



News Release

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Merck Announces Second Quarter 2011 Financial Results

- Double-Digit Non-GAAP EPS Growth in Second Quarter 2011: Non-GAAP EPS of \$0.95; GAAP EPS of \$0.65
- Total Company and Pharmaceutical Sales Grow by 7 Percent, Including Foreign Exchange
- Double-Digit Global Growth Continues for JANUVIA, JANUMET, REMICADE, and ISENTRESS
- VICTRELIS and Other Product Launches Underway
- Company Raises Lower End of its 2011 Non-GAAP EPS Range; Provides New Range of \$3.68 to \$3.76; Also Updates GAAP EPS Range to \$1.95 to \$2.17
- Company Announces New Phase of Merger Restructuring Program

WHITEHOUSE STATION, N.J., July 29, 2011 – Merck (NYSE: MRK), known as MSD outside the United States and Canada, today announced financial results for the second quarter of 2011.

	Second Quarter 2011	Second Quarter 2010
\$ in millions, except EPS amounts		
Sales	\$ 12,151	\$ 11,346
GAAP EPS	0.65	0.24
Non-GAAP EPS that excludes items listed below ¹	0.95	0.86
GAAP Net Income ²	2,024	752
Non-GAAP Net Income that excludes items listed below ^{1,2}	2,950	2,708

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 Table 2a, including the related footnotes, attached to this release.

² Net income attributable to Merck & Co., Inc.

Non-GAAP (generally accepted accounting principles) earnings per share (EPS) for the second quarter of \$0.95 excludes acquisition-related costs, restructuring costs and the benefit of certain tax items.

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

	Second Quarter 2011		Second Quarter 2010	
	Net Income ²	EPS	Net Income ²	EPS
\$ in millions, except EPS amounts				
GAAP	\$ 2,024	\$ 0.65	\$ 752	\$ 0.24
Difference	926	0.30 ³	1,956	0.62 ³
Non-GAAP that excludes items listed below	\$ 2,950	\$ 0.95	\$ 2,708	\$ 0.86

	Second Quarter 2011	Second Quarter 2010
\$ in millions		
Acquisition-related costs ⁴	\$ 1,440	\$ 1,747
Costs related to restructuring programs	816	894
Gain on AstraZeneca's asset option exercise	-	(443)
Other	7	-
Net decrease (increase) in income before taxes	2,263	2,198
Income tax (benefit) expense ⁵	(1,337)	(242)
Decrease (increase) in net income	\$ 926	\$ 1,956

Year-to-date results can be found in the attached financial tables.

"Double-digit growth from key products, and successful new product launches in markets worldwide led to Merck's strong second quarter results," said Kenneth C. Frazier, president and chief executive officer. "We're delivering on our promise to grow both the top and bottom lines while continuing our efforts to streamline and transform Merck.

"By improving the effectiveness and efficiency of our operations and focusing on scientific innovation, we are well-positioned for sustained and profitable growth in the future."

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 the merger, as well as intangible asset impairment charges. Also includes integration and other costs associated with mergers and acquisitions.

⁵ Includes an estimated income tax (benefit) expense on the reconciling items. In addition, amount for 2011 includes the net favorable impact of approximately \$700 million relating to the settlement of a federal income tax audit, as well as the favorable impact of certain foreign and state tax rate changes that resulted in a net \$230 million reduction of deferred tax liabilities on intangibles established in purchase accounting.

Update to Merger Restructuring Program

Merck said today that it remains on track to achieve its goal of \$3.5 billion in annual cost synergies by the end of 2012.

The company said it will more aggressively reduce its cost structure so Merck can continue to invest in long term profitable growth opportunities while driving a more efficient operating model. As a result, Merck announced the next phase of its Merger Restructuring Program today. As part of this next phase, the company expects to reduce its workforce, as measured at December 31, 2009, by an additional 12 to 13 percent by the end of 2015. At the same time, Merck said it will continue to hire new employees in strategic growth areas of the business such as emerging markets.

"Merck is taking these difficult actions so that we can grow profitably and continue to deliver on our mission well into the future," said Frazier. "The environment we operate in is changing rapidly and dramatically, and these steps will help us more efficiently serve customers and patients around the world."

By the end of 2015, Merck now expects the overall Merger Restructuring Program to yield annual ongoing savings of \$4.0 billion to \$4.6 billion from the original estimate of \$2.7 billion to \$3.1 billion. Total cumulative pretax costs for the Program are estimated to range between \$5.8 billion to \$6.6 billion.

Select Revenue Highlights

Worldwide sales were \$12.2 billion for the second quarter of 2011, the highest quarterly sales total for the combined company and an increase of 7 percent compared with the second quarter of 2010. Foreign exchange for the quarter favorably affected global sales performance by 4 percent. The revenue increase largely reflects strong sales of JANUVIA (sitagliptin), JANUMET (sitagliptin/metformin hydrochloride), REMICADE (infliximab), SINGULAIR (montelukast sodium), ISENTRESS (raltegravir), GARDASIL [Human Papillomavirus Quadrivalent (Types 6, 11, 16 and 18) Vaccine, Recombinant], and ZOSTAVAX (zoster vaccine live). Pharmaceutical sales from emerging markets accounted for 18 percent of sales in the quarter.

