



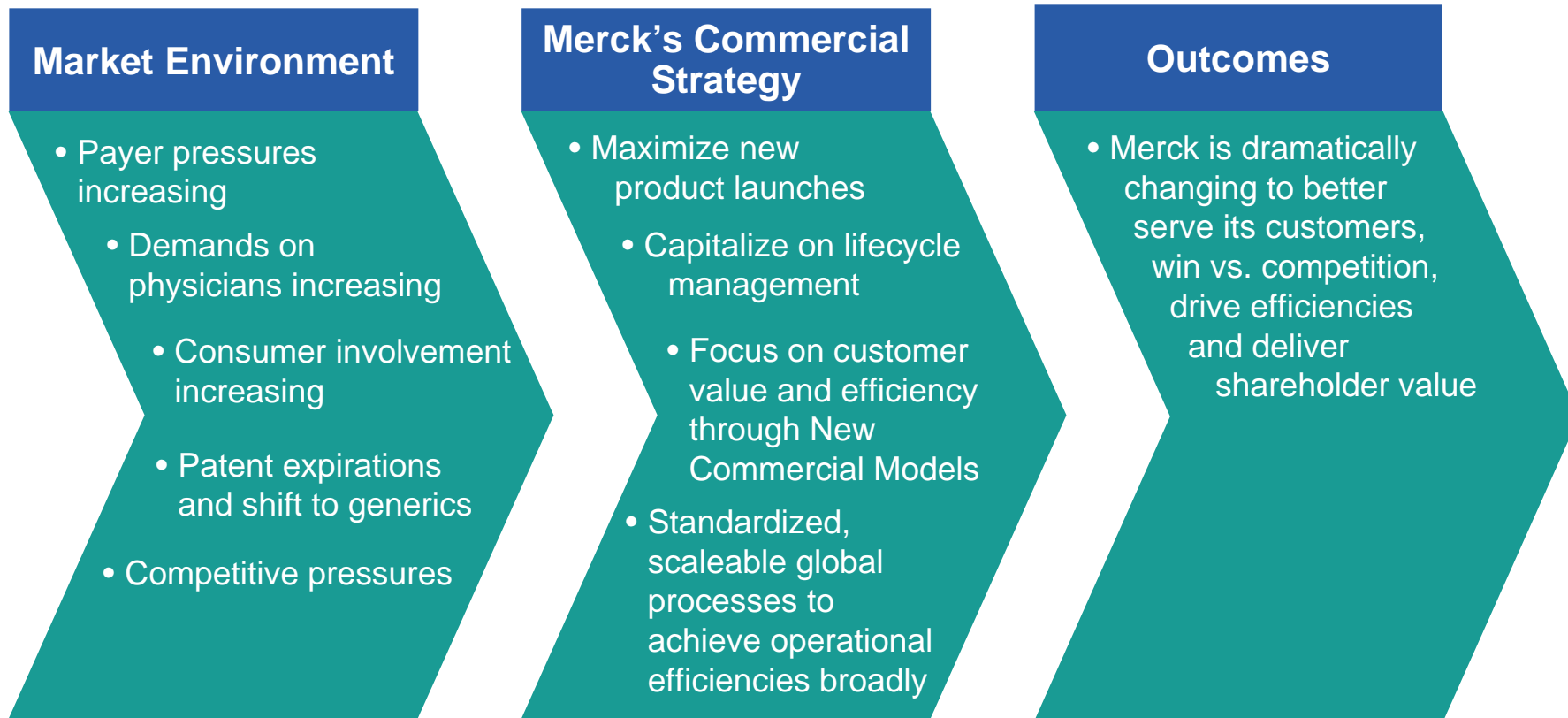
# Global Human Health and Commercialization

# Agenda

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- Global Human Health Strategy
- Realizing the Benefits of our Plan to Win
  - Maximizing the Success of Recent Launches
  - Driving In-Line Product Growth
  - Preparing for Upcoming Launches
- Evolving to New Commercial Model
- Driving Growth in Emerging Markets
- Summary

