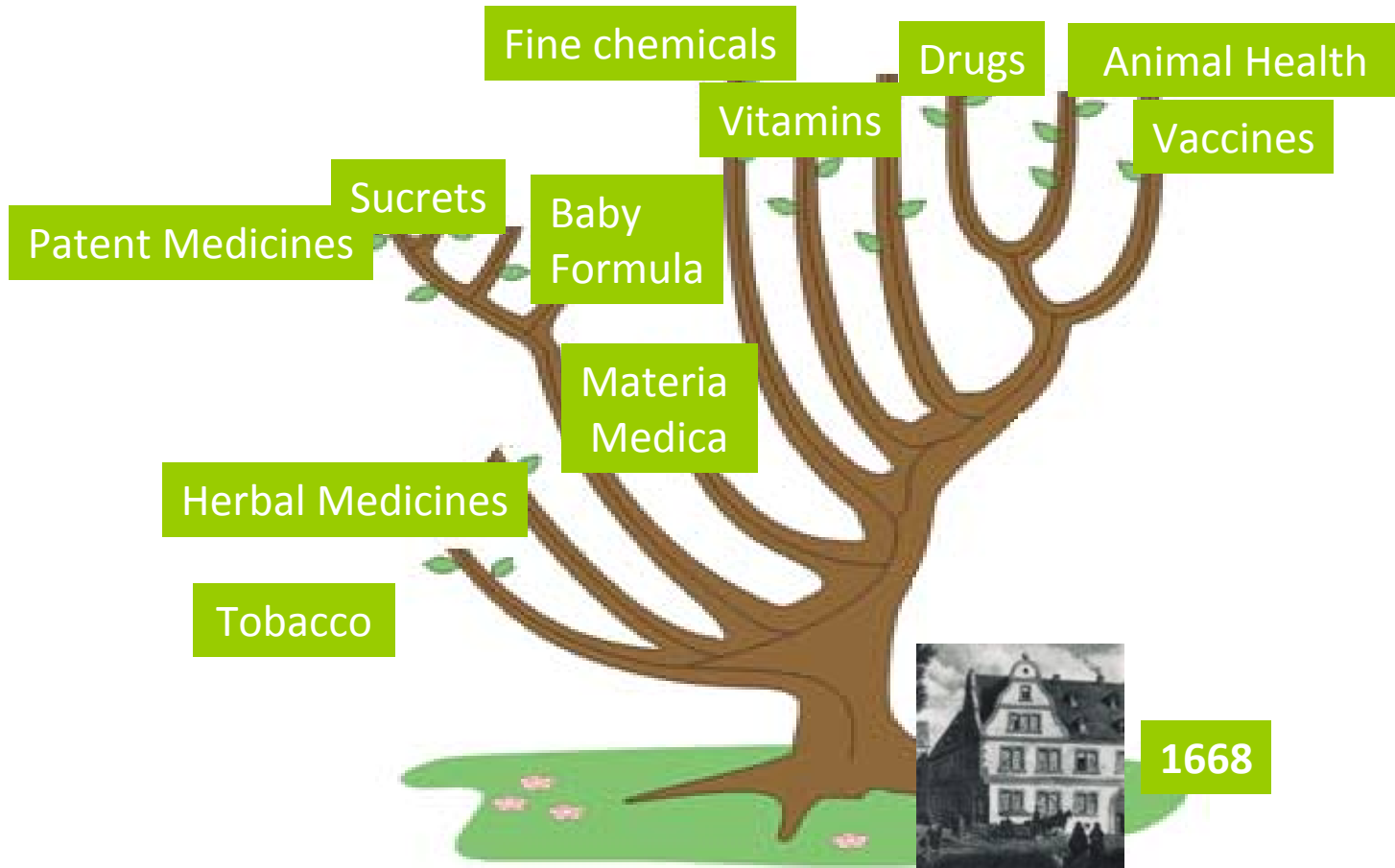


“We try never to forget that medicine is for the people. It is not for profits... If we have remembered that, the profits have never failed to appear.”

