

Schering-Plough Corporation

2005

Investor
Financial
Review

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Schering-Plough Corporation

Schering-Plough is a global pharmaceutical company with leading prescription, consumer and animal health products. Today, the Company is focused on delivering the Turnaround phase of its five-step Action Agenda, the blueprint for a fundamental transformation that began in 2003. Our goal is to provide a steady flow of

innovative, science-based medicines and services while earning the trust of the physicians, patients and other customers we serve. In everything we do, we remain committed to business integrity, quality and compliance. Schering-Plough is based in Kenilworth, NJ, USA and its web site is www.schering-plough.com.

The History of Schering-Plough

Schering-Plough's roots are in Europe in the mid 1800s when a Berlin-based company founded by Dr. Ernst Schering established a U.S. distribution branch. The company operated until it was nationalized during World War I. Schering re-established U.S. operations in the 1920s, incorporating in New York City in 1928. In 1933, the company set up operations in East Orange, N.J. Meanwhile, the Plough Chemical Company was formed in Memphis, TN, in 1908 by Abe Plough, a young entrepreneur.

Schering Corporation was again nationalized by the U.S. government during World War II. Following the war, the company remained under government control until 1952, when a group of investors led by Merrill Lynch purchased Schering Corporation and subsequently sold shares to the public.

In 1971, Schering Corporation and Plough, Inc. merged to become Schering-Plough Corporation (NYSE: SGP). The combined product lines of the new company included prescription and over-the-counter pharmaceuticals, veterinary products, cosmetics, proprietary drugs and toiletries, home repair products and even radio stations. Throughout that decade, drug sales were led by popular antibiotics. The company made further inroads into anti-infective markets by introducing broad-spectrum topical anti-fungals and into the respiratory sector with asthma medications. As the 1970s ended, Schering-Plough launched a major strategic initiative into the emerging area of biotechnology by developing therapeutic uses of interferon alfa-2b (INTRON A), licensed from Biogen, Inc. as an anti-infective and anti-cancer agent. The company has continued to supplement its in-house research efforts by licensing potential new products and research technologies.

In the early 1980s, Schering-Plough began a systematic program of strategic divestitures and acquisitions. The company's radio stations, home repair products and cosmetic businesses were sold. The 1982 acquisition of the DNAX Research Institute in Palo Alto, CA was a major step in advancing Schering-Plough's position in biotechnology. The acquisition of Key Pharmaceuticals in 1986 brought a successful line of allergy and cardiovascular products and an experienced cardiovascular sales force. In 1996, Schering-Plough acquired Canji, which became the platform for the company's gene therapy research program.

The worldwide animal health business of Mallickrodt Inc. was acquired in 1997, strengthening Schering-Plough's animal health research, marketing and distribution capabilities in the global animal health market.

In 2005, Schering-Plough purchased Neogenesis, a drug screening and chemistry technology company in Cambridge, Mass. Later that year, Schering-Plough reorganized its West coast biotechnology operations into a single new unit called "Schering-Plough Biopharma" focusing on small molecule research.

Schering-Plough began a fundamental transformation under new leadership in 2003, changing from a decentralized holding company to a centralized global operation. At the new Schering-Plough, we focus intently on listening to our stakeholders and working to meet their needs. By doing this well, we intend to build the foundation for long-term, sustainable growth.

DOLLARS IN MILLIONS EXCEPT PER SHARE FIGURES AND PERCENTAGES

FOR THE YEARS ENDED DECEMBER 31

OPERATING RESULTS	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Net sales	\$ 9,508	\$ 8,272	\$ 8,334	\$ 10,180	\$ 9,762	\$ 9,775	\$ 9,075	\$ 7,991	\$ 6,714	\$ 5,627	\$ 5,076
Income/(loss) before income taxes ¹	497	(168)	(46)	2,563	2,523	3,188	2,795	2,326	1,913	1,606	1,395
Net income/(loss) ^{1,2}	269	(947)	(92)	1,974	1,943	2,423	2,110	1,756	1,444	1,213	887
Net income/(loss) available to common shareholders ^{1,2}	183	(981)	(92)	1,974	1,943	2,423	2,110	1,756	1,444	1,213	887
Diluted earnings/(loss) per common share ^{1,2}	0.12	(0.67)	(0.06)	1.34	1.32	1.64	1.42	1.18	0.97	0.82	0.59
Basic earnings/(loss) per common share ^{1,2}	0.12	(0.67)	(0.06)	1.35	1.33	1.65	1.44	1.20	0.98	0.82	0.60
INVESTMENTS											
Research and development	\$ 1,865	\$ 1,607	\$ 1,469	\$ 1,425	\$ 1,312	\$ 1,333	\$ 1,191	\$ 1,007	\$ 847	\$ 723	\$ 657
Capital expenditures	478	489	711	776	759	763	543	389	405	336	304
FINANCIAL CONDITION											
Working capital	\$ 5,073	\$ 4,837	\$ 4,445	\$ 3,543	\$ 2,602	\$ 2,075	\$ 1,700	\$ 925	\$ 29	\$ (235)	\$ (406)
Current ratio	2.1	1.9	1.9	1.7	1.7	1.6	1.5	1.3	1.0	0.9	0.8
Property, net	4,487	\$ 4,593	\$ 4,527	\$ 4,236	\$ 3,814	\$ 3,362	\$ 2,939	\$ 2,675	2,526	\$ 2,246	\$ 2,099
Total assets	15,469	15,911	15,271	14,136	12,174	10,805	9,375	7,840	6,507	5,398	4,665
Long-term debt	2,399	2,392	2,410	21	112	109	6	4	46	46	87
Shareholders' equity	7,387	7,556	7,337	8,142	7,125	6,119	5,165	4,002	2,821	2,060	1,623
Net book value per common share ³	4.77	4.91	4.99	5.55	4.86	4.18	3.51	2.72	1.93	1.41	1.11
FINANCIAL STATISTICS											
Net income/(loss) as a percent of sales ^{1,2}	2.8%	(11.4)%	(1.1)%	19.4%	19.9%	24.8%	23.3%	22.0%	21.5%	21.6%	20.7%
Return on average shareholders' equity ^{1,2}	3.6%	(12.7)%	(1.2)%	25.9%	29.3%	42.9%	46.0%	51.5%	59.2%	65.9%	55.5%
Effective tax rate	N/M	N/M	N/M	23.0%	23.0%	24.0%	24.5%	24.5%	24.5%	24.5%	24.5%
OTHER DATA											
Cash dividends per common share	.220	\$.220	\$.565	\$.670	\$.620	\$.545	\$.485	\$.425	\$.368	\$.320	\$.281
Cash dividends on common shares	324	324	830	983	911	802	716	627	542	474	416
Cash dividends per preferred share	3.00	1.04	—	—	—	—	—	—	—	—	—
Cash dividends on preferred shares	86	30	—	—	—	—	—	—	—	—	—
Depreciation and amortization	486	453	417	372	320	299	264	238	200	173	157
Number of employees	32,600	30,500	30,500	30,500	29,800	28,100	26,500	25,100	22,700	20,600	20,100
Average shares outstanding used in calculating diluted EPS/(loss) per common share	1,484	1,472	1,469	1,470	1,470	1,476	1,486	1,488	1,480	1,487	1,498
Average shares outstanding used in calculating basic EPS/(loss) per common share	1,476	1,472	1,469	1,466	1,463	1,465	1,470	1,468	1,464	1,471	1,479
Common shares outstanding at year-end	1,479	1,474	1,471	1,468	1,465	1,463	1,472	1,472	1,465	1,461	1,457

N/M – Not a meaningful percentage

1/ Includes Special charges of \$294 in 2005, \$250 of which related to an increase in litigation reserves. This increase resulted in a total reserve of \$500 for the Massachusetts investigation as well as the investigations disclosed under "AWP Investigations" and the state litigation disclosed under "AWP Litigation" in Note 19, "Legal, Environmental and Regulatory Matters," in the Company's 2005 Annual Report and the 10-K for fiscal year ended December 31, 2005.

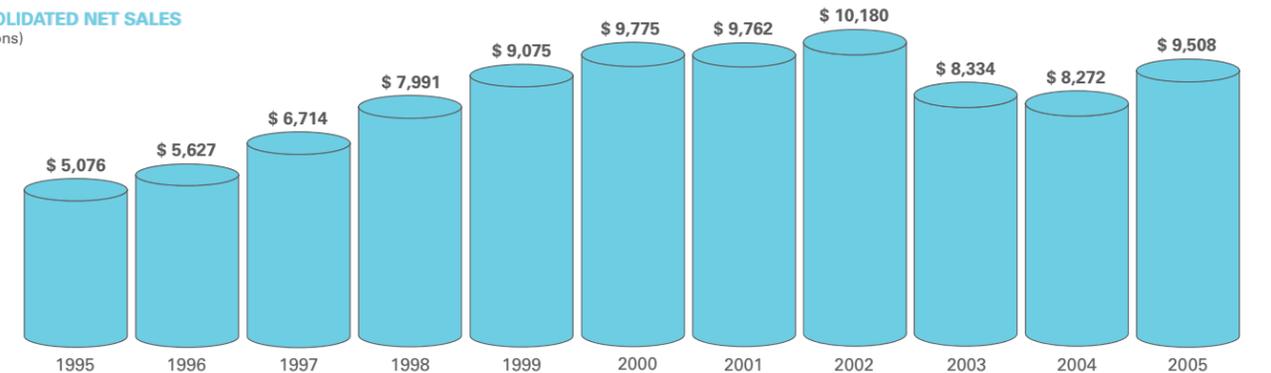
Includes Special charges in 2004 of \$119 of employee termination costs, as well as \$27 of asset impairment charges and \$7 of closure costs primarily associated with the exit from a small European research and development facility. Includes Special charges in 2003 of a \$350 provision to increase litigation reserves as well as \$179 of employee termination costs, primarily related to a Voluntary Early Retirement Program in the United States, and \$70 of asset impairment charges related to certain fixed and intangible assets, including manufacturing facility assets. Includes Special charges in 2002 of \$150 to increase litigation reserves. Includes Special charges in 2001 of \$500 for payments to the federal government under a consent decree.