# Merck's Plan to Win Designed to Succeed in a Changing Environment



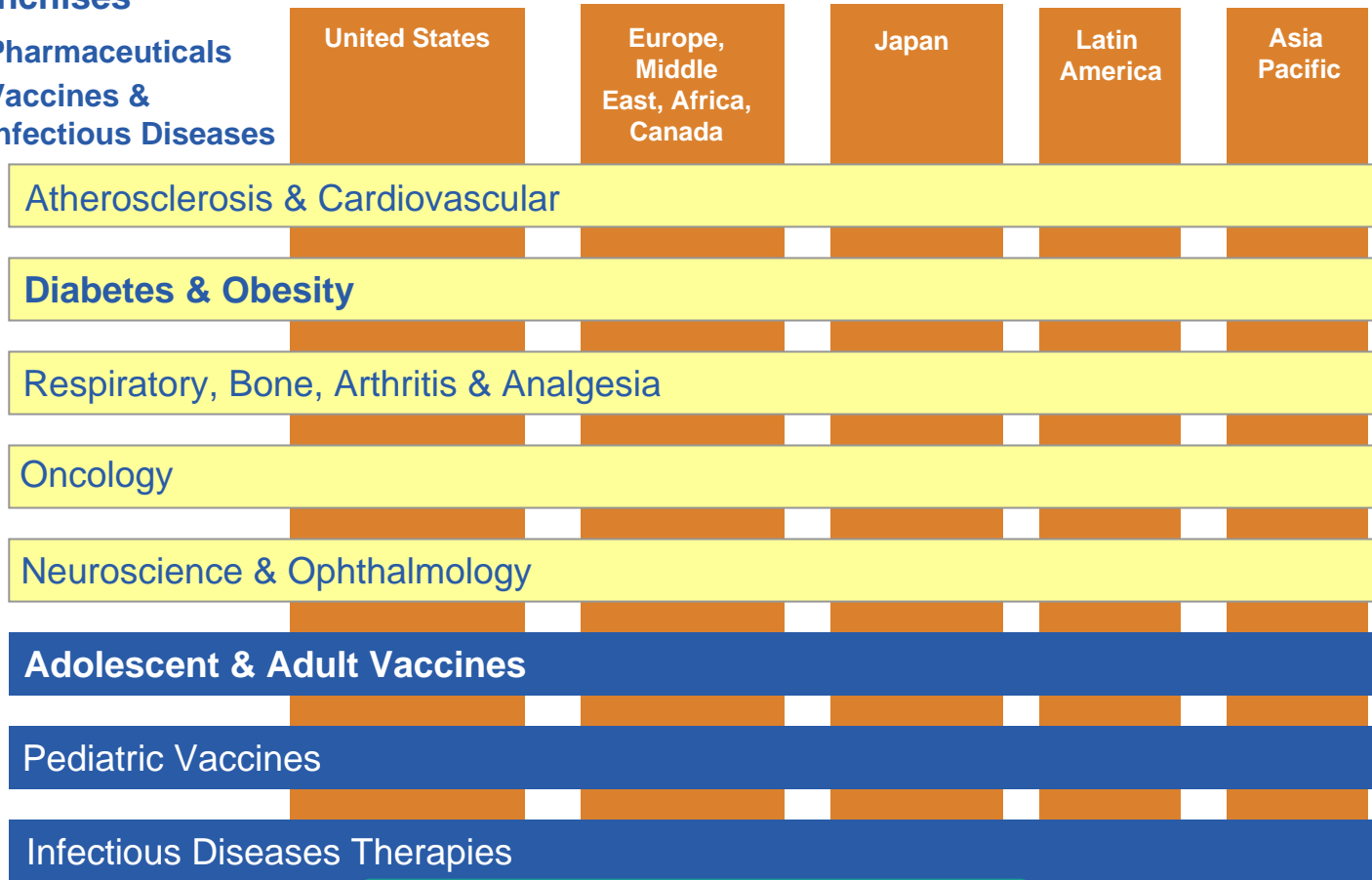
# Global Human Health

## Achieving Benefits of Therapeutic and Region/Country Leadership

### Franchises

■ Pharmaceuticals

■ Vaccines & Infectious Diseases



Global Market & Franchise Business Support



## Realizing the Benefits

- Successfully launched 7 new products in the last 2 years
- Grew global revenue 8% 3Q YTD, despite US patent expiries of ZOCOR and PROSCAR
- Achieved nearly four-fold increase in global vaccine sales since 2005
- Starting to gain significant savings in Marketing & Administrative expense through standardization of global processes
- Preparing for the next wave of new product launches
- Achieving initial benefits of new commercial models
- On track to achieve over \$2 billion sales target in emerging markets by 2010

# Achieving Our Plan to Win Through Successful Product Launches

  
**GARDASIL**<sup>®</sup>  
[Quadrivalent Human Papillomavirus  
(Types 6, 11, 16, 18) Recombinant Vaccine]

  
**Januvia**<sup>™</sup>  
(sitagliptin) tablets

  
**RotaTaq**<sup>™</sup>  
(Rotavirus Vaccine,  
Live, Oral, Pentavalent)

  
**ISENTRESS**<sup>™</sup>  
raltegravir tablets

  
**Janumet**<sup>™</sup>  
(sitagliptin/metformin HCl) tablets

  
**ZOSTAVAX**<sup>®</sup>  
[Zoster Vaccine Live (Oka/Merck)]

  
**Zolinza**<sup>™</sup>  
[vorinostat] capsules

# GARDASIL

## Unprecedented Execution

### Broad and Comprehensive Global Approvals

- Approved in 93 markets; launched in 72
- Broad indication for cervical cancer, vaginal pre-cancer, vulvar pre-cancer and genital warts caused by HPV Types 6, 11, 16, 18

### Expedited and Broad Policy Recommendations

- Expedited and wide-ranging policy recommendations in multiple countries
- Extensive global professional society endorsement
- Strong recommendations by ACIP and national/state governments

### Quick and Broad Public and Private Funding

- Public sector funding available, e.g., Australia, Germany, US & Canada; recommendation issued in UK (2008 tender)
- Comprehensive US private sector coverage: 99% of managed care lives\*

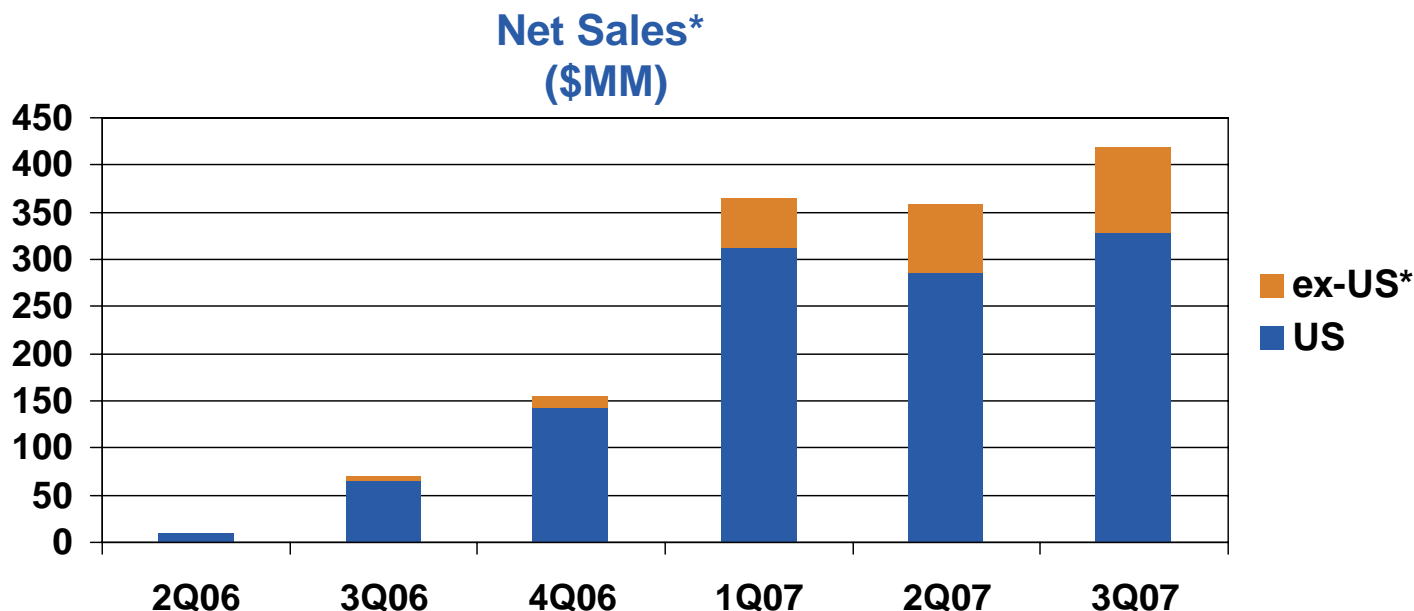
### Rapid and Strong Market Uptake

- Strong opinion leader support
- Unprecedented uptake across specialties
- Vaccination becoming common in US with an estimated 17% overall penetration rate and higher compliance rate versus norms (75% 2nd dose; 50% 3rd dose)

\*Individual coverage will vary based on patient's benefit design

# GARDASIL

## Strong Performance Driven by US and Australia



- Cumulative sales of \$1.4 billion since launch with over 5 million receiving first dose
- Rapid funding, physician and consumer adoption support global success
  - Strongest uptake in US, Australia; SP-MSD success driven by early adopter countries, including Germany, France and Belgium
  - Significant opportunity to penetrate other international markets as policy recommendations are made and government funding becomes available

\*As reported by Merck, excluding end market revenue from SP-MSD JV

# GARDASIL

## Profile

- Only HPV vaccine proven to protect against:
  - Four types of HPV (quadrivalent)
  - Genital warts (>1 MM US cases/year)
  - HPV 18 related cervical pre-cancers as a separate clinical endpoint
  - AIS, immediate cervical cancer precursor
  - More cancers - vaginal cancer (13K WW cases/year) and vulvar cancer (27K WW cases/year)
- Proven Duration of Protection up to 5 years
  - Demonstrated immune memory
- Cost effectiveness
  - HPV 6/11 protection delivers value in the first five years post vaccination\*
  - HPV 16/18 protection provides long term benefit\*
- Proprietary adjuvant and well characterized yeast production
  - Used in millions of children and adults