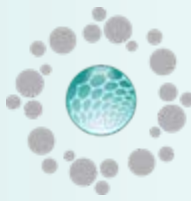
Evolution of Merck: Business Model Change



Apothecary → Chemicals → Patent Medicines → Vitamins → Ethical Pharmaceuticals & Vaccines



Merck and Schering-Plough: A Compelling Combination



Strong & diverse portfolio

with leading brands in key businesses

Powerful late-stage pipeline

with more than 20 late-stage compounds

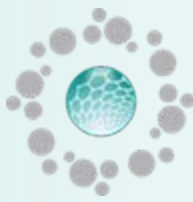
Expanded global focus

with a greater proportion of sales outside the U.S. and a dedicated strategy for emerging markets

Financial strength

to invest in the best opportunities in healthcare

Evolution of Merck: A History of Innovation



1944
Discovery of streptomycin, medicine that would eradicate tuberculosis



1985
Intron A interferon approved



1994
Launched national UV Index



1891
George Merck arrives in New York to run the American branch

1920
Begins manufacture of St Joseph's aspirin

1933
Merck Research Labs established in Rahway

1935
Isolated testosterone hormone

1950
Synthesis of prednisone & prednisolone

1944
Chlor-Trimeton, an antihistamine

1965
Organon introduces its first anti-conception pill Lyndiol

1959
First children's safety cap

1966
Anti-biotic Garamycin introduced

1987
Cardiovascular medicine Mevacor approved

1993
Claritin, non-sedating antihistamine is introduced

1998
Singulair launched for asthma