2/ 2004 includes tax expense of \$779 primarily for the repatriation of unremitted foreign earnings and a valuation reserve for deferred tax assets in the U.S.

3/ Assumes conversion of all preferred shares into approximately 69 million common shares for 2005 and 65 million common shares for 2004.

CONSOLIDATED NET SALES

(\$ Millions)



DOLLARS IN MILLIONS, EXCEPT PER SHARE FIGURES AND PERCENTAGES

FOR THE YEARS ENDED DECEMBER 31

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Net sales	\$ 9,508	\$ 8,272	\$ 8,334	\$10,180	\$ 9,762	\$ 9,775	\$ 9,075	\$ 7,991	\$ 6,714	\$ 5,627	\$ 5,076
Cost of sales	3,346	3,070	2,833	2,505	2,078	1,902	1,800	1,601	1,308	1,078	1,005
Gross profit	6,162	5,202	5,501	7,675	7,684	7,873	7,275	6,390	5,406	4,549	4,071
Selling, general and administrative	4,374	3,811	3,474	3,681	3,444	3,445	3,333	3,055	2,600	2,180	1,962
Research and development	1,865	1,607	1,469	1,425	1,312	1,333	1,191	1,007	847	723	657
Other expense (income), net	5	146	59	(144)	(95)	(93)	(44)	2	46	40	57
Special charges ¹	294	153	599	150	500	—	—	—	—	—	—
Equity income from cholesterol joint venture ²	(873)	(347)	(54)	—	—	—	—	—	—	—	—
Net (loss)/income before income taxes	497	(168)	(46)	2,563	2,523	3,188	2,795	2,326	1,913	1,606	1,395
Income tax expense ³	228	779	46	589	580	765	685	570	469	393	342
Net (loss)/income from continuing operations	269	(947)	(92)	1,974	1,943	2,423	2,110	1,756	1,444	1,213	1,053
Discontinued operations, net of tax	—	—	—	—	—	—	—	—	—	—	(166)
Net (loss)/income	\$ 269	\$ (947)	\$ (92)	\$ 1,974	\$ 1,943	\$ 2,423	\$ 2,110	\$ 1,756	\$ 1,444	\$ 1,213	\$ 887
Preferred stock dividends	86	34	—	—	—	—	—	—	—	—	—
Net (loss)/income available to common shareholders	\$ 183	\$ (981)	\$ (92)	\$ 1,974	\$ 1,943	\$ 2,423	\$ 2,110	\$ 1,756	\$ 1,444	\$ 1,213	\$ 887
Diluted (loss)/earnings per common share from continuing operations	\$ 0.12	\$ (0.67)	\$ (0.06)	\$ 1.34	\$ 1.32	\$ 1.64	\$ 1.42	\$ 1.18	\$ 0.97	\$ 0.82	\$ 0.70
Discontinued operations	—	—	—	—	—	—	—	—	—	—	(0.11)
Diluted (loss)/earnings per common share	\$ 0.12	\$ (0.67)	\$ (0.06)	\$ 1.34	\$ 1.32	\$ 1.64	\$ 1.42	\$ 1.18	\$ 0.97	\$ 0.82	\$ 0.59
Basic (loss)/earnings per common share from continuing operations	\$ 0.12	\$ (0.67)	\$ (0.06)	\$ 1.35	\$ 1.33	\$ 1.65	\$ 1.44	\$ 1.20	\$ 0.98	\$ 0.82	\$ 0.71
Discontinued operations	—	—	—	—	—	—	—	—	—	—	(0.11)
Basic (loss)/earnings per common share	\$ 0.12	\$ (0.67)	\$ (0.06)	\$ 1.35	\$ 1.33	\$ 1.65	\$ 1.44	\$ 1.20	\$ 0.98	\$ 0.82	\$ 0.60

RATIOS TO NET SALES

Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	35.2	37.1	34.0	24.6	21.3	19.5	19.8	20.0	19.5	19.2	19.8
Gross margin	64.8	62.9	66.0	75.4	78.7	80.5	80.2	80.0	80.5	80.8	80.2
Selling, general and administrative	46.0	46.1	41.7	36.2	35.3	35.2	36.7	38.2	38.7	38.7	38.7
Research and development	19.6	19.4	17.6	14.0	13.4	13.6	13.1	12.6	12.6	12.8	12.9
Income/(loss) before income taxes	5.2	(2.0)	(0.6)	25.2	25.8	32.6	30.8	29.1	28.5	28.5	27.5
Net income/(loss) from continuing operations	2.8	(11.4)	(1.1)	19.4	19.9	24.8	23.3	22.0	21.5	21.6	20.7
Net income/(loss)	2.8%	(11.4%)	(1.1%)	19.4%	19.9%	24.8%	23.3%	22.0%	21.5%	21.6%	17.5%

1/ 2005, 2004, 2003, 2002 and 2001 include Special charges of \$294, \$153, \$599, \$150 and \$500, respectively. See footnote 1 on page 2 for additional information.

2/ It should be noted that the Company incurs substantial costs, such as selling, general and administrative costs, that are not reflected in the "Equity income from cholesterol joint venture" and are borne by the overall cost structure of Schering-Plough.

3/ 2004 tax expense is primarily related to the repatriation of unremitted foreign earnings and a valuation reserve for deferred tax assets in the U.S.

ANNUAL GROWTH RATES¹

SALES FROM CONTINUING OPERATIONS	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
As Reported	15%	(1%)	(18%)	4%	0%	8%	14%	19%	20%	11%	13%
Excluding Foreign Exchange	14%	(5%)	(23%)	3%	2%	10%	14%	21%	23%	12%	10%

1/ Substantially all sales of cholesterol products are not included in the Company's net sales. The results of the operations of the cholesterol joint venture are reflected in equity income and have no impact on the Company's gross and other operating margins.

DOLLARS IN MILLIONS, EXCEPT PER SHARE FIGURES AND PERCENTAGES

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER	
	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	\$2,369	\$1,963	\$2,532	\$2,147	\$2,284	\$1,978	\$2,324	\$2,184
Cost of sales	889	740	867	790	775	711	815	829
Gross profit	1,480	1,223	1,665	1,357	1,509	1,267	1,509	1,355
Selling, general and administrative	1,081	914	1,116	979	1,064	892	1,114	1,026
Research and development	384	372	442	451	566	378	474	406
Other expense/(income), net	17	36	(8)	43	—	34	(5)	33
Special charges ¹	27	70	259	42	6	26	2	15
Equity income from cholesterol joint venture ²	(220)	(78)	(170)	(77)	(215)	(95)	(268)	(98)
Income/(loss) before income taxes	191	(91)	26	(81)	88	32	192	(27)
Income tax expense/(benefit) ³	64	(18)	74	(16)	23	6	66	807
Net income/(loss)	\$ 127	\$ (73)	\$ (48)	\$ (65)	\$ 65	\$ 26	\$ 126	\$ (834)
Dividends on Preferred Shares	22	—	22	—	22	12	22	22
Net income/(loss) available to common shareholders	\$ 105	\$ (73)	\$ (70)	\$ (65)	\$ 43	\$ 14	\$ 104	\$ (856)
Diluted earnings/(loss) per common share	\$ 0.07	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ 0.03	\$ 0.01	\$ 0.07	\$ (0.58)
Basic earnings/(loss) per common share	\$ 0.07	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ 0.03	\$ 0.01	\$ 0.07	\$ (0.58)

RATIOS TO NET SALES

Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	37.5	37.7	34.2	36.8	34.0	35.9	35.1	37.9
Gross margin	62.5	62.3	65.8	63.2	66.0	64.1	64.9	62.1
Selling, general and administrative	45.6	46.6	44.1	45.6	46.6	45.1	47.9	47.0
Research and development	16.2	19.0	17.4	21.0	24.8	19.1	20.4	18.6
Income/(loss) before income taxes	8.0	(4.6)	1.0	(3.8)	3.8	1.6	8.3	(1.3)
Net income/(loss)	5.3%	(3.7%)	(1.9%)	(3.0%)	2.8%	1.3%	5.4%	(38.2%)

1/ 2005 and 2004 include Special charges of \$294 and \$153, respectively. See footnote 1 on page 2 for additional information.

2/ It should be noted that the Company incurs substantial costs, such as selling, general and administrative costs, that are not reflected in the "Equity income from cholesterol joint venture" and are borne by the overall cost structure of Schering-Plough.

3/ Tax expense in the fourth quarter of 2004 is primarily related to the repatriation of funds under the American Jobs Creation Act of 2004 and a valuation reserve for deferred tax assets in the U.S.