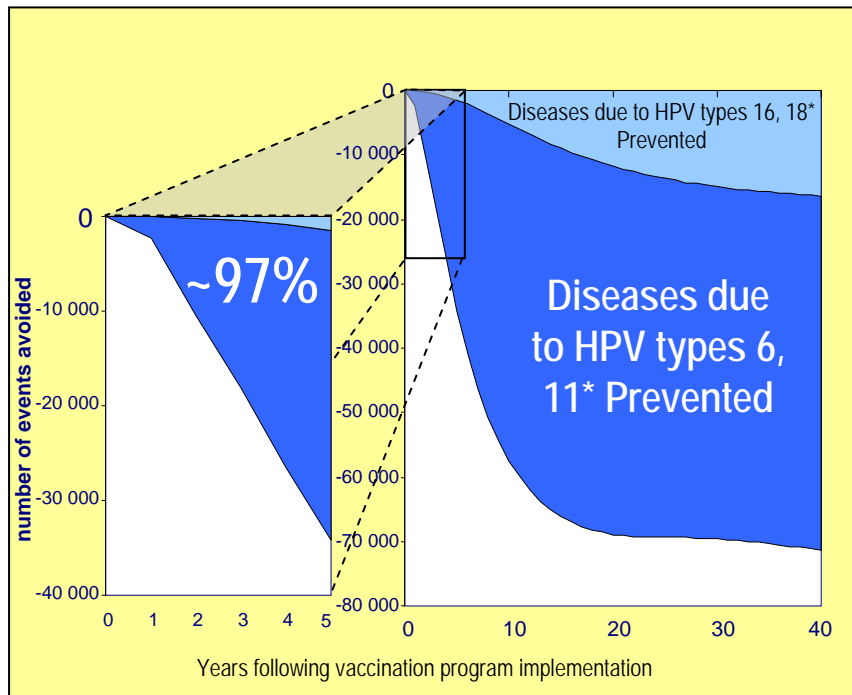
\*based on economic model

# GARDASIL

## Short- and Long-Term Health Economic Benefits

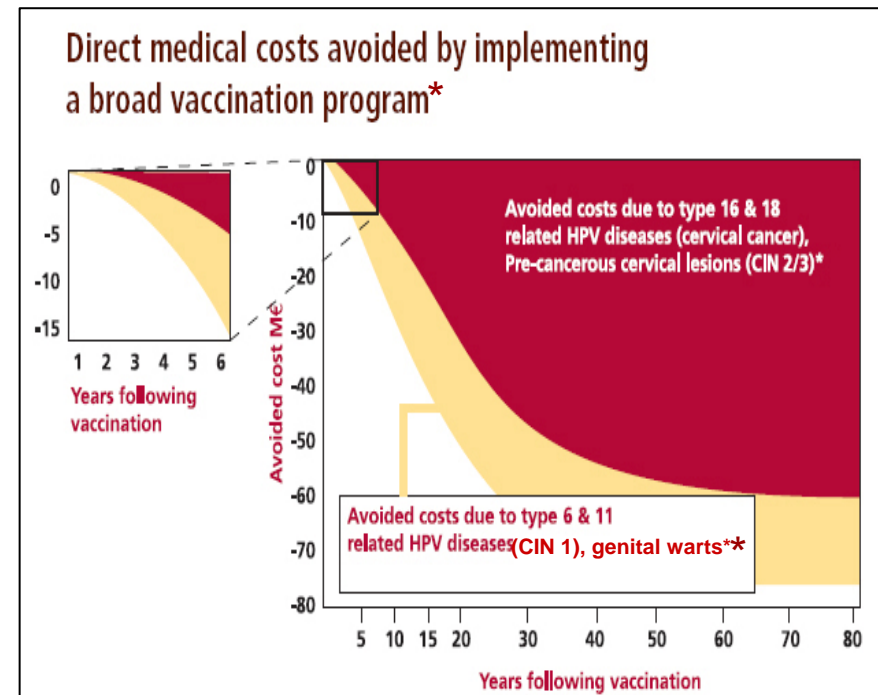
### Short-Term Economic Estimates

HPV 6/11 protection provides great early return on investment



### Long-Term Economic Estimates

Longer term cost effectiveness driven by prevention of HPV 16/18



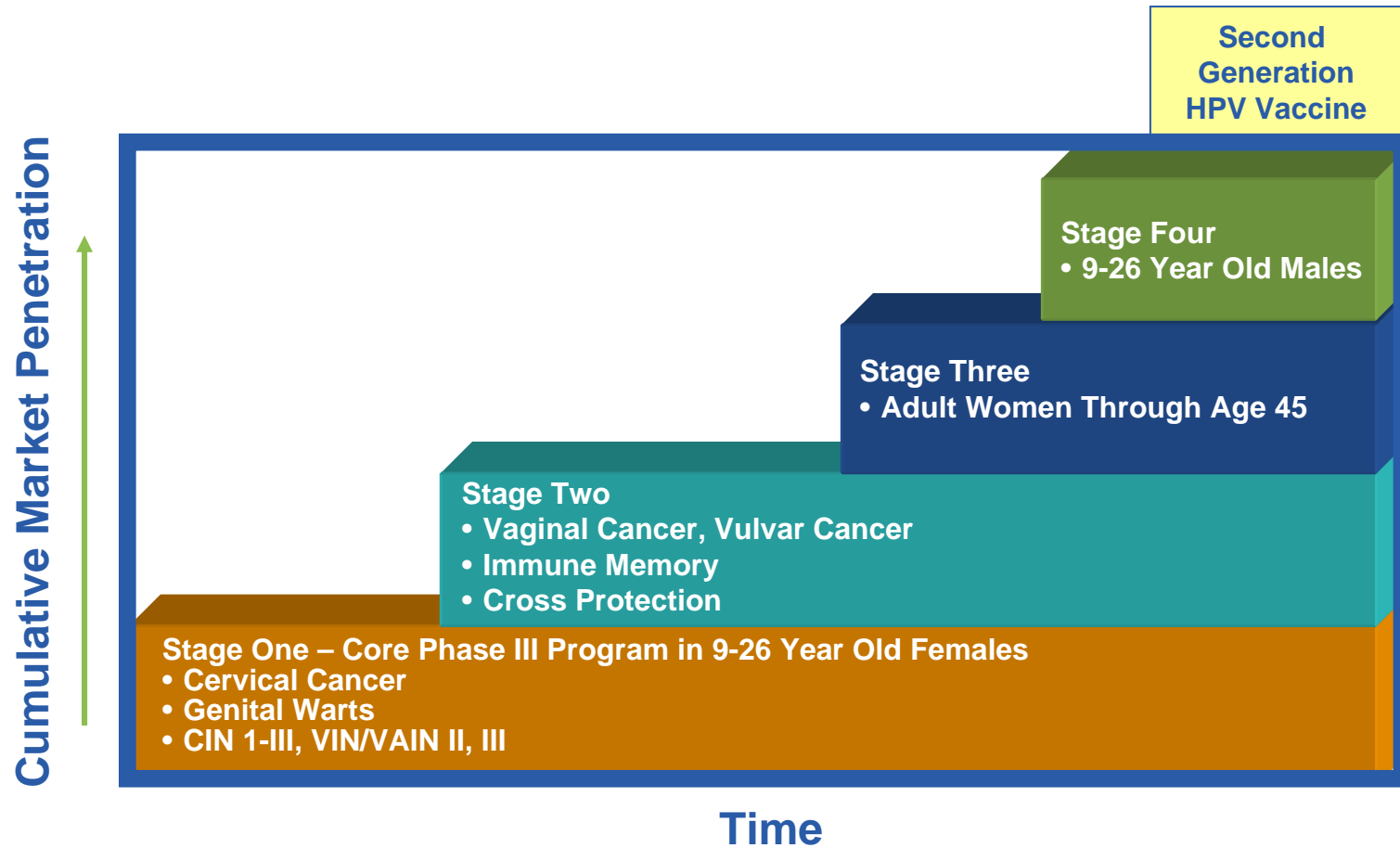
Analysis conducted for the UK based on economic model