1999
Temodar launched

2002
Claritan OTC

2006
Januvia launched for diabetes

1899
Merck Manual published

1923
Organon established to produce insulin

1928
Progynon, an early hormone product

1933
Synthesized steroidal hormone estradiol

1942
Production of penicillin "G."

1944
Synthesis of cortisone

1947
Orange-flavored St. Joseph Aspirin for Children

1957
Established Merck Company Foundation

1967
Mumps vaccine introduced

1971
MMRII vaccine introduced

1984
Cardiovascular medicine Vasotec launched

1994
Zocor demonstrates that it reduced mortality in people with high cholesterol

1996
Crixivan for HIV infection FDA approval in a record 45 days

2006
Human papilloma-virus (HPV) vaccine Gardasil launched

1894
The first antitoxin to protect against diphtheria



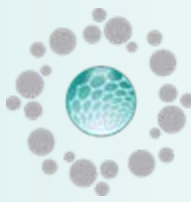
1963
First available vaccine for measles



2007
Isentress, the first HIV integrase Inhibitor is approved



Looking Forward: Pressures Facing the Pharma Industry



R&D Cost

- Higher failure rates = Higher development costs
- More studies required for approvals

Payer Pressure

- Cost focus limits reimbursement growth
- Payers demand greater demonstration of value

Commercial Factors

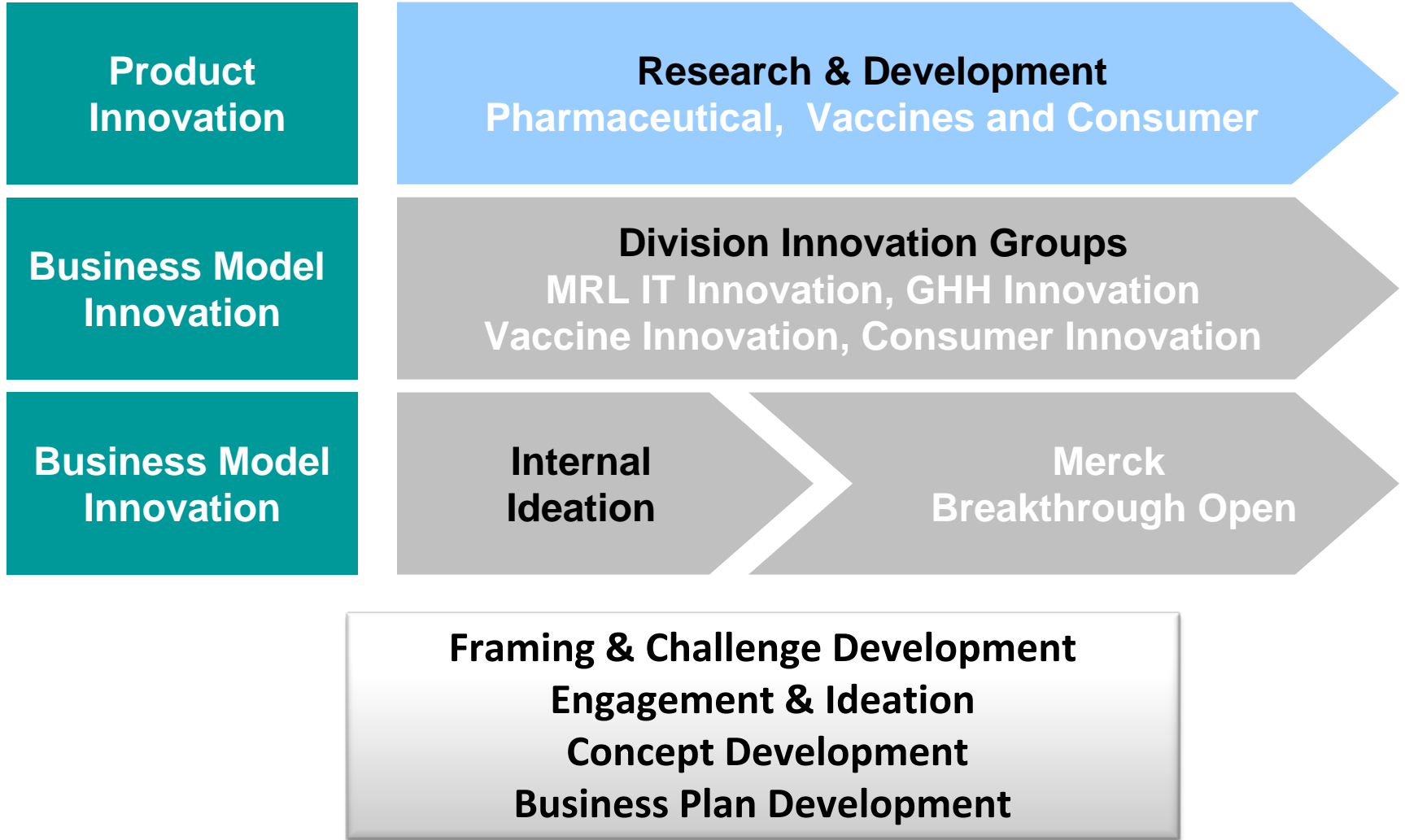
- Shorter lifecycles due to impact of generics
- Increased global competition and threats to IP estate