DOLLARS IN MILLIONS

SALES OF CHOLESTEROL FRANCHISE

ZETIA

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Global Sales ¹	\$ 331	\$ 189	\$ 317	\$ 242	\$ 357	\$ 294	\$ 392	\$ 328	\$ 1,396	\$ 1,052
U.S. Sales	\$ 269	\$ 169	\$ 240	\$ 212	\$ 277	\$ 256	\$ 297	\$ 274	\$ 1,082	\$ 910

VYTORIN

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Global Sales ^{1,2}	\$ 178	\$ —	\$ 201	\$ 5	\$ 265	\$ 50	\$ 368	\$ 75	\$ 1,012	\$ 131
U.S. Sales	\$ 157	\$ —	\$ 173	\$ —	\$ 229	\$ 42	\$ 314	\$ 59	\$ 874	\$ 102

TOTAL CHOLESTEROL FRANCHISE SALES

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Global Sales ^{1,2,3}	\$ 509	\$ 189	\$ 518	\$ 247	\$ 622	\$ 344	\$ 760	\$ 403	\$ 2,408	\$ 1,183
U.S. Sales	\$ 426	\$ 169	\$ 413	\$ 212	\$ 506	\$ 298	\$ 611	\$ 333	\$ 1,956	\$ 1,012

EQUITY INCOME FROM CHOLESTEROL JOINT VENTURE ^{4,5}

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$ 220	\$ 78	\$ 170	\$ 77	\$ 215	\$ 95	\$ 268	\$ 98	\$ 873	\$ 347

1/ Global sales include sales under the Merck/Schering-Plough joint venture, plus any sales that are not part of the joint venture, such as Schering-Plough sales of cholesterol products in Latin America. In 2005 and 2004, sales in non-joint venture territories of the cholesterol franchise totaled \$19 and \$11, respectively.

2/ VYTORIN received first regulatory approval in 2004.

3/ Substantially all sales of cholesterol products are not included in the Company's net sales. The results of the operations of the joint venture are reflected in equity income and have no impact on the Company's gross and other operating margins.

4/ The Company utilizes the equity method of accounting for the joint venture. The cholesterol agreements provide for the sharing of net income/(loss) based upon percentages that vary by product, sales level and country. In the U.S. market, Schering-Plough receives a greater share of profits on the first \$300 of ZETIA sales. Above \$300 of ZETIA sales, the companies share profits equally. Schering-Plough's allocation of joint venture income is increased by milestones earned. Further, either partner's share of the joint venture's net income/(loss) is subject to a reduction if the partner fails to perform a specified minimum number of physician details in a particular country. The partners agree annually to the minimum number of physician details by country.

5/ Schering-Plough's "Equity income from cholesterol joint venture" consists of the Company's share of the operating profits which includes earned milestones and reimbursement for physician details less the Company's share of research and development expenses. The Company incurs substantial costs, such as selling, general and administrative costs, that are not reflected in the "Equity income from cholesterol joint venture," and are borne by the overall cost structure of Schering-Plough.

Primary Care	Key Products	Market Facts / 2005 Milestones
Allergy/Respiratory	NASONEX (mometasone furoate monohydrate)	<ul style="list-style-type: none"> • 2005 sales: \$737 million (+24%) • Only corticosteroid nasal spray in the U.S. for the treatment of year-round allergy symptoms including congestion and prevention of seasonal allergies • U.S. launch of new scent free, alcohol free formulation • New indication in the U.S. for treating nasal polyps
	CLARINEX (desloratadine)	<ul style="list-style-type: none"> • 2005 sales: \$646 million (-7%) • Has broadest range of indications of any U.S. prescription non-sedating antihistamine • U.S. approval for CLARINEX REDITABS and CLARINEX D-24 Hour formulations • Generic version of ALLEGRA (fexofenadine) introduced in the U.S. • Market share gains outside the U.S.
	ASMANEX TWISTHALER (mometasone furoate)	<ul style="list-style-type: none"> • Orally inhaled corticosteroid for asthma delivered via novel dry-powder inhaler • U.S. approval for maintenance treatment of asthma in patients 12 years and up
	FORADIL AEROLIZER (formoterol fumarate inhalation powder) (U.S. marketing rights only)	<ul style="list-style-type: none"> • Long-acting beta₂-agonist for maintenance treatment of asthma and chronic obstructive pulmonary disease • In-licensed from Novartis
Antibiotics	AVELOX (moxifloxacin HCl) (U.S. & Puerto Rico marketing rights only)	<ul style="list-style-type: none"> • 2005 sales: \$228 million • Broad spectrum fluoroquinolone antibiotic for certain respiratory infections • Approved in the U.S. for new indications including complicated skin and skin structure infections in adults and complicated intra-abdominal infections in adults • In-licensed from Bayer
	CIPRO (ciprofloxacin HCl) (U.S. & Puerto Rico marketing rights only)	<ul style="list-style-type: none"> • 2005 sales: \$146 million • Broad spectrum fluoroquinolone antibiotic for certain respiratory, skin, urinary tract and other infections • In-licensed from Bayer
Erectile Dysfunction	LEVITRA (vardenafil HCl) (U.S. rights only under Bayer's co-promotion agreement with GlaxoSmithKline)	<ul style="list-style-type: none"> • Selective PDE-5 inhibitor for male erectile dysfunction • In-licensed from Bayer

Cholesterol Joint Venture

Cardiovascular	ZETIA ¹ (ezetimibe) (Joint venture with Merck & Co., Inc.)	<ul style="list-style-type: none"> • 2005 sales: \$1.4 billion (+33%) • First agent to inhibit absorption of cholesterol in intestine • Launched in over 60 markets
	VYTORIN ¹ (ezetimibe/simvastatin) (Joint venture with Merck & Co., Inc.)	<ul style="list-style-type: none"> • 2005 sales: \$1.0 billion • First and only product approved to treat the two sources of cholesterol by inhibiting the production of cholesterol in the liver and blocking the absorption of cholesterol in the intestine, including cholesterol from food • Launched in over 20 markets

Specialty Care

Anti-inflammatory	REMICADE (infliximab) (International marketing rights only)	<ul style="list-style-type: none"> • 2005 sales: \$942 million (+26%) • Only biologic therapy in EU indicated for rheumatoid arthritis (RA), psoriatic arthritis, Crohn's disease, ankylosing spondylitis and plaque psoriasis • Gained EU approval for treatment of moderate to severe plaque psoriasis • Filed in the EU for ulcerative colitis • In-licensed from Centocor (JNJ) • Exercised rights to Golimumab fully humanized TNF inhibitor
Hepatitis C	PEG-INTRON (peginterferon alfa-2b)	<ul style="list-style-type: none"> • 2005 sales: \$751 million (+33%) • Only pegylated interferon product for hepatitis C approved for dosing according to patient body weight • Successful launch in Japan in combination with REBETOL capsules for the treatment of chronic Hepatitis C • Marketing approval in Japan for an additional indication for PEG-INTRON + REBETOL for the treatment of chronic HCV in adults other than those with genotype 1 virus and high viral load • EU approval of revised dosing for a shorter, 24-week course of PEG-INTRON + REBETOL combination therapy in patients with chronic HCV genotype 1 infection and low viral load who achieved rapid virologic response

1/ Substantially all sales of cholesterol products are not included in the Company's net sales. The results of the operations of the cholesterol joint venture are reflected in equity income and have no impact on the Company's gross and other operating margins.

Specialty Care	Key Products	Market Facts / 2005 Milestones
Hepatitis C	INTRON A Injection (interferon alfa-2b, recombinant)	<ul style="list-style-type: none"> • 2005 sales: \$287 million (-10%) • Marketed for 16 major antiviral indications, including Hepatitis B and C, and anticancer indications • Conversion from INTRON A to PEG-INTRON in Japan
	REBETOL (ribavirin, USP)	<ul style="list-style-type: none"> • 2005 sales: \$331 million (+15%) • Oral antiviral agent for use in combination with PEG-INTRON or INTRON A for treating chronic hepatitis C • Successful launch in Japan in combination with PEG-INTRON for the treatment of chronic Hepatitis C
Oncology	TEMODAR Capsules (temozolomide)	<ul style="list-style-type: none"> • 2005 sales: \$588 million (+28%) • Approved and launched in the U.S. and EU as first-line treatment in patients with glioblastoma multiforme (GBM), an aggressive form of brain cancer • In Japan, granted priority review of the marketing application for the treatment of malignant glioma
	INTRON A Injection (interferon alfa-2b, recombinant)	<ul style="list-style-type: none"> • 2005 sales: \$287 million (-10%) • Marketed for 16 major antiviral and anticancer indications worldwide, including as adjuvant therapy for malignant melanoma
	CAELYX (pegylated liposomal doxorubicin HCl) (International marketing rights only)	<ul style="list-style-type: none"> • 2005 sales: \$181 million (+21%) • Approved for ovarian cancer, metastatic breast cancer and Kaposi's sarcoma • In-licensed from JNJ
Anti-fungal	NOXAFIL (posaconazole)	<ul style="list-style-type: none"> • Gained EU marketing approval for the treatment of certain serious invasive fungal infections in adult patients with disease that is refractory to or who are intolerant of certain commonly used antifungal agents • Launched in Germany • U.S. approvable letter
Acute Coronary Care Syndromes	INTEGRILIN Injection (eptifibatide)	<ul style="list-style-type: none"> • 2005 sales: \$315 million (-3%) • In U.S., has the broadest range of indications in its class and is most widely used GP IIb/IIIa inhibitor of platelet aggregation • Acquired exclusive development and commercialization rights in the U.S. from Millennium
Other	SUBUTEX (buprenorphine HCl) (International marketing rights only)	<ul style="list-style-type: none"> • 2005 sales: \$197 million (+6%) • Sublingual tablets for the treatment of opiate addiction • In-licensed from Reckitt Benckiser