\* Excludes cost of vaccine

Source : Dasbach et al. Eurogin 2007

# GARDASIL

## Driving Continued Growth Through Life Cycle Management



# GARDASIL

## Summary: Growth Driven By Penetration of Current and New Cohorts; Strong Competitive Position

- Increase uptake in current cohorts:

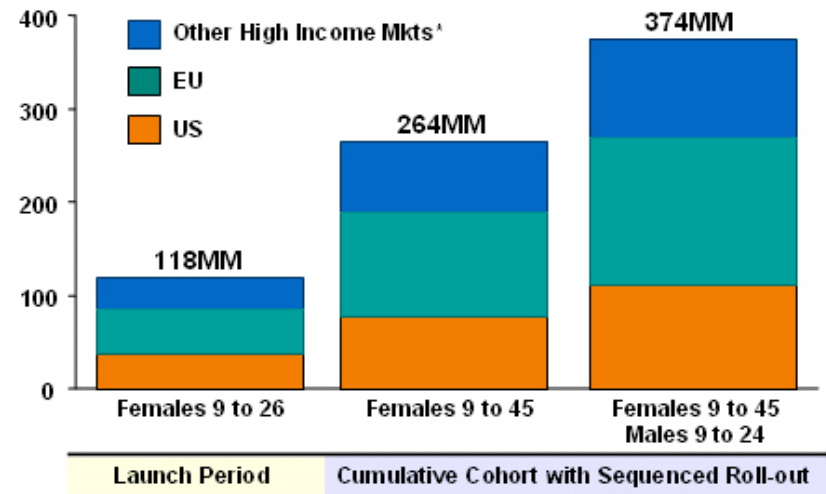
- Enhance penetration among 19-26 year olds
- Continue to drive consumer awareness/origination
- Support ex-US policy recommendations/funding
- Enhance compliance

- Launch in new cohorts; market development required to increase relevance

- 27 - 45 year old women – 12/07 submission
- 9 - 26 year old males – 2008 submission

- Maintain strong competitive differentiation through clinical profile and value delivered by GARDASIL

\* Per capita GNI > \$9,385



# ZOSTAVAX, ROTATEQ and VARIVAX

## Strong Market Acceptance and Initial Success

**ZOSTAVAX**<sup>®</sup>  
[Zoster Vaccine Live (Oka/Merck)]

- Launched in US; recommended by ACIP 60 years and older for prevention of shingles
- Reimbursed by plans covering >90% managed care and Medicare Part D lives\*
- Growth over lifecycle driven by potential approval of 50-59 year-old cohorts and international launches

**RotaTeq**<sup>™</sup>  
(Rotavirus Vaccine,  
Live, Oral, Pentavalent)

- Approved in 73 countries
- Launched in US, 41 other markets
- Recommended by ACIP and reimbursed by plans covering ~96% managed care lives\*
- Penetration in US over 60% of birth cohort
- Well positioned to maintain US market leadership against expected competition in 2008

**VARIVAX**<sup>®</sup>  
[VARICELLA VIRUS VACCINE LIVE  
(Oka/Merck)]

- Strong uptake of ACIP recommendation for second dose
- Rapid growth in total varicella-containing vaccine doses in 2007\*\*

\* Individual coverage will vary based on patient's benefit design.

\*\* Includes ProQuad, to be reintroduced in US and introduced in ex-US markets as bulk varicella issue is resolved.

# JANUVIA/JANUMET

## Unprecedented Execution

### Speed to Market

- Discovery and development in 3.8 years vs. industry average of 7.1 years
- First DPP-4 Inhibitor on the market
- Approved in 64 countries; reimbursed in 14 countries, many in record time
- JANUMET launched 4.5 months after JANUVIA (2Q07)

### Highly Differentiated Products

- Once daily, oral
- Substantial efficacy
- Weight neutral
- Low risk of hypoglycemia

### Rapid and Strong Market Uptake

- Approximately three million Rxs since launch
- US managed care coverage in plans with 200 million lives
- Second most prescribed branded oral agent in US
- Most successful diabetes launch in Mexico and Germany

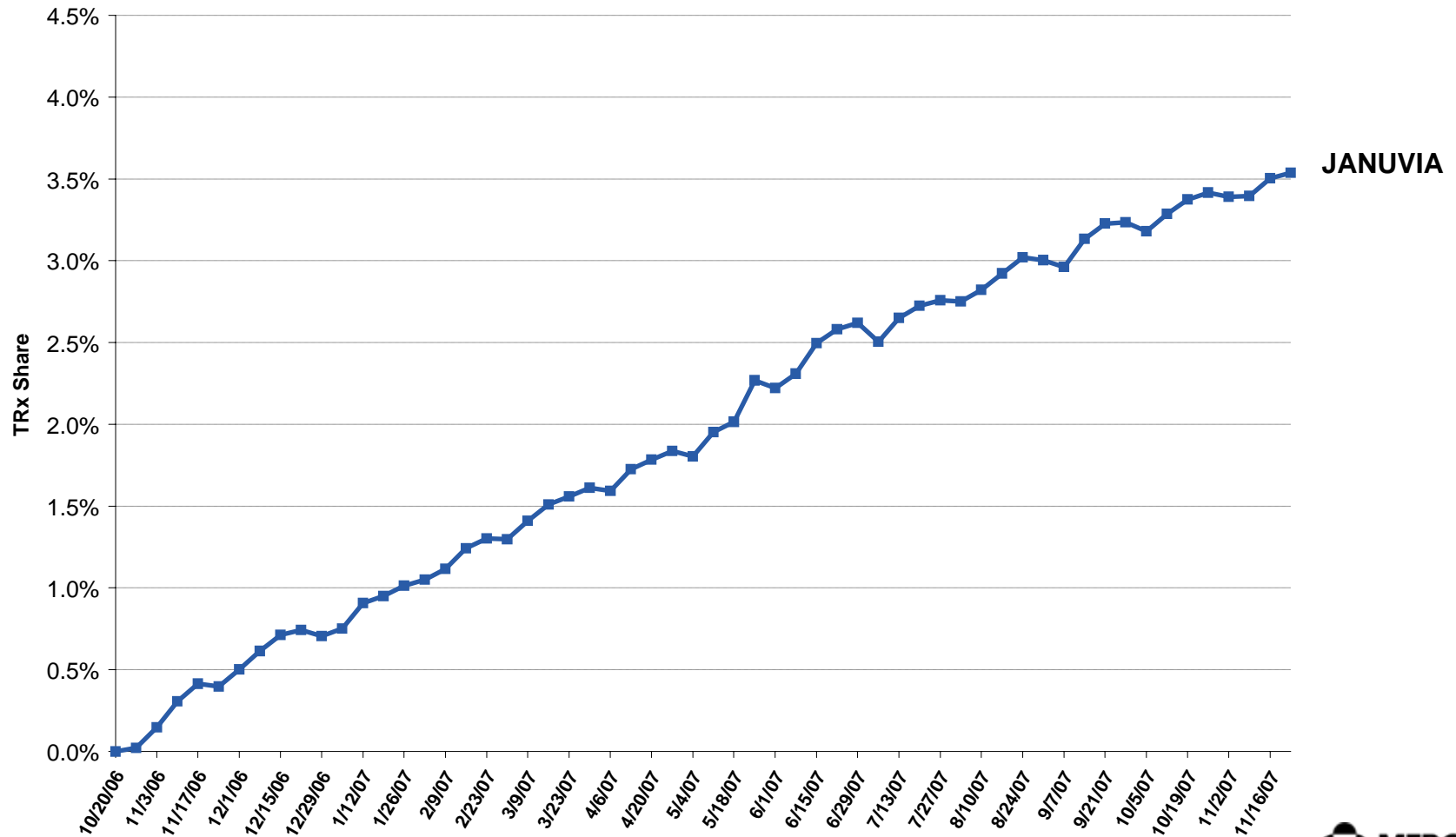
### Implementation Consistent with Strategic Intent