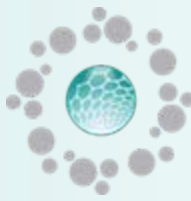
***Today's Merck
is meeting the
challenges through
innovation***



Flavors of Innovation at Merck

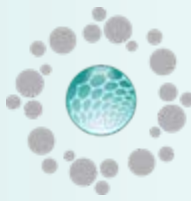


Contents



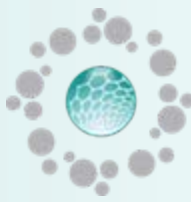
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- GHI Investment Focus
- Closing

Why Create the Global Health Innovation Group (GHI)



Mission: Identify new business models and adjacency opportunities in healthcare:

- Accelerate Merck's evolution to broader strategic healthcare focus – Be Well.
 - Focal point for external opportunities in adjacent healthcare fields
 - Connect company strategy to opportunities
- Build and manage “sensing” and “ideation” processes for ideas--generated internally and externally
 - Leverage existing assets and capabilities to generate more value
- Support adjacency opportunity assessments and early concept development and investments
- Accretive to Earnings: Managed across upside and downside investment scenarios and positive cash flow and EPS contribution



Who Are We



Bill
Taranto



David
Rubin



Susan
Schramm-Apple



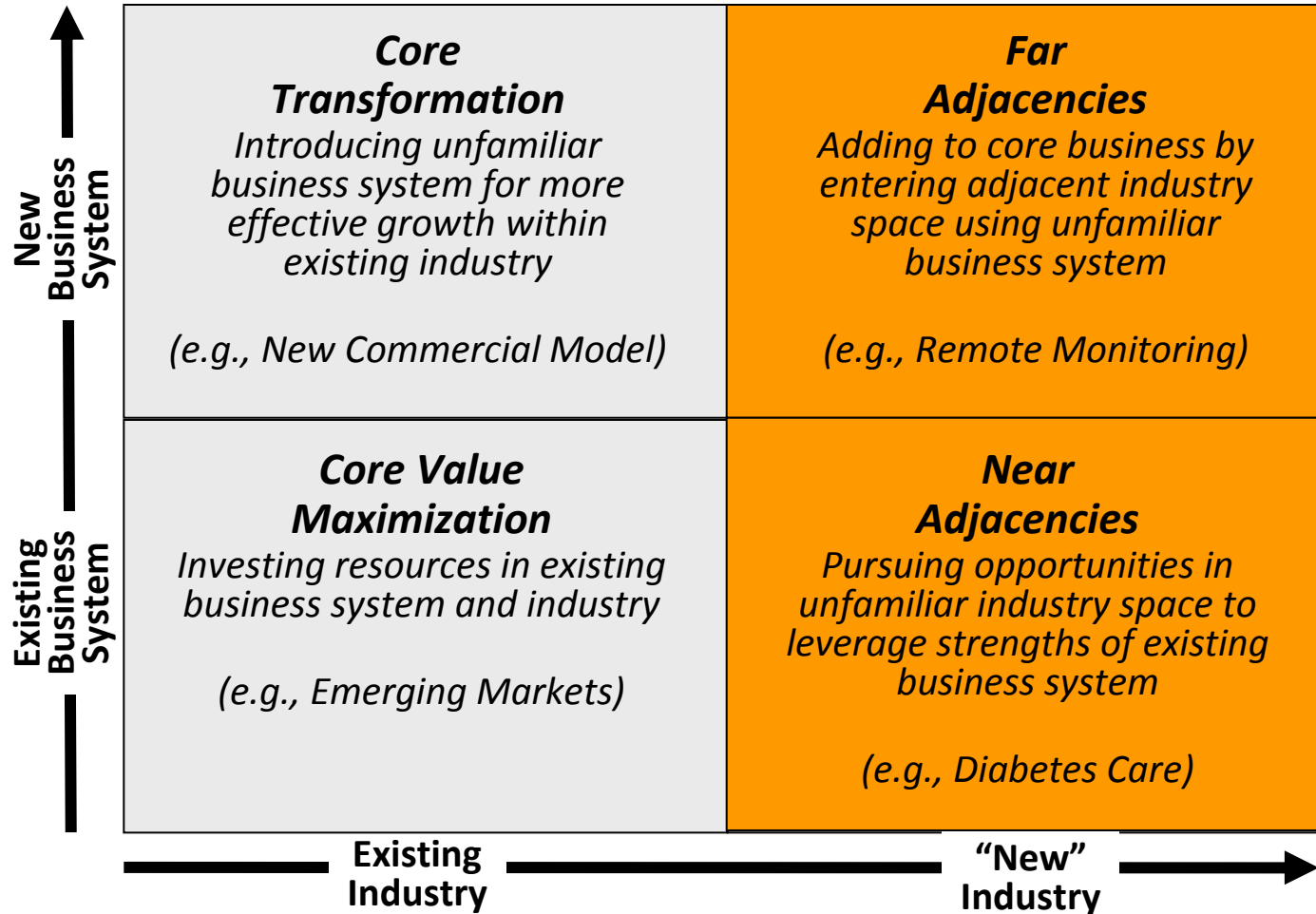
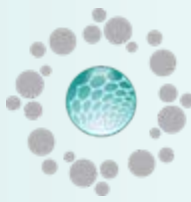
Dave
Stevenson

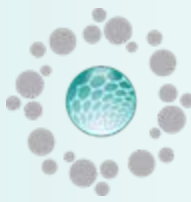


Joe
Volpe

- **Experienced Team**
 - Staff of 5 with more than 100 years of industry experience in healthcare
 - Healthcare adjacency investing since 2000
- **Autonomous Structure**
 - Report into Merck Executive Committee and Chief Strategy Officer
 - Latitude to invest and do deals
- **Venture mentality**
 - Organization set up with VC best practices
 - Venture clock rate
- **\$125M fund**

