MERCK

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Merck Joint Venture Relationship with Sanofi Pasteur

In November 1994, Merck and Pasteur Merieux Connaught (now Sanofi Pasteur S.A.) established an equally-owned joint venture to market vaccines in Europe and to collaborate in the development, marketing and distribution of combination vaccines for Europe. Both Merck and Sanofi Pasteur operate their vaccine businesses in the Joint Venture ("JV") territory through the Sanofi Pasteur MSD ("SPMSD") JV. The JV territory includes the following countries and certain of their territories and possessions:

- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Iceland
- Ireland
- Italy
- Liechtenstein
- Luxemburg
- Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- United Kingdom

SPMSD corporate headquarters are located in Lyon, France. There are 13 subsidiaries throughout Europe and about 20 distributor and service agreements.

SPMSD supplies a full range of 45 vaccines to protect infants and children, adolescents, adults and the elderly from 20 infectious diseases. SPMSD is the vaccines market leader in Europe, earning 37% market share in 2008. Primary infant vaccines, a human papillomavirus vaccine, flu vaccines and booster vaccines together account for ~ 80% of JV end market sales.

Merck earns certain partnership returns and revenue from SPMSD:

Equity Income
- Equity Income is shared 50/50 between the shareholders.

Supply Sales
- Included in Merck's top line net sales are supply sales to SPMSD. Because of the supply arrangements between Merck and SPMSD, the timing of supply sales in Merck's financial results may not relate directly to sales in the same period by SPMSD to third parties.

Pipeline Products
- SPMSD has the right to all vaccine post-Phase II developments originating from the shareholders.

- SPMSD shares in the development expenses of each shareholder's vaccines.

- Each parent may receive royalty income for certain contributed products.

See **www.spmsd.com** for additional detail.

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