- Lead entry of DPP-4 into oral Diabetes market
- Well established efficacy profile
- Educate market on safety and tolerability
- Launched JANUMET with minimal cannibalization of JANUVIA
- Merck rated #2 pharma company in the diabetes field by thought leaders

# JANUVIA/JANUMET

## JANUVIA – Rapid and Strong Market Uptake

Diabetes Oral and GLP-1 Market

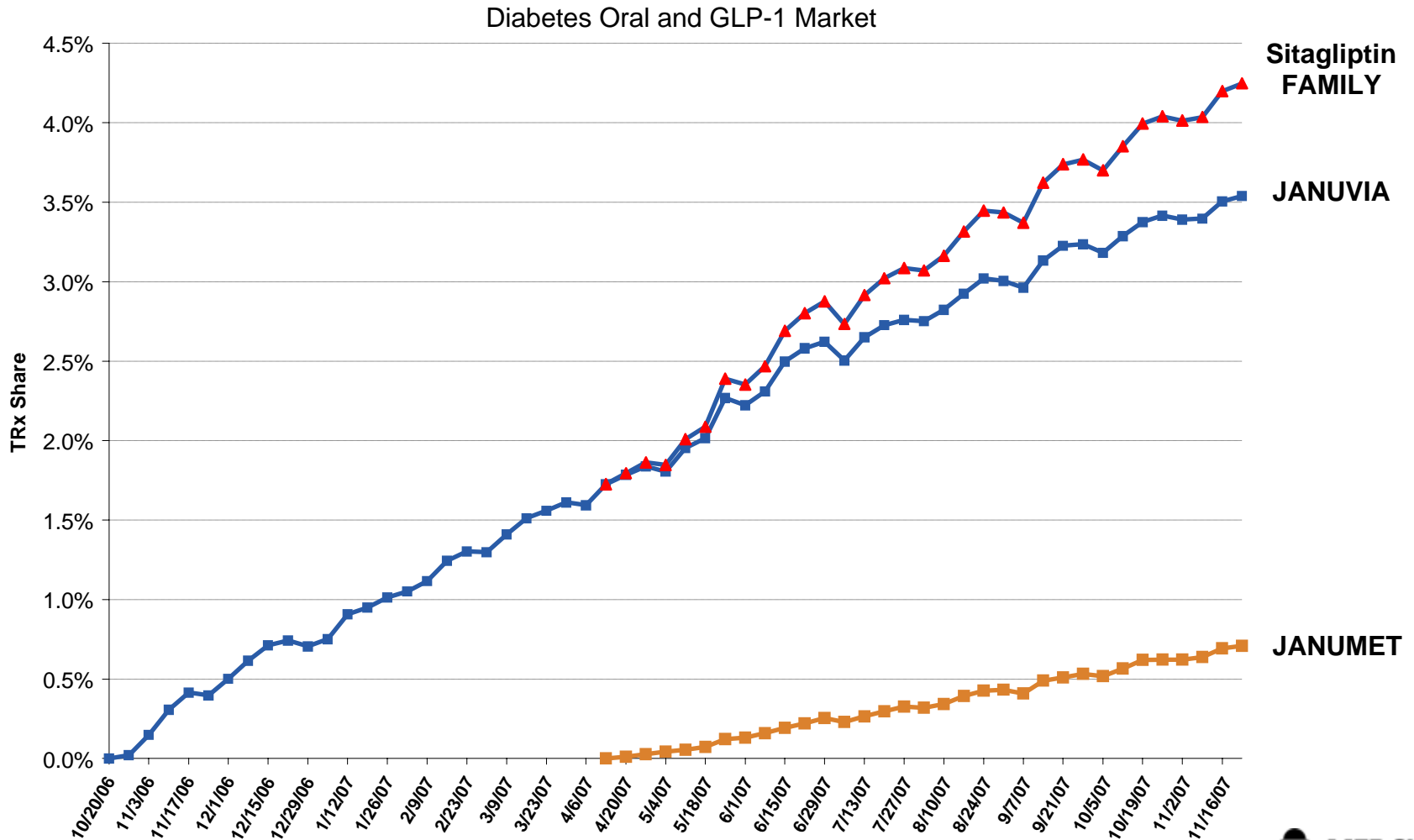


Source: IMS Health, NPA Weekly NGPS



# JANUVIA/JANUMET

## Additive JANUMET Impact

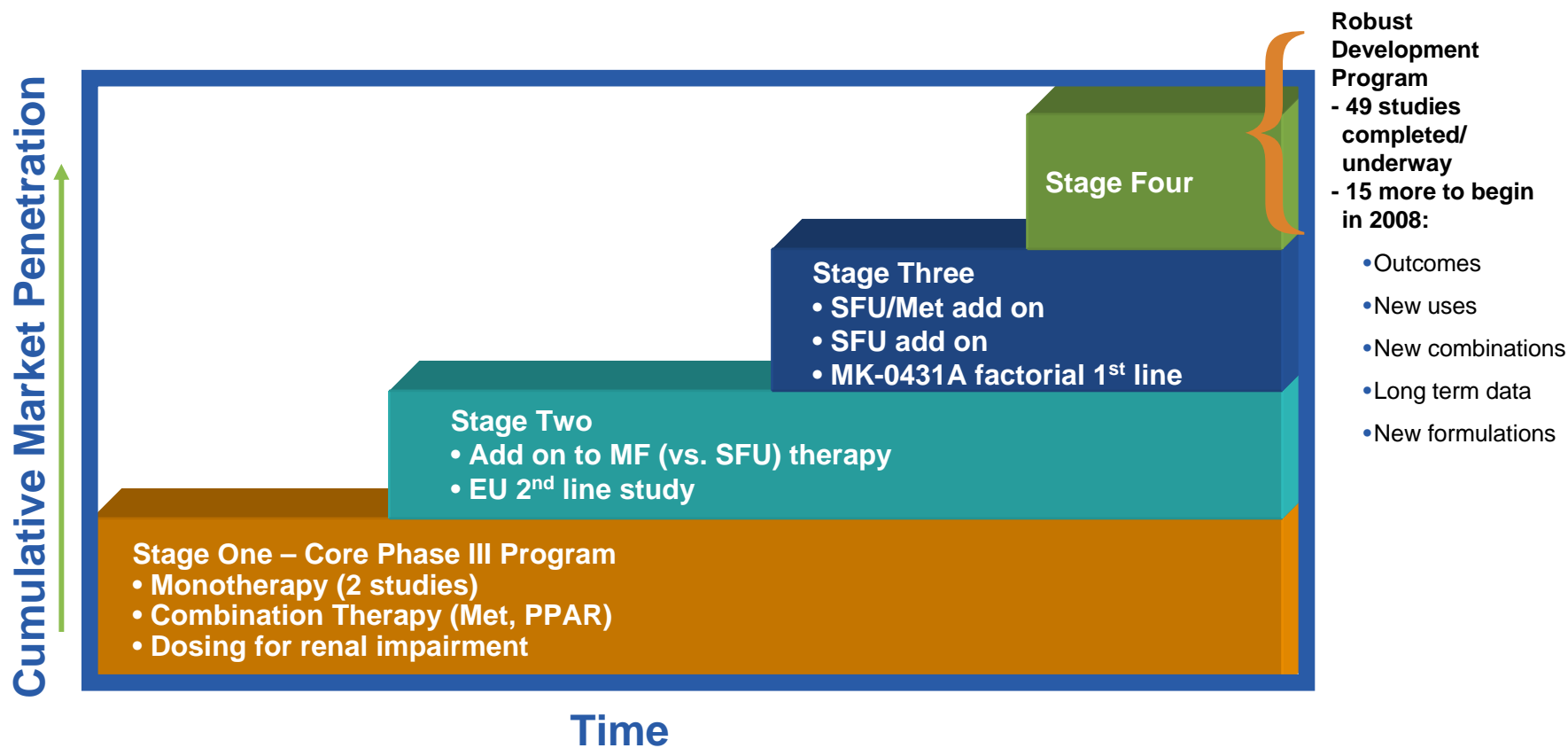


Source: IMS Health, NPA Weekly NGPS



# JANUVIA/JANUMET

## Growth Through Life Cycle Management



# ISENTRESS

## Meets Critical Unmet Need for HIV Therapy

- In 2007, ~33.2 MM HIV positive people worldwide
  - ~2.5 MM new infections and ~2.1 MM AIDS deaths per year
  - ~2.6 MM patients treated worldwide
  - People living with HIV
    - In the US ~1.2 MM (500K treatment experienced)
    - In the EU ~2.3 MM (415K treatment experienced)
  - With new treatment options, HIV has become a chronic disease for many
- Increasing incidence of treatment failures as a result of:
  - Drug resistance (~75% resistance to at least one class in the US)
  - Poor tolerability and toxicities of existing HIV treatment regimens
  - Frequent and complex drug interactions with HIV and concomitant medications