Consumer Health Care

Total Consumer Health Care	• 2005 sales: \$1.1 billion (+1%)
Total OTC	• 2005 sales: \$556 million (-4%)
OTC CLARITIN (loratadine)	• 2005 sales: \$394 million (-6%)
Total Foot Care	• 2005 sales: \$333 million (+1%)
Total Sun Care	• 2005 sales: \$204 million (+16%)

Animal Health

Total Animal Health	• 2005 sales: \$851 million (+11%)
NUFLOR (florfenicol)	• Single product therapy for treating all three major bacterial causes of bovine and swine disease
BANAMINE (flunixin meglumine)	• Injectable non-steroidal anti-inflammatory drug approved for cattle
PARACOX & COCCIVAC (live coccidiosis)	• Poultry vaccines
HOMEAGAIN	• Pet recovery service
ZUBRIN (tepoxalin)	• Anti-inflammatory/analgesic for dogs
SLICE (emamectin)	• Parasiticide for sea lice in salmon
AQUAFLO (florfenicol)	• Antibiotic for farm-raised fish

DOLLARS IN MILLIONS

AT DECEMBER 31

ASSETS	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Current Assets:											
Cash and cash equivalents	\$ 4,767	\$ 4,984	\$ 4,218	\$ 3,521	\$ 2,716	\$ 2,397	\$ 1,876	\$ 1,259	\$ 714	\$ 535	\$ 321
Short-term investments ¹	818	851	587	481	75	—	—	—	—	—	—
Accounts receivable, less allowances	1,479	1,407	1,329	1,808	1,789	1,413	1,022	704	645	542	569
Inventories	1,605	1,580	1,651	1,300	945	951	958	841	713	594	502
Deferred income taxes ¹	294	309	575	625	573	—	—	—	—	—	—
Prepaid expenses and other current assets	769	872	890	537	421	959	1,053	1,154	848	694	564
Total current assets	9,732	10,003	9,250	8,272	6,519	5,720	4,909	3,958	2,920	2,365	1,956
Property, at cost:											
Land	67	79	78	61	58	56	50	48	47	41	41
Buildings and improvements	3,238	3,198	3,009	2,459	2,182	2,072	1,922	1,836	1,716	1,563	1,528
Equipment	3,131	2,999	2,911	2,377	2,062	1,861	1,760	1,677	1,585	1,296	1,251
Construction in progress	761	809	819	1,311	1,265	938	654	507	402	462	316
SubTotal	7,197	7,085	6,817	6,208	5,567	4,927	4,386	4,068	3,750	3,362	3,136
Less accumulated depreciation	2,710	2,492	2,290	1,972	1,753	1,565	1,447	1,393	1,224	1,116	1,037
Property, net	4,487	4,593	4,527	4,236	3,814	3,362	2,939	2,675	2,526	2,246	2,099
Goodwill ²	204	209	212	232	219	238	—	—	—	—	—
Other intangible assets, net ³	365	371	407	429	441	389	588	565	481	297	—
Other assets	681	735	875	967	1,181	1,096	939	642	580	490	610
Total assets	\$15,469	\$15,911	\$15,271	\$14,136	\$12,174	\$10,805	\$ 9,375	\$ 7,840	\$ 6,507	\$ 5,398	\$ 4,665
LIABILITIES AND SHAREHOLDERS' EQUITY											
Current Liabilities:											
Accounts payable	\$ 1,078	\$ 978	\$ 1,030	\$ 1,063	\$ 1,075	\$ 1,031	\$ 1,063	\$ 1,083	\$ 871	\$ 654	\$ 579
Short-term borrowings and current portion of long-term debt	1,278	1,569	1,023	1,423	565	994	728	558	581	855	841
U.S., foreign and state income taxes	213	896	1,008	628	588	589	502	505	474	459	384
Accrued compensation	632	443	315	429	343	312	301	279	274	205	205
Other accrued liabilities	1,458	1,280	1,429	1,186	1,346	719	615	607	691	427	353
Total current liabilities	4,659	5,166	4,805	4,729	3,917	3,645	3,209	3,032	2,891	2,600	2,362
Long-term Liabilities:											
Long-term debt	2,399	2,392	2,410	21	112	109	6	4	46	46	87
Deferred income taxes	117	111	207	358	302	214	284	291	278	267	255
Other long-term liabilities	907	686	512	886	718	718	711	511	471	425	338
Total long-term liabilities	3,423	3,189	3,129	1,265	1,132	1,041	1,001	806	795	738	680
Shareholders' Equity:											
Mandatory convertible preferred shares	1,438	1,438	—	—	—	—	—	—	—	—	—
Common shares	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	507	503
Paid-in capital	1,416	1,234	1,272	1,203	1,112	974	675	365	96	172	50
Retained earnings	9,472	9,613	10,918	11,840	10,849	9,817	8,196	6,802	5,673	5,081	4,342
Accumulated other comprehensive income	(516)	(300)	(426)	(477)	(423)	(318)	(233)	(238)	(244)	(140)	(104)
Total	12,825	13,000	12,779	13,581	12,553	11,488	9,653	7,944	6,540	5,620	4,791
Less treasury shares, at cost	5,438	5,444	5,442	5,439	5,428	5,369	4,488	3,942	3,719	3,560	3,168
Total shareholders' equity	7,387	7,556	7,337	8,142	7,125	6,119	5,165	4,002	2,821	2,060	1,623
Total liabilities and shareholders' equity	\$15,469	\$15,911	\$15,271	\$14,136	\$12,174	\$10,805	\$ 9,375	\$ 7,840	\$ 6,507	\$ 5,398	\$ 4,665

Certain prior period amounts have been restated to conform to current year presentation

^{1/} Prior to 2001, short-term investments and deferred income taxes were included in other current assets.^{2/} Prior to 2000, goodwill was included in other intangible assets.^{3/} Prior to 1996, intangible assets was included in other assets. Data from 1999 and earlier periods include goodwill.

DOLLARS IN MILLIONS

FOR THE YEARS ENDED DECEMBER 31

OPERATING ACTIVITIES	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Net income/(loss) from continuing operations	\$ 269	\$ (947)	\$ (92)	\$ 1,974	\$ 1,943	\$ 2,423	\$ 2,110	\$ 1,756	\$ 1,444	\$ 1,213	\$ 1,053
Adjustments to reconcile net income/(loss) from continuing operations to net cash provided by (used for) operating activities:											
Payments to U.S. taxing authorities	(239)	(473)	—	—	—	—	—	—	—	—	—
Tax refunds from U.S. loss carryback	57	404	—	—	—	—	—	—	—	—	—
Special charges	265	(265)	593	150	500	—	—	—	—	—	—
Depreciation and amortization	486	453	417	372	320	299	264	238	200	173	157
Changes in assets and liabilities:											
Accounts receivable	(209)	(7)	603	7	(434)	(418)	(352)	(67)	(40)	2	11
Inventories	(92)	92	(152)	(248)	(69)	(17)	(150)	(102)	(43)	(112)	(64)
Prepaid expenses and other assets	168	174	(259)	(242)	(153)	(30)	(76)	(116)	(127)	(144)	(108)
Accounts payable and other liabilities	241	174	(668)	(56)	405	254	224	429	411	327	334
Income taxes payable ¹	(64)	241	159	23	—	—	—	—	—	—	—
Net cash provided by (used for) operating activities	882	(154)	601	1,980	2,512	2,511	2,020	2,138	1,845	1,459	1,383
INVESTING ACTIVITIES											
Capital expenditures	(478)	(489)	(711)	(776)	(759)	(763)	(543)	(389)	(405)	(336)	(304)
Dispositions of property and equipment ²	43	7	10	6	—	—	—	—	—	—	—
Proceeds from transfer of license	—	118	—	—	—	—	—	—	—	—	—
Reductions/(purchases) of investments	33	(264)	(106)	(179)	(129)	(44)	(123)	(319)	(41)	(77)	(48)
Purchase of business, net of cash acquired	—	—	—	—	—	(48)	—	—	(354)	—	—
Other, net	(52)	7	17	(19)	25	7	3	—	(8)	5	8
Net cash used for investing activities	(454)	(621)	(790)	(968)	(863)	(848)	(663)	(708)	(808)	(408)	(344)
FINANCING ACTIVITIES											
Cash dividends paid to common shareholders	(324)	(324)	(830)	(983)	(911)	(802)	(716)	(627)	(542)	(474)	(416)
Cash dividends paid to preferred shareholders	(86)	(30)	—	—	—	—	—	—	—	—	—
Proceeds from preferred stock issuance, net	—	1,394	—	—	—	—	—	—	—	—	—
Common shares repurchased	—	—	—	—	(34)	(855)	(504)	(141)	(132)	(388)	(494)
Net change in short-term borrowings	(283)	546	(399)	770	(419)	280	187	(19)	(290)	113	(46)
Issuance (repayment) of long-term debt	—	—	2,369	—	8	106	(2)	(42)	(1)	(140)	(1)
Reductions of long-term debt ³	—	(18)	—	—	—	—	—	—	—	—	—
Other, net	60	(34)	(258)	13	29	133	297	(55)	116	53	47
Net cash (used for) provided by financing activities	(633)	1,534	882	(200)	(1,327)	(1,138)	(738)	(884)	(849)	(836)	(910)
Effect of exchange rates on cash and cash equivalents	(12)	7	4	(7)	(3)	(4)	(2)	(1)	(9)	(1)	(3)
Net cash flow from continuing operations	(217)	766	697	805	319	521	617	545	179	214	126
Discontinued operations	—	—	—	—	—	—	—	—	—	—	80
Net (decrease) increase in cash and cash equivalents	(217)	766	697	805	319	521	617	545	179	214	206
Cash and cash equivalents, beginning of year	4,984	4,218	3,521	2,716	2,397	1,876	1,259	714	535	321	115
Cash and cash equivalents, end of year	\$ 4,767	\$ 4,984	\$ 4,218	\$ 3,521	\$ 2,716	\$ 2,397	\$ 1,876	\$ 1,259	\$ 714	\$ 535	\$ 321

Certain prior period amounts have been restated to conform to current year presentation.