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	Second Quarter 2011	Second Quarter 2010	Change
Total Sales	\$ 12,151	\$ 11,346	7%
Pharmaceutical ⁶	10,360	9,638	7%
SINGULAIR	1,354	1,258	8%
REMICADE	842	669	26%
JANUVIA	779	600	30%
ZETIA	592	564	5%
VYTORIN	459	490	-6%
COZAAR/HYZAAR	406	485	-16%
ISENTRESS	337	267	26%
NASONEX	323	338	-4%
JANUMET	321	218	47%
GARDASIL	277	219	27%
Animal Health	802	731	10%
Consumer Care ⁶	541	544	-1%
Other Revenues ⁷	448	433	3%

The combined diabetes franchise of JANUVIA/JANUMET grew 35 percent to \$1.1 billion in the second quarter of 2011.

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 second quarter of 2010 to \$1.4 billion, driven by Japan and the United States.

Global sales grew 26 percent in the quarter for REMICADE, a treatment for inflammatory diseases, due to growth in Europe, Canada and the emerging markets, as well as increases in gastrointestinal indications for the treatment of ulcerative colitis and Crohn's disease. Under an agreement reached in the second quarter, Merck has transferred exclusive marketing rights for REMICADE and SIMPONI (golimumab) to Johnson & Johnson in territories including Canada, Central and South America, the Middle East, Africa and Asia Pacific, effective July 1, 2011. Merck retains exclusive marketing rights to these products throughout Europe, Russia and Turkey.

ISENTRESS, an HIV integrase inhibitor for use in combination with other antiretroviral agents for the treatment of HIV-1 infection, grew 26 percent in the second quarter driven by demand in the United States and Europe.

⁶ 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.

⁷ Other revenues are primarily comprised of alliance revenue, miscellaneous corporate revenues and third party manufacturing sales. Revenue from AstraZeneca LP recorded by Merck was \$306 million in the second quarter of 2011.

As expected, global sales of Merck's antihypertensive medicines COZAAR (losartan potassium) and HYZAAR (losartan potassium and hydrochlorothiazide) continue to decline following loss of marketing exclusivity for these products in the United States and in major European markets. Sales of TEMODAR (temozolomide), a treatment for certain types of brain tumors, declined due to generic competition in Europe.

Sales of ZOSTAVAX were \$122 million in the quarter as a significant number of backorders were filled. The company anticipates that backorders will continue until inventory levels are sufficient to meet market demand.

Product Performance – Animal Health

Merck Animal Health sales totaled \$802 million for the second quarter of 2011, a 10 percent increase over the same period last year, including an 8 percent contribution from foreign exchange. Animal Health had strong second-quarter performance across all regions. The growth was primarily led by increased sales of new products in cattle, companion animal and poultry. 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.

Product Performance – Consumer Care

Merck Consumer Care second-quarter global sales were comparable to the second quarter of 2010, reflecting declines in CLARITIN due to a weak allergy season that were partially offset by increases in suncare. Consumer Care includes a variety of over-the-counter medicines, as well as footcare and suncare products.

Second Quarter Expense and Other Information

The costs detailed below on a GAAP basis during the second quarter of 2011 totaled \$10.4 billion and include \$2.3 billion of acquisition-related costs and restructuring costs.

\$ in millions	Included in the expense for the period			
	GAAP	Acquisition-Related Costs ⁴	Restructuring Costs	Non-GAAP ¹
Second Quarter 2011				
Materials and production	\$ 4,284	\$ 1,344	\$ 109	\$ 2,831
Marketing and administrative	3,525	77	23	3,425
Research and development	1,936	19	16	1,901
Restructuring costs	668	-	668	-
Second Quarter 2010				
Materials and production	\$ 4,549	\$ 1,662	\$ 224	\$ 2,663
Marketing and administrative	3,175	75	-	3,100
Research and development	2,179	-	144	2,035
Restructuring costs	526	-	526	-

The gross margin was 64.7 percent for the second quarter of 2011 and 59.9 percent for the second quarter of 2010, reflecting 12.0 and 16.6 percentage point unfavorable impacts, respectively, from the acquisition-related costs and restructuring costs noted above.

Equity income from affiliates was \$55 million in the second quarter. Equity income from affiliates primarily includes the AstraZeneca LP, Johnson & Johnson^oMerck Consumer Pharmaceuticals Company, and Sanofi Pasteur MSD partnerships.

Other (income) expense, net was \$121 million of expense in the second quarter of 2011 compared with \$281 million of income in the second quarter of 2010. The second quarter of 2010 reflects \$443 million of income recognized upon AstraZeneca's asset option exercise.