**Opportunity for ISENTRESS to meet unmet needs related to resistance, tolerability/safety and drug interactions**

# ISENTRESS

## Early Success Driven by Unprecedented Execution

### Speed to Market

- Fastest antiretroviral clinical development program since mid-90s
- Accelerated approval in US - available 5 days after approval
- EU CHMP positive opinion issued in November
- Filing in >100 countries
- Approval expected in ~75 countries by 2Q08

### Highly Differentiated Product

- First-in-Class Integrase Inhibitor
- Potent and rapid efficacy in treatment naïve and multi-class resistant patients
- Favorable tolerability, safety and drug interaction profile

### Rapid Reimbursement by Payors in US

- Aids Drug Assistance Program: available in 35 states, pending in 9 states
- Medicaid: available in 37 states, pending in 7 states
- HMO/PBM: available in 2<sup>nd</sup> tier for 48% of lives; 96% of PBM lives have access

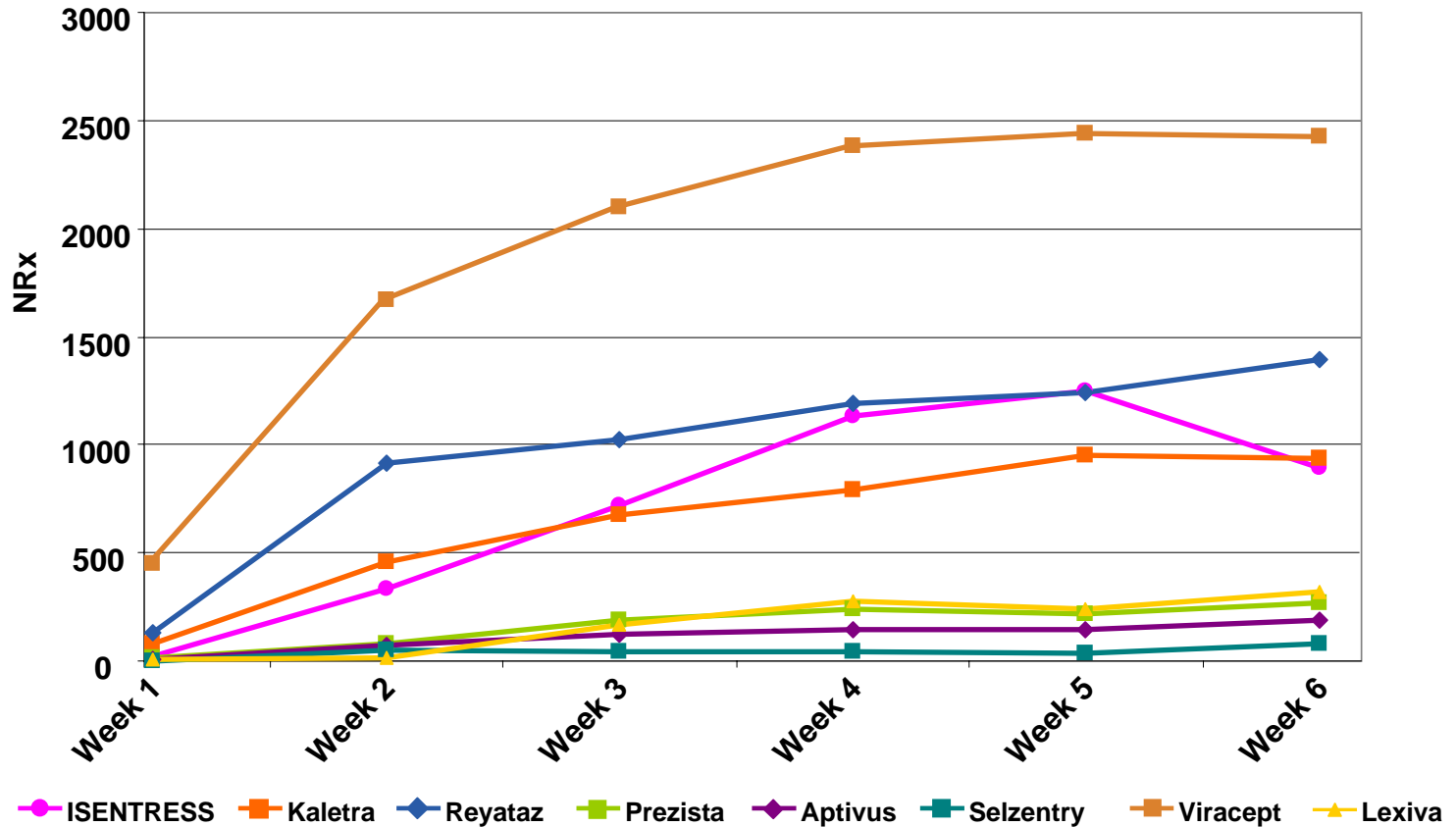
### Rapid and Strong Market Uptake

- Strong Scientific Leader support across the world
- In the US, ISENTRESS surpassed Prezista in comparable retail pharmacy data by week two
- In Canada, the Ontario government has made the decision to reimburse ISENTRESS within a few days of receiving the Notice of Compliance