1/ Prior to 2002, income taxes payable were included in accounts payable and other liabilities.

2/ Prior to 2002, dispositions of property and equipment were netted in capital expenditures.

3/ Prior to 2002, reductions of long-term debt were included in issuance (repayment) of long-term debt.

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

DOLLARS IN MILLIONS

FOR THE YEARS ENDED DECEMBER 31

OPERATING ACTIVITIES	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Retained earnings, beginning of year	\$ 9,613	\$ 10,918	\$ 11,840	\$ 10,849	\$ 9,817	\$ 8,196	\$ 6,802	\$ 5,673	\$ 5,081	\$ 4,342	\$ 3,978
Net income/(loss)	269	(947)	(92)	1,974	1,943	2,423	2,110	1,756	1,444	1,213	887
Cash dividends on common shares	(324)	(324)	(830)	(983)	(911)	(802)	(716)	(627)	(542)	(474)	(416)
Dividends on preferred shares	(86)	(34)	—	—	—	—	—	—	—	—	—
Effect of 2-for-1 stock split	—	—	—	—	—	—	—	—	(310)	—	(107)
Retained earnings, end of year	\$ 9,472	\$ 9,613	\$ 10,918	\$ 11,840	\$ 10,849	\$ 9,817	\$ 8,196	\$ 6,802	\$ 5,673	\$ 5,081	\$ 4,342

DOLLARS IN MILLIONS

	MANDATORY CONVERTIBLE PREFERRED SHARES	COMMON SHARES	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY SHARES	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	TOTAL SHARE- HOLDERS' EQUITY
Balance December 31, 1996	\$ —	\$ 507	\$ 172	\$ 5,081	\$(3,560)	\$ (140)	\$ 2,060
Comprehensive income:							
Net income				1,444			1,444
Foreign currency translation						(101)	(101)
Unrealized gain (loss) on investments held available for sale, net of tax						(3)	(3)
Total comprehensive income							1,340
Cash dividends on common shares				(542)			(542)
Stock incentive plans			122		(27)		95
Common shares repurchased					(132)		(132)
Effect of 2-for-1 stock split		508	(198)	(310)			
Balance December 31, 1997	\$ —	\$ 1,015	\$ 96	\$ 5,673	\$(3,719)	\$ (244)	\$ 2,821
Comprehensive income:							
Net income				1,756			1,756
Foreign currency translation						5	5
Unrealized gain (loss) on investments held available for sale, net of tax						1	1
Total comprehensive income							1,762
Cash dividends on common shares				(627)			(627)
Stock incentive plans			269		(82)		187
Common shares repurchased					(141)		(141)
Balance December 31, 1998	\$ —	\$ 1,015	\$ 365	\$ 6,802	\$(3,942)	\$ (238)	\$ 4,002
Comprehensive income:							
Net income				2,110			2,110
Foreign currency translation						(54)	(54)
Unrealized gain (loss) on investments held available for sale, net of tax						59	59
Total comprehensive income							2,115
Cash dividends on common shares				(716)			(716)
Stock incentive plans			310		(42)		268
Common shares repurchased					(504)		(504)
Balance December 31, 1999	\$ —	\$ 1,015	\$ 675	\$ 8,196	\$(4,488)	\$ (233)	\$ 5,165
Comprehensive income:							
Net income				2,423			2,423
Foreign currency translation						(75)	(75)
Unrealized gain (loss) on investments held available for sale, net of tax						(10)	(10)
Total comprehensive income							2,338
Cash dividends on common shares				(802)			(802)
Stock incentive plans			299		(26)		273
Common shares repurchased					(855)		(855)
Balance December 31, 2000	\$ —	\$ 1,015	\$ 974	\$ 9,817	\$(5,369)	\$ (318)	\$ 6,119
Comprehensive income:							
Net income				1,943			1,943
Foreign currency translation						(85)	(85)
Realized gain reclassified to income, net of tax						(23)	(23)
Other						3	3
Total comprehensive income							1,838
Cash dividends on common shares				(911)			(911)
Stock incentive plans			138		(25)		113
Common shares repurchased					(34)		(34)

	MANDATORY CONVERTIBLE PREFERRED SHARES	COMMON SHARES	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY SHARES	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	TOTAL SHARE- HOLDERS' EQUITY
Balance December 31, 2001	\$ —	\$ 1,015	\$ 1,112	\$10,849	\$(5,428)	\$ (423)	\$ 7,125
Comprehensive income:							
Net income				1,974			1,974
Foreign currency translation						5	5
Minimum pension liability, net of tax						(18)	(18)
Realized gain reclassified to income, net of tax						(28)	(28)
Other						(13)	(13)
Total comprehensive income							1,920
Cash dividends on common shares				(983)			(983)
Stock incentive plans			91		(11)		80
Balance December 31, 2002	\$ —	\$ 1,015	\$ 1,203	\$11,840	\$(5,439)	\$ (477)	\$ 8,142
Comprehensive income:							
Net loss				(92)			(92)
Foreign currency translation						218	218
Minimum pension liability, net of tax						(178)	(178)
Unrealized gain on investments available for sale, net of tax						13	13
Other						(2)	(2)
Total comprehensive (loss)							(41)
Cash dividends on common shares				(830)			(830)
Stock incentive plans			69		(3)		66
Balance December 31, 2003	\$ —	\$ 1,015	\$ 1,272	\$10,918	\$(5,442)	\$ (426)	\$ 7,337
Comprehensive income:							
Net loss				(947)			(947)
Foreign currency translation						107	107
Minimum pension liability, net of tax						14	14
Unrealized gain on investments available for sale, net of tax						5	5
Total comprehensive (loss)							(821)
Issuance of preferred stock	1,438		(44)				1,394
Cash dividends on common shares				(324)			(324)
Dividends on preferred shares				(34)			(34)
Stock incentive plans			6		(2)		4
Balance December 31, 2004	\$ 1,438	\$ 1,015	\$ 1,234	\$ 9,613	\$(5,444)	\$ (300)	\$ 7,556
Comprehensive income:							
Net Income				269			269
Foreign currency translation						(160)	(160)
Minimum pension liability, net of tax						(56)	(56)
Total comprehensive income							53
Cash dividends on common shares				(324)			(324)
Dividends on preferred shares				(86)			(86)
Stock incentive plans and other			182		6		188
Balance December 31, 2005	\$ 1,438	\$ 1,015	\$ 1,416	\$ 9,472	\$(5,438)	\$ (516)	\$ 7,387

DOLLARS IN MILLIONS

FOR THE YEARS ENDED DECEMBER 31

NET SALES	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
United States	\$ 3,589	\$ 3,219	\$3,559	\$ 5,761	\$ 5,973	\$ 6,269	\$ 5,762	\$ 5,050	\$ 4,108	\$ 3,262	\$ 2,781
Europe and Canada	4,040	3,595	3,410	2,923	2,457	2,196	2,131	1,868	1,600	1,452	1,361
Pacific Area and Asia	995	676	649	756	550	618	570	497	554	528	560
Latin America	884	782	716	740	782	692	612	576	452	385	374
Consolidated net sales	\$ 9,508	\$ 8,272	\$ 8,334	\$10,180	\$ 9,762	\$ 9,775	\$ 9,075	\$ 7,991	\$ 6,714	\$ 5,627	\$ 5,076

GEOGRAPHIC LOCATIONS: LONG-LIVED ASSETS

DOLLARS IN MILLIONS

AT DECEMBER 31,

LONG-LIVED ASSETS	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
United States	\$ 2,538	\$ 2,447	\$ 2,507	\$ 2,477	\$ 2,297	\$ 2,123	\$ 1,794	\$ 1,567	\$ 1,348	\$ 1,317	\$ 1,242
Singapore	840	884	828	668	507	323	272	281	271	166	65
Ireland	486	449	444	430	420	384	358	355	340	310	322
Puerto Rico	307	298	317	300	258	207	175	162	161	164	156
Other	602	768	726	613	546	538	533	515	606	432	397
Total	\$ 4,773	\$ 4,846	\$ 4,822	\$ 4,488	\$ 4,028	\$ 3,575	\$ 3,132	\$ 2,880	\$ 2,726	\$ 2,389	\$ 2,182

SEGMENT INFORMATION: NET SALES

DOLLARS IN MILLIONS

FOR THE YEARS ENDED DECEMBER 31

NET SALES BY SEGMENT	2005	2004	2003	2002	2001
Prescription Pharmaceuticals	\$ 7,564	\$ 6,417	\$ 6,611	\$ 8,745	\$ 8,421
Consumer Health Care	1,093	1,085	1,026	758	647
Animal Health	851	770	697	677	694
Consolidated net sales	\$ 9,508	\$ 8,272	\$ 8,334	\$10,180	\$ 9,762

Substantially all sales of cholesterol products are not included in the Company's net sales. The results of the operations of the cholesterol joint venture are reflected in equity income and have no impact on the Company's gross and other operating margins.