The GAAP tax benefit for the second quarter of 2011 primarily reflects a net favorable impact of approximately \$700 million relating to the settlement of the company's 2002 to 2005 federal income tax audit, as well as a favorable impact of certain foreign and state tax rate changes that resulted in a net \$230 million reduction of deferred tax liabilities on intangibles established in purchase accounting. The non-GAAP effective tax rate, which excludes the impact of these items as well as acquisition-related costs, restructuring costs, and certain other items, was 24.3 percent for the quarter.

Key Developments

New Drug Approvals

- VICTRELIS (boceprevir), the company's oral hepatitis C protease inhibitor, was approved by the U.S. Food and Drug Administration (FDA) and in Europe by the European Medicines Agency. The U.S. launch of VICTRELIS is underway. Separately, the company entered into strategic agreements with Roche to market VICTRELIS globally to physicians as part of a triple combination therapy regimen.
- The Japanese Ministry of Health, Labour and Welfare approved three products – GARDASIL, ZOLINZA (vorinostat), and CUBICIN (daptomycin for injection).

Other Pipeline Updates

- Supplemental New Drug Applications (sNDAs) for the cholesterol-lowering medicines VYTORIN (ezetimibe/simvastatin) and ZETIA (ezetimibe) have been accepted for standard review by the FDA. The sNDAs seek indications for VYTORIN, and for ZETIA when used in combination with simvastatin, for the prevention of major cardiovascular events in patients with chronic kidney disease.

- An sNDA for DULERA (mometasone furoate and formoterol fumarate dihydrate) for the treatment of chronic obstructive pulmonary disease (COPD) has been accepted for review by the FDA. DULERA is currently indicated in the United States for the treatment of asthma.
- Merck is discontinuing the clinical development program for telcagepant, the company's investigational calcitonin gene-related peptide receptor antagonist for the treatment of acute migraine. The decision is based on an assessment of data across the clinical program, including findings from a recently completed six-month Phase III study.
- The company received a Complete Response letter from the FDA for the extended release formulation of JANUMET related to the resolution of pre-approval inspection issues. Merck is responding to the questions raised by the FDA.

Business Development

- The company and China's Simcere Pharmaceutical Group announced last week the establishment of a joint venture that will serve China's rapidly expanding healthcare needs by providing significantly improved access to quality medicines in major therapeutic areas.
- Merck and Hanwha Chemical Corporation entered into an exclusive global agreement to develop and commercialize a candidate biosimilar form of Enbrel® (etanercept).
- Earlier this week Merck announced the acquisition of exclusive rights to develop and commercialize the investigational intravenous formulation of vernakalant (vernakalant i.v.) in Canada, Mexico and the United States. The company now has secured worldwide rights to vernakalant i.v., which is currently approved in the EU for rapid conversion of recent onset atrial fibrillation to sinus rhythm and has launched in more than 10 European countries.

Financial Targets

The company raised the lower end of its 2011 non-GAAP EPS range and is now targeting a range of \$3.68 to \$3.76 and a 2011 GAAP EPS target range of \$1.95 to \$2.17. The 2011 non-GAAP range excludes acquisition-related costs, costs related to restructuring programs, the benefit of certain tax items, a charge related to the resolution of the arbitration proceeding with Johnson & Johnson, and certain other items.

Merck continues to expect full year 2011 revenue to grow in the low- to mid-single digit percent range from a base of \$46.0 billion in 2010.

In addition, the company lowered the top end of its non-GAAP R&D expense target to a range of \$8.0 billion to \$8.3 billion for the full year of 2011.

The company updated its anticipated consolidated non-GAAP 2011 tax rate to a range of 23 to 24 percent.

A reconciliation of anticipated 2011 EPS as reported in accordance with GAAP to non-GAAP EPS that excludes certain items is provided in the table below.

\$ in millions, except EPS amounts	Full Year 2011
GAAP EPS	\$1.95 to \$2.17
Difference ³	1.73 to 1.59
Non-GAAP EPS that excludes items listed below	\$3.68 to \$3.76

Acquisition-related costs ⁴	\$5,600 to \$5,250
Costs related to restructuring programs	1,500 to 1,300
Arbitration settlement charge	500
Other ⁸	(127)
Net decrease (increase) in income before taxes	7,473 to 6,923
Income tax (benefit) expense ⁵	(2,109) to (1,993)
Decrease (increase) in net income	\$5,364 to \$4,930

Total Employees

As of June 30, 2011, Merck had approximately 91,000 employees worldwide.

Earnings Conference Call

Investors are invited to a live audio webcast of Merck's second quarter earnings conference call today at 8:00 a.m. EDT 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. EDT today for approximately one week. To listen to the replay, dial (706) 645-9291 or (800) 642-1687 and enter ID No. 76798557.

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.

⁸ Represents a gain on the sale of certain manufacturing facilities and related assets reflected in other (income) expense, net.

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 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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