# ISENTRESS

## Early Success – Rapid and Strong Market Uptake

Comparison of ISENTRESS Weekly NRx Trends vs. Major HIV Drug Launches

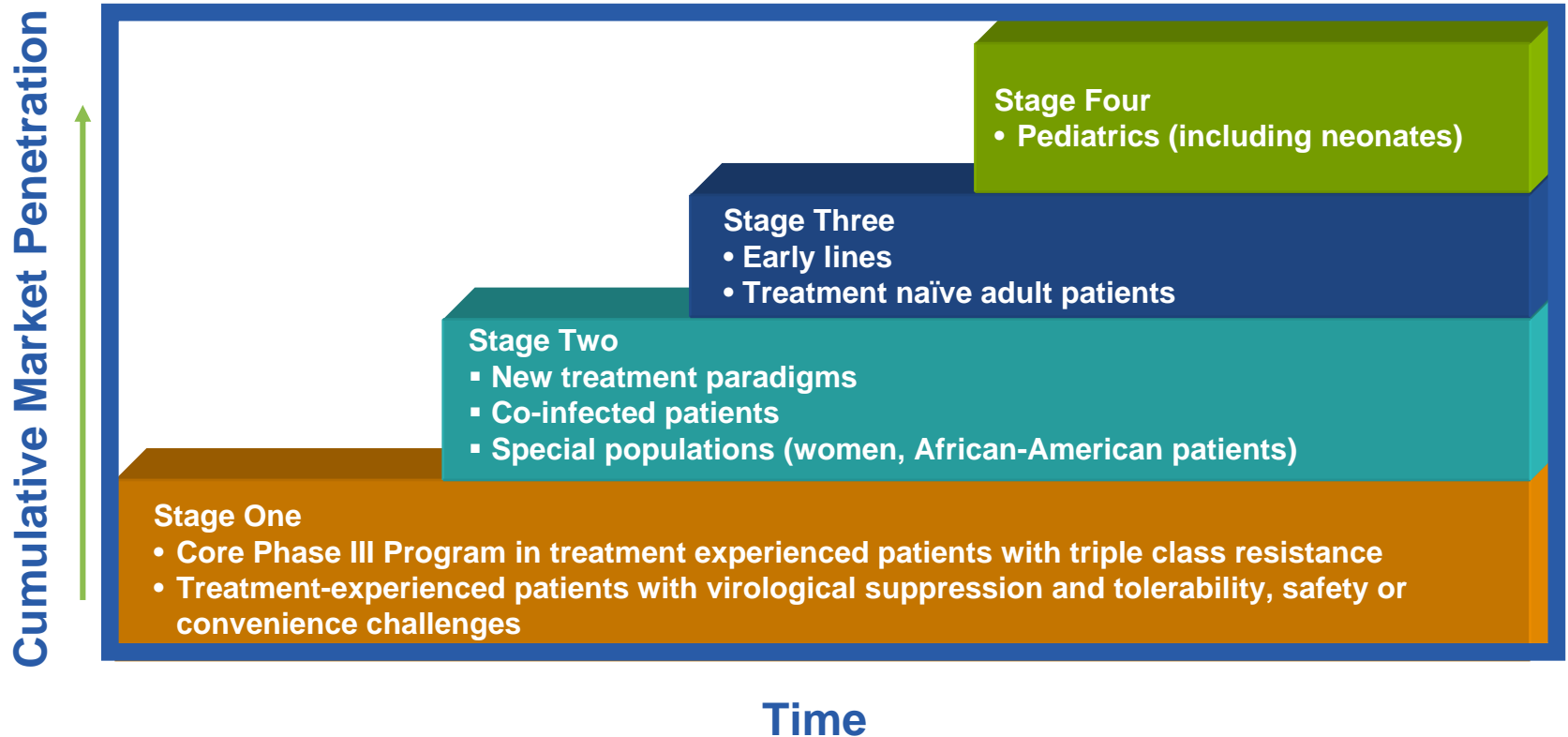


Source: IMS Health, NPA Plus 7TM



# ISENTRESS

## Driving Continued Growth Through Lifecycle Management



# Late Stage Product Candidates

## Next Wave to Address Significant Unmet Needs

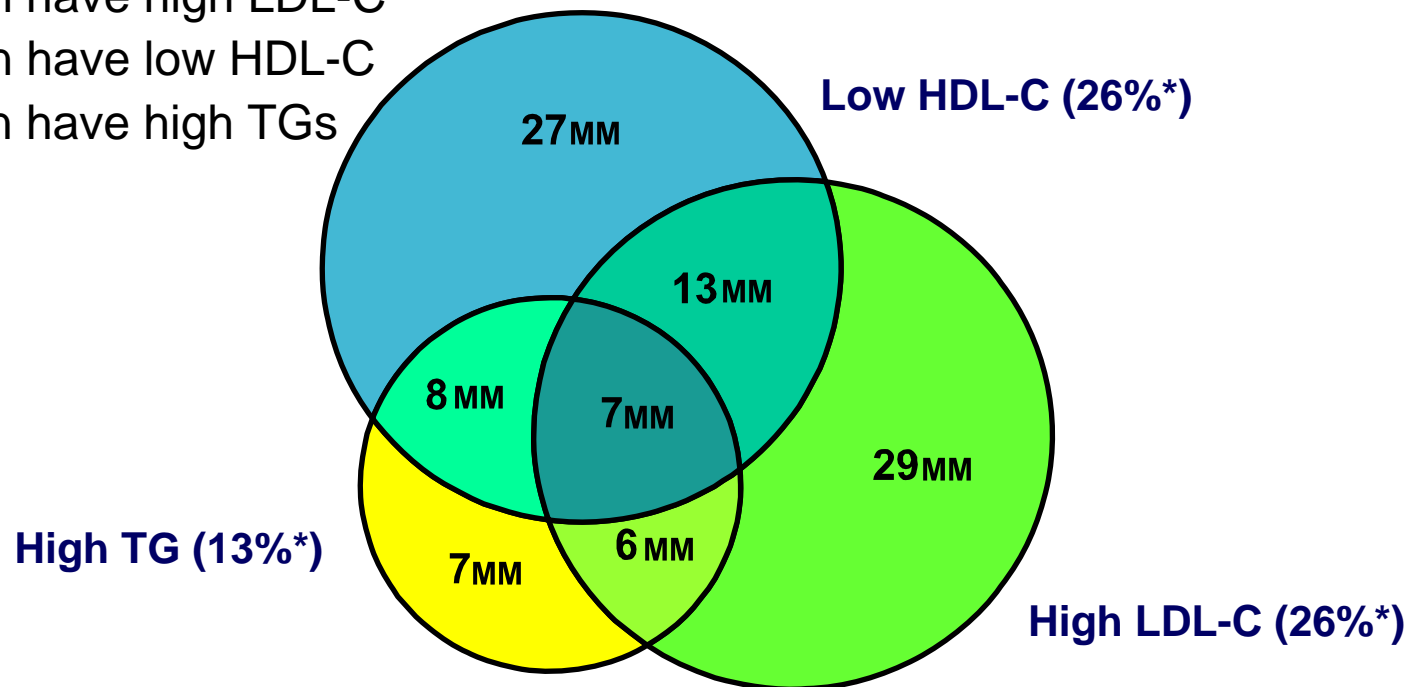
- Lipid Management – MK-0524A (CORDAPTIVE\*)  
MK-0524B (ER niacin/laropiprant/simvastatin)
  - Large patient population with abnormal lipids
  - Unmet need for proven treatment to increase HDL, with improved tolerability
  - Proven outcomes for niacin
- Obesity – MK-0364 (taranabant)
  - Global epidemic with proven link to CV and other co-morbidities
  - Consumer willingness to seek and pay for treatment
- Migraine – MK-0974 (CGRP Inhibitor)
  - Large population with high burden of disease
  - Opportunity for new mechanism with improved tolerability/safety
- Acute Heart Failure – MK-7418 (rolofylline)
  - Obtained through Novacardia acquisition
  - Potential to be first-in-class adenosine A1 receptor antagonist for acute heart failure
  - Unique mechanism of action may increase diuresis of patients while maintaining/preserving renal function