SEGMENT INFORMATION: PROFIT

DOLLARS IN MILLIONS

FOR THE YEARS ENDED DECEMBER 31

PROFIT BY SEGMENT	2005	2004	2003	2002	2001
Prescription Pharmaceuticals	\$ 733	\$ 13	\$ 513	\$ 2,548	\$ 2,764
Consumer Health Care	235	234	199	169	140
Animal Health	120	88	86	93	141
Corporate and other ¹	(591)	(503)	(844)	(247)	(522)
Consolidated (loss)/profit before tax	497	\$ (168)	\$ (46)	\$ 2,563	\$ 2,523

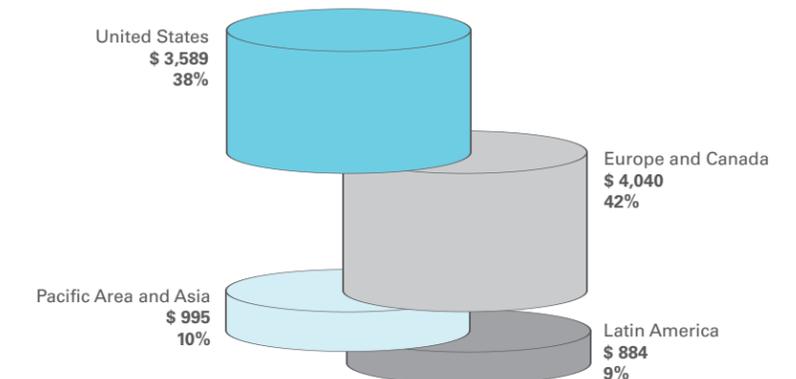
Segment information was not available prior to 2001. Certain prior period amounts have been restated to conform to current year presentation.

^{1/} Corporate and other in 2005, 2004, 2003, 2002 and 2001 includes Special charges of \$294, \$153, \$599, \$150 and \$500, respectively. See footnote 1 on page 2 for additional information.

GEOGRAPHIC AREA NET SALES – 2005 ¹

(\$ Millions)

Total \$ 9,508



^{1/} Percentages do not add to 100% due to rounding

	COMPOSITE PRICE PER SHARE – \$			AVERAGE DAILY VOLUME (MILLIONS)	ACTUAL SHARES OUTSTANDING (MILLIONS)	AVERAGE SHARES OUTSTANDING FOR DILUTED EPS (MILLIONS)	AVERAGE SHARES OUTSTANDING FOR BASIC EPS (MILLIONS)
	HIGH	LOW	CLOSE				
2005							
Fourth Quarter	21.76	19.05	20.85	6328	1479	1487	1478
Third Quarter	22.45	18.48	21.05	5885	1478	1487	1477
Second Quarter	20.94	17.89	19.06	5646	1476	1476	1476
First Quarter	21.41	17.68	18.15	5629	1475	1480	1474
2004							
Fourth Quarter	21.12	16.72	20.88	5768	1474	1473	1473
Third Quarter	19.98	17.55	19.06	6334	1473	1475	1472
Second Quarter	18.70	16.10	18.48	4707	1472	1472	1472
First Quarter	18.97	15.96	16.22	6009	1472	1471	1471
2003							
Fourth Quarter	17.39	14.52	17.39	6347	1471	1470	1470
Third Quarter	19.35	14.95	15.24	7649	1469	1469	1469
Second Quarter	20.47	16.82	18.60	7851	1469	1471	1469
First Quarter	23.68	15.45	17.83	6468	1469	1470	1468
2002							
Fourth Quarter	23.25	17.30	22.20	7553	1468	1469	1467
Third Quarter	25.50	20.75	21.32	5118	1467	1469	1466
Second Quarter	30.77	23.30	24.60	7537	1466	1470	1466
First Quarter	36.00	30.94	31.30	7284	1466	1471	1466
2001							
Fourth Quarter	39.12	34.00	35.81	5886	1465	1470	1464
Third Quarter	39.85	32.65	37.10	4453	1464	1470	1464
Second Quarter	43.76	35.10	36.24	7053	1463	1470	1463
First Quarter	54.25	34.20	36.53	8128	1463	1472	1463
2000							
Fourth Quarter	59.13	45.75	56.75	4757	1463	1474	1462
Third Quarter	51.38	39.06	46.56	4232	1462	1474	1463
Second Quarter	50.50	38.44	50.50	4464	1465	1476	1464
First Quarter	48.00	30.50	37.25	6110	1464	1479	1468
1999							
Fourth Quarter	56.88	40.75	42.38	3856	1472	1483	1470
Third Quarter	56.00	41.56	43.63	2929	1469	1484	1469
Second Quarter	60.75	43.31	52.50	3849	1468	1486	1470
First Quarter	58.88	51.13	55.25	2775	1472	1491	1472
1998							
Fourth Quarter	57.50	45.81	55.25	3127	1472	1489	1470
Third Quarter	53.53	43.00	51.84	3644	1470	1490	1469
Second Quarter	46.69	39.06	45.81	3025	1468	1488	1467
First Quarter	42.75	30.84	40.88	3746	1467	1485	1466
1997							
Fourth Quarter	31.72	25.84	31.06	3308	1465	1482	1465
Third Quarter	27.28	23.50	25.75	2594	1464	1482	1465
Second Quarter	24.69	17.63	23.94	3017	1465	1480	1464
First Quarter	20.41	16.28	18.19	3346	1463	1476	1463
1996							
Fourth Quarter	18.06	15.50	16.19	3382	1461	1483	1469
Third Quarter	15.78	13.75	15.34	3214	1478	1492	1478
Second Quarter	15.69	13.38	15.69	3510	1479	1492	1477
First Quarter	15.34	12.88	14.53	4848	1474	1487	1463
1995							
Fourth Quarter	15.16	12.94	13.69	3468	1457	1503	1479
Third Quarter	13.13	10.75	12.84	3304	1470	1502	1485
Second Quarter	11.34	9.19	11.03	5128	1489	1507	1488
First Quarter	9.86	8.95	9.44	3628	1488	1506	1488

	COMMON DIVIDEND PAID – \$	YIELD	DILUTED EPS – \$	BASIC EPS – \$	P/E (DILUTED)	P/E (BASIC)
2005						
Fourth Quarter	0.055	1.1%	0.07	0.07	N/M	N/M
Third Quarter ¹	0.055	1.0%	0.03	0.03	N/M	N/M
Second Quarter ²	0.055	1.2%	(0.05)	(0.05)	N/M	N/M
First Quarter ³	0.055	1.2%	0.07	0.07	N/M	N/M
2004						
Fourth Quarter ⁴	0.055	1.1%	(0.58)	(0.58)	N/M	N/M
Third Quarter ⁵	0.055	1.2%	0.01	0.01	N/M	N/M
Second Quarter ⁶	0.055	1.8%	(0.04)	(0.04)	N/M	N/M
First Quarter ⁷	0.055	2.8%	(0.05)	(0.05)	N/M	N/M
2003						
Fourth Quarter ⁸	0.055	3.2%	(0.12)	(0.12)	N/M	N/M
Third Quarter ⁹	0.170	4.5%	(0.18)	(0.18)	56.4	56.4
Second Quarter	0.170	3.7%	0.12	0.12	25.1	25.1
First Quarter	0.170	3.8%	0.12	0.12	17.0	17.0
2002						
Fourth Quarter ¹⁰	0.170	3.0%	0.21	0.21	16.6	16.6
Third Quarter	0.170	3.1%	0.29	0.29	17.3	17.3
Second Quarter	0.170	2.6%	0.43	0.43	18.2	18.2
First Quarter	0.160	2.0%	0.41	0.41	23.2	23.2
2001						
Fourth Quarter ¹¹	0.160	1.7%	0.10	0.10	27.1	26.9
Third Quarter	0.160	1.6%	0.41	0.41	23.0	22.9
Second Quarter	0.160	1.6%	0.43	0.43	22.7	22.5
First Quarter	0.140	1.5%	0.38	0.39	22.8	22.7
2000						
Fourth Quarter	0.140	1.0%	0.39	0.39	34.6	34.4
Third Quarter	0.140	1.1%	0.40	0.40	29.3	28.9
Second Quarter	0.140	1.0%	0.43	0.43	32.8	32.4
First Quarter	0.125	1.3%	0.42	0.43	25.2	24.8
1999						
Fourth Quarter	0.125	1.1%	0.34	0.35	29.8	29.4
Third Quarter	0.125	1.1%	0.35	0.35	32.1	31.6
Second Quarter	0.125	0.9%	0.37	0.37	40.4	39.8
First Quarter	0.110	0.8%	0.36	0.37	44.6	43.8
1998						
Fourth Quarter	0.110	0.8%	0.28	0.29	46.8	46.0
Third Quarter	0.110	0.8%	0.29	0.29	45.9	45.5
Second Quarter	0.110	0.9%	0.31	0.31	42.4	42.0
First Quarter	0.095	0.9%	0.30	0.31	40.1	39.7
1997						
Fourth Quarter	0.095	1.2%	0.23	0.23	31.9	31.5
Third Quarter	0.095	1.4%	0.24	0.24	27.7	27.4
Second Quarter	0.095	1.4%	0.25	0.25	27.1	26.7
First Quarter	0.083	1.7%	0.25	0.26	21.4	21.2
1996						
Fourth Quarter	0.083	2.0%	0.19	0.19	19.9	19.6
Third Quarter	0.083	2.0%	0.20	0.20	19.4	19.2
Second Quarter	0.083	1.9%	0.21	0.21	20.6	20.6
First Quarter	0.073	2.0%	0.22	0.22	19.9	19.6
1995						
Fourth Quarter	0.073	2.0%	0.16	0.16	19.6	19.3
Third Quarter	0.073	2.1%	0.17	0.17	18.9	18.8
Second Quarter	0.073	2.4%	0.18	0.19	16.7	16.6
First Quarter	0.064	2.7%	0.19	0.19	15.0	14.9

Yield and P/E ratio figures have been calculated by using the closing price of each quarter and a trailing 12-month period perspective, and therefore may differ from presentations found elsewhere.