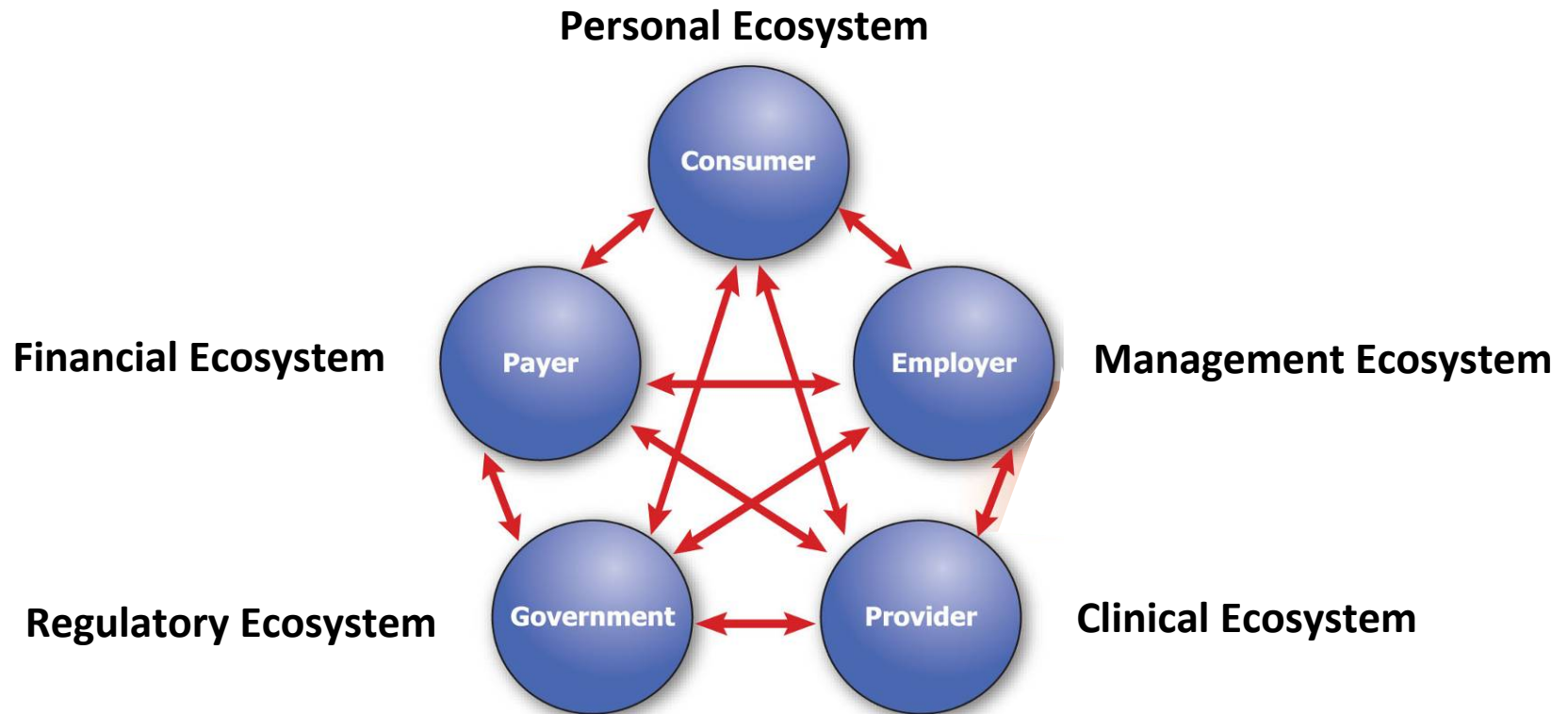
How We Work: Visualizing The Opportunities



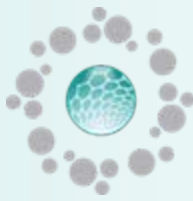


How Do You Create Opportunities?

Opportunities occur when you identify and link new lines of business within and across different health ecosystems

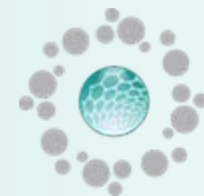


Contents



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GHI Investment Focus Areas



Flexible Access/ Alternate Site of Care

- Home Health
- Aging in Place
- In-Patient and Out-Patient Monitoring
- Concierge service

Diagnostics & Devices

- Rapid Diagnostics
- Sensing
- Micro-Needle
- Micro-Fluidic
- Remote Monitoring

Health Intervention

- Case Management
- Wellness
- Disease Management

Personalized Medicine

- Infrastructure and workflow for “right patient, right time”
- Clinical Development & Physician Practice

Health Content

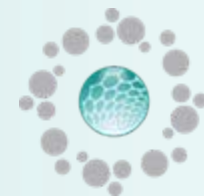
- Interactive Media
- Coaching
- Health Management (e.g. weight)

Informatics

- Clinical informatics
- Post-Market informatics
- Secondary Use
- Aggregation
- Crowd Sourcing & Predictive Markets

GHI's Role: Develop investment theses for a portfolio of opportunities in these spaces, each with potential to drive Merck's vision of becoming the best healthcare company in the world

GHI Investment Benefits



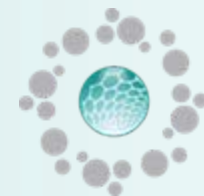
Why GHI

- **Partnership support and value**
 - Experienced, entrepreneurial team
 - Healthcare adjacency expertise
- **Streamlined investment process**
 - Autonomy to make deals
 - LLC for agile decision making
 - Board seats for monitoring and industry insight
- **Focused investment model**
 - Expansion capital for existing businesses
 - Therapeutic and brand agnostic

Why Merck

- **Access to Merck's global footprint and capabilities**
 - Science
 - Supply Chain
 - Commercial Channels
 - Regulatory Expertise
- **Worldwide Healthcare focus**
 - Leverage and contribute to Merck's evolution to broader strategic healthcare focus – Be Well.

Contact Information



GHI is looking for complementary partners and investment opportunities

Global Health Innovation Group

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- Susan Schramm-Apple (susan.schrammapple@merck.com)