- 1/ Includes an R&D payment of \$124 million, before a tax benefit of \$6 million, to Centocor, Inc. for the Company's exercise of its right to develop and commercialize Golimumab and a benefit of approximately \$42 million related to tax expense recorded in 2004 related to planned earnings repatriations under the American Jobs Creation Act (AJCA) resulting from an IRS Notice issued by the U.S. Treasury in August 2005.
- 2/ Includes Special charges of \$250 million to increase litigation reserves.
- 3/ Includes Special charges of \$27 million related primarily to employee termination costs at a European manufacturing facility.
- 4/ Includes a tax provision of \$807 million or 55 cents/diluted share relating primarily to the American Jobs Creation Act of 2004 and a valuation reserve for deferred tax assets in the U.S.
- 5/ Includes Special charges of \$26 million or 1 cent/diluted share related primarily to employee termination costs stemming from a reduction in the company's global workforce.

6/ Includes a charge to R&D expense of \$80 million or 4 cents/diluted share in conjunction with the licensing from Toyama Chemical Company LTD. of garenoxacin. Includes Special charges of \$42 million or 2 cents/diluted share relating to employee termination costs stemming from reductions in the company's global workforce.

- 7/ Includes Special charges of \$70 million or 4 cents/diluted share including \$44 million for employee termination costs and \$26 million of asset impairment charges primarily related to the company's exit from a small European research and development facility.
- 8/ Includes Special charges of \$179 million for employee termination costs, primarily related to the Voluntary Early Retirement Program in the U.S., as well as \$50 million of asset impairment charges related to certain fixed and intangible assets.
- 9/ Includes Special charges of \$350 million to increase litigation reserves.
- 10/ Includes Special charges of \$150 million to increase litigation reserves.
- 11/ Includes Special charges of \$500 million for payments to the federal government under a consent decree.

Certain Acquisitions and Divestitures

February 18, 2005	Purchased Neogenesis drug screening company
June 30, 1997	Purchased Mallinckrodt animal health business
February 2, 1996	Purchased Canji, Inc. gene therapy company
June 29, 1995	Divested Wesley-Jessen contact lens business
July 2, 1990	Divested Maybelline cosmetics business

STOCK SPLITS

Stock Splits Since 1987

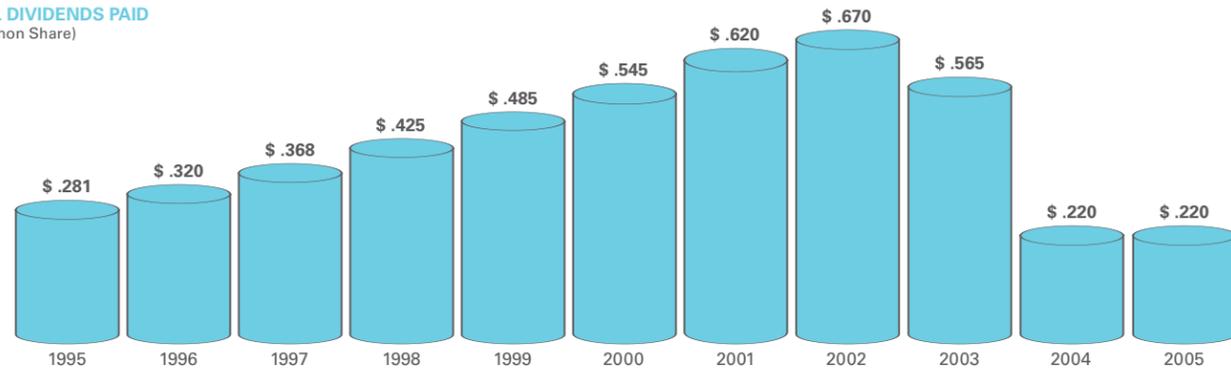
December 2, 1998	2-for-1 Stock Split
June 3, 1997	2-for-1 Stock Split
June 9, 1995	2-for-1 Stock Split
May 30, 1990	2-for-1 Stock Split
June 1, 1987	2-for-1 Stock Split

QUARTERLY DIVIDEND HISTORY

Mandatory Convertible Preferred Shares

DECLARED	RECORD DATE	PAYABLE	AMOUNT
December 6, 2005	March 1, 2006	March 15, 2006	\$ 0.75
September 20, 2005	December 1, 2005	December 15, 2005	\$ 0.75
June 28, 2005	September 1, 2005	September 15, 2005	\$ 0.75
April 25, 2005	June 1, 2005	June 15, 2005	\$ 0.75
January 25, 2005	March 1, 2005	March 15, 2005	\$ 0.75
September 28, 2004	December 1, 2004	December 15, 2004	\$ 1.0417

ANNUAL DIVIDENDS PAID (Per Common Share)



Common Shares

DECLARED	RECORD DATE	PAYABLE	AMOUNT
December 6, 2005	February 3, 2006	February 28, 2006	\$ 0.055
September 20, 2005	November 4, 2005	November 29, 2005	\$ 0.055
June 28, 2005	August 5, 2005	August 30, 2005	\$ 0.055
April 25, 2005	May 6, 2005	May 31, 2005	\$ 0.055
January 25, 2005	February 4, 2005	February 28, 2005	\$ 0.055
September 28, 2004	November 5, 2004	November 30, 2004	\$ 0.055
June 21, 2004	August 6, 2004	August 31, 2004	\$ 0.055
April 27, 2004	May 7, 2004	May 28, 2004	\$ 0.055
January 27, 2004	February 9, 2004	February 26, 2004	\$ 0.055
October 28, 2003	November 7, 2003	November 26, 2003	\$ 0.055
June 24, 2003	August 1, 2003	August 26, 2003	\$ 0.17
April 22, 2003	May 2, 2003	May 27, 2003	\$ 0.17
January 28, 2003	February 7, 2003	February 28, 2003	\$ 0.17
October 22, 2002	November 1, 2002	November 26, 2002	\$ 0.17
June 25, 2002	August 2, 2002	August 27, 2002	\$ 0.17
April 23, 2002	May 3, 2002	May 28, 2002	\$ 0.17
January 22, 2002	February 1, 2002	February 26, 2002	\$ 0.16
October 23, 2001	November 2, 2001	November 27, 2001	\$ 0.16
June 26, 2001	August 3, 2001	August 28, 2001	\$ 0.16
April 24, 2001	May 4, 2001	May 29, 2001	\$ 0.16
January 23, 2001	February 2, 2001	February 27, 2001	\$ 0.14
October 24, 2000	November 3, 2000	November 28, 2000	\$ 0.14
June 19, 2000	August 4, 2000	August 29, 2000	\$ 0.14
April 25, 2000	May 5, 2000	May 30, 2000	\$ 0.14
January 25, 2000	February 4, 2000	February 29, 2000	\$ 0.125
October 26, 1999	November 5, 1999	November 30, 1999	\$ 0.125
June 22, 1999	August 6, 1999	August 31, 1999	\$ 0.125
April 27, 1999	May 7, 1999	May 28, 1999	\$ 0.125
January 26, 1999	February 5, 1999	February 26, 1999	\$ 0.11
October 27, 1998	November 6, 1998	November 30, 1998	\$ 0.11
June 23, 1998	August 7, 1998	August 31, 1998	\$ 0.11
April 28, 1998	May 8, 1998	May 29, 1998	\$ 0.11
January 27, 1998	February 6, 1998	February 27, 1998	\$ 0.095
October 28, 1997	November 7, 1997	November 28, 1997	\$ 0.095
June 24, 1997	August 1, 1997	August 26, 1997	\$ 0.095
April 22, 1997	May 2, 1997	May 27, 1997	\$ 0.095
January 28, 1997	February 7, 1997	February 28, 1997	\$ 0.083
October 22, 1996	November 1, 1996	November 26, 1996	\$ 0.083
June 17, 1996	August 2, 1996	August 27, 1996	\$ 0.083
April 23, 1996	May 3, 1996	May 28, 1996	\$ 0.083
January 23, 1996	February 2, 1996	February 27, 1996	\$ 0.073
October 24, 1995	November 3, 1995	November 28, 1995	\$ 0.073
June 27, 1995	August 4, 1995	August 29, 1995	\$ 0.073
April 4, 1995	May 5, 1995	May 30, 1995	\$ 0.073
January 24, 1995	February 3, 1995	February 28, 1995	\$ 0.064

FIRST QUARTER

- 1/12** Schering-Plough Launches Scent-Free Formulation of NASONEX® (mometasone furoate monohydrate) in U.S.
- 1/12** Schering-Plough Announces Executive Changes in R&D
- 1/14** Schering-Plough Announces Sale of Madison, N.J. Site
- 1/20** Head of Schering-Plough Research Institute Named One of Most Powerful Black Executives in Corporate America
- 1/25** Schering-Plough Reports Financial Results for 2004 4Q, Full Year
- 1/25** Schering-Plough Declares Quarterly Dividends on Common Shares and Mandatory Convertible Preferred Stock
- 2/18** Schering-Plough Completes Acquisition of Most Neogenesis' Assets
- 2/18** AIDS Drug Assistance Programs (ADAPs) to Benefit from First National Program Providing ADAP Patients with Hepatitis C Medicine
- 3/04** FDA Approves CLARINEX-D 24 HOUR Prescription-Strength Once-Daily Nondrowsy Antihistamine with a Decongestant
- 3/08** Study Showed VYTORIN (ezetimibe/simvastatin) Superior to Lipitor at Lowering LDL (Bad) Cholesterol
- 3/09** Schering-Plough Reports Federal Appeals Court Rules in Favor of Company on K-DUR Antitrust Matter
- 3/16** FDA Approves TEMODAR® (temozolomide) as Treatment for Patients with Newly Diagnosed Glioblastoma Multiforme
- 3/22** Claritin OTC Brand Sales Surpass \$1 Billion Mark in U.S.
- 3/31** FDA Approves ASMANEX® (mometasone furoate) for Once Daily Management of Asthma

SECOND QUARTER

- 4/15** New Data Evaluating 'Real World' Treatment Results with PEG-INTRON® and Pegasys in Patients with Chronic Hepatitis C Presented at European Association for the Study of the Liver (EASL) Annual Meeting
- 4/21** Schering-Plough Reports Financial Results For 2005 First Quarter
- 4/22** European Union's CHMP Recommends Approval of TEMODAL® (temozolomide) for the Most Common and Aggressive Form of Brain Cancer
- 4/25** Schering-Plough Declares Quarterly Dividends on Common Shares and Mandatory Convertible Preferred Stock
- 4/26** Schering-Plough Chairman/CEO Fred Hassan Reviews Progress in Action Agenda at Annual Shareholders Meeting
- 5/03** Schering-Plough Announces Integration of West Coast Research Facilities
- 5/12** Data on PEG-INTRON® and REBETOL® Combination Therapy in Diverse Patient Populations to Be Presented at 2005 Digestive Disease Week (DDW) Meeting
- 5/25** CAELYX® Recommended in Second-Line or Subsequent Treatment of Advanced Ovarian Cancer by UK's National Institute for Clinical Excellence
- 6/10** TEMODAL® Approved in European Union For Treatment of Newly Diagnosed Glioblastoma Multiforme
- 6/13** New Analysis in Patients with Type 2 Diabetes from Trial with VYTORIN (ezetimibe/simvastatin) Presented at ADA
- 6/28** Schering-Plough Declares Quarterly Dividends on Common Shares and Mandatory Convertible Preferred Stock
- 6/28** Schering-Plough Elects Thomas J. Colligan to Board of Directors
- 6/29** NASONEX® Effective for Nasal Polyps with Once-Daily Dose
- 6/30** Schering-Plough Announces FDA Approval of AVELOX® (moxifloxacin HCl) for Treatment of Complicated Skin and Skin Structure Infections

THIRD QUARTER

- 7/06** Schering-Plough Expands Its Presence in Asia Pacific; Commercial Operations Opened in Korea and Pakistan
- 7/15** FDA Approves Re-Formulated CLARINEX® (desloratadine) REDITABS® Tablets - Orally Disintegrating Prescription Antihistamine
- 7/21** Schering-Plough Reports Financial Results for 2005 Second Quarter
- 7/22** Schering-Plough to Acquire from Millennium Exclusive U.S. Marketing Rights for INTEGRILIN® (eptifibatide) Injection
- 7/28** European Union CHMP Recommends Approval of REMICADE® for Treatment of Moderate-To-Severe Plaque Psoriasis

THIRD QUARTER (continued)

- 7/28** European Union's CHMP Adopts Positive Opinion for NOXAFIL® (posaconazole) Oral Suspension for Treatment of Invasive Fungal Infections
- 7/29** European Union's CHMP Adopts Positive Opinion for Shorter Course of PEG-INTRON® and REBETOL® Combination Therapy for Certain Hepatitis C Patients With Genotype 1 and Low Viral Load
- 8/04** Schering-Plough and Sankyo Enter License Agreement for Olmesartan in Select Latin American Territories
- 8/16** Schering-Plough Exercises Rights to Centocor's CNTO 148 Anti-TNF Agent
- 9/01** Schering-Plough to Provide Financial, Product Donations in Support of Hurricane Katrina Relief Effort
- 9/04** Majority of European Cardiologists Believe that Greater LDL-Cholesterol Reduction is Achieved by Treating Two Sources of Cholesterol
- 9/06** Research Shows Patients with Allergic Rhinitis Prefer NASONEX® to Flonase for Scent and Taste
- 9/20** Schering-Plough Declares Quarterly Dividends on Common Shares and Mandatory Convertible Preferred Stock
- 9/28** Schering-Plough Announces Appointments in Global Pharmaceutical Business

FOURTH QUARTER

- 10/05** Shorter Course of PEG-INTRON® and REBETOL® Combination Therapy Approved in European Union for Certain Hepatitis C Patients With Genotype 1 and Low Viral Load
- 10/06** REMICADE® Receives Approval in European Union for Treatment of Moderate to Severe Plaque Psoriasis
- 10/17** Long-Term Analysis Shows Maintenance Therapy with REMICADE® Sustains Healing and Reduces Surgery in Patients with Active Crohn's Disease
- 10/19** New Study Will Determine if Comprehensive Anti-Platelet Therapy Can Prevent Heart Damage
- 10/24** Schering-Plough Announces Third Quarter Financial Results – Company Announces Beginning of Turnaround Phase
- 10/25** New Study Shows NOXAFIL® (posaconazole) Oral Suspension Significantly Reduced Aspergillosis, Invasive Fungal Infections, Compared to Fluconazole, in Allogeneic Hematopoietic Stem Cell Transplant Recipients With Graft-Versus-Host Disease
- 10/27** NOXAFIL® (posaconazole) Oral Suspension Approved in European Union for Treatment of Invasive Fungal Infections
- 10/27** Schering-Plough Discontinues Phase II Study of VICRIVIROC in Treatment-Naïve HIV Patients, Continues Phase II Study in Treatment-Experienced HIV Patients
- 10/31** TEMODAL® After Surgery Significantly Improves Survival in patients with Newly Diagnosed Glioblastoma Multiforme
- 11/01** Schering-Plough Highlights R&D Pipeline and Product Portfolio at Analyst and Portfolio Managers Meeting
- 11/01** Schering-Plough Submits New Drug Application In Japan for TEMODAL® in Treating Malignant Glioma
- 11/07** Data on Schering-Plough's Oral HCV Protease Inhibitor to be Presented for the First Time at American Association for the Study of Liver Diseases (AASLD) Meeting
- 11/12** Early Initiation Of INTEGRILIN® (eptifibatide) for Heart-Attack Patients in Emergency Department Achieved Superior Coronary Artery Blood Flow
- 11/12** PEG-INTRON® and REBETOL® Combination Therapy Demonstrates Consistently High Response Rates Across Patient Weight Groups in 'Real-Life' Treatment Setting
- 11/14** The Addition of INTEGRILIN® (eptifibatide) Injection Achieved Superior Reduction in Inflammatory Markers TNF-Alpha and CRP Compared to a Commonly Used Oral Antiplatelet Regimen
- 11/14** Schering-Plough's Oral HCV Protease Inhibitor Demonstrates Potent Antiviral Activity as Monotherapy and in Combination With PEG-INTRON® in Phase I Studies
- 11/15** Merck/Schering-Plough Announces Updates for the IMPROVE-IT Trial
- 11/16** Schering-Plough and Oncomethylome Sciences (OMS) Announce License and Collaboration Agreement for Use of OMS Pharmacogenomic Technology
- 11/30** FDA Approves New Indication for AVELOX® (moxifloxacin HCl) for Treatment of Complicated Intra-Abdominal Infections (cIAI)
- 12/06** Schering-Plough Declares Quarterly Dividends on Common Shares and Mandatory Convertible Preferred Stock
- 12/07** Schering-Plough Reports West Virginia Jury Finds in Favor of Company in Reimbursement Case

- 12/08** Schering-Plough Elects C. Robert Kidder to Board of Directors
- 12/08** Landmark Trials Published in *New England Journal of Medicine* Demonstrate Benefits of REMICADE® in Patients With Ulcerative Colitis
- 12/12** New Study Shows NOXAFIL® (posaconazole) Oral Suspension Significantly Reduced Invasive Fungal Infections, Aspergillosis, Compared to Standard Azole Antifungals in High-Risk Chemotherapy Patients
- 12/15** Schering-Plough Board of Directors Announces New Election, Governance Measures
- 12/22** Schering-Plough Announces PEG-INTRON® and REBETOL® Approved in Japan for Expanded Use in Treating Chronic Hepatitis C

PRINCIPAL MANUFACTURING FACILITIES

Kenilworth, New Jersey
 Omaha, Nebraska
 Cleveland, Tennessee
 Puerto Rico
 Belgium
 Ireland
 Mexico
 Singapore

PRINCIPAL RESEARCH FACILITIES

Kenilworth, New Jersey
 Summit, New Jersey
 Union, New Jersey
 Palo Alto, California
 Elkhorn, Nebraska

OVERALL BUSINESS PRESENCE

United States
 120+ Countries
 50+ International Subsidiary Operations

BUSINESS SEGMENTS

Prescription Pharmaceuticals
 Consumer Health Care
 Animal Health

INVESTOR INFORMATION

Shares Listed: New York Stock Exchange
 (Ticker Symbol: SGP)

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April 2006

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