# CORDAPTIVE

## Dyslipidemia in the United States

Nearly 100 million Americans have at least one “abnormal” lipid parameter

- ~55 million have high LDL-C
- ~55 million have low HDL-C
- ~28 million have high TGs



Despite success of statins, approximately 70% CV risk remains

Source: NHANES IV Data, U.S. Population projected to 2007

\*Percent of US Adult Population

# Executing to Maximize Global In-Line Product Performance



- Sales: 3Q YTD \$3.1 billion, +19%
- #1 product in US respiratory market
- #1 asthma controller brand for children worldwide



- Sales: 3Q YTD \$2.5 billion, +7%
- #2 branded AIA in the US and Europe



- Sales: 3Q YTD \$3.7 billion, +34%
- VYTORIN continues to outpace branded statins in TRx share growth since the availability of generic simvastatin
- VYTORIN has unmatched access and is available to more patients at the lowest branded co-pay than other branded agents
- ZETIA continues to grow in total prescription share and is the leading non-statin in new and total prescription share in the cholesterol-lowering market



- Sales: 3Q YTD \$2.3 billion, -4%
- FOSAMAX and FOSAMAX PLUS D are the most prescribed medicines worldwide for the treatment of osteoporosis
- 2008 revised guidance: \$1.1 to \$1.4 billion

# Evolving to New Commercial Models



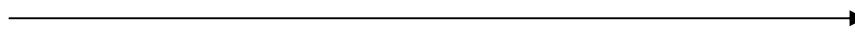
# New Commercial Models

## Continuous Improvements to Current Model

### Optimized Current Model

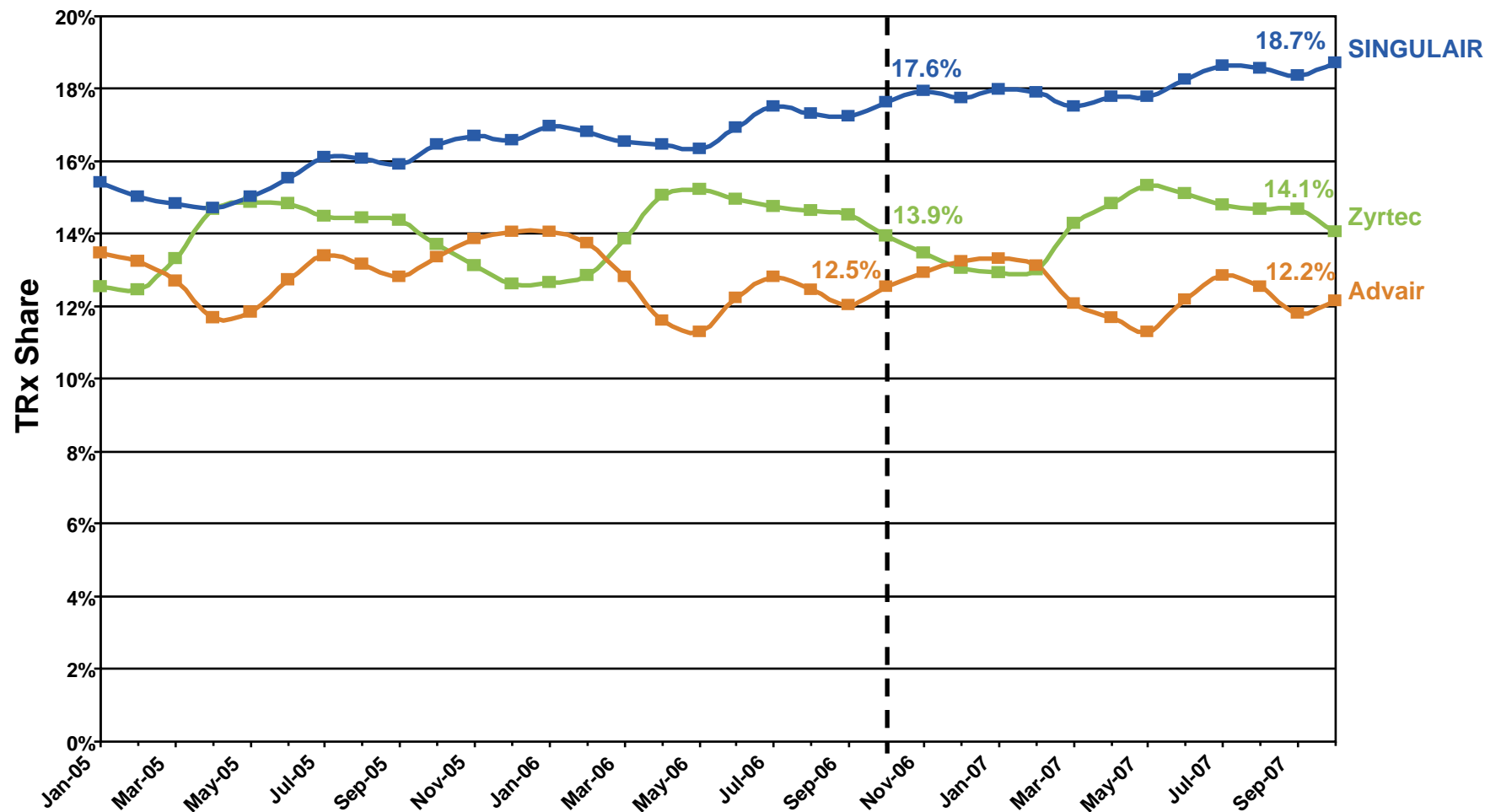
- Speed of Decisions
- Accountability
- Customer Focus
- Strong Execution
- Global Franchises

Today



Future

# Optimized Current Model Helping to Drive Performance



Source: IMS NPA™



# Multi-Channel Marketing/Technology



**Build-a-Patient**  
Multi-Media e-detail aid



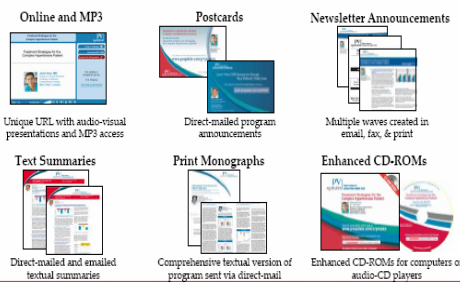
TV / Print



Customized Patient Kit



Website Banner ads



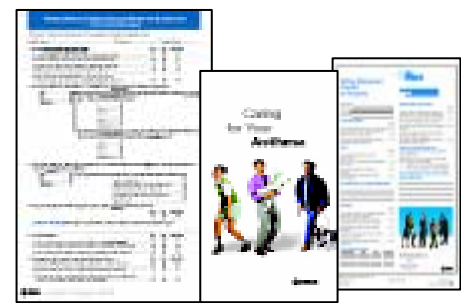
Multi-Channel Peer to Peer Education



Waiting Room TV



Campaign Customized email



MCO Asthma Improvement Program



Exam Room Education



# Journey for Control Program Advancing Diabetes Education

*“Bringing key partners together”*



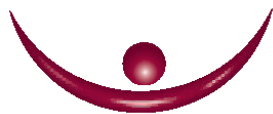
Patients



Diabetes Educators



Physicians



Health Plans

- A wide variety of offerings to improve learning and behavior modification
- Innovative teaching tools and special training to use them
- New educational options to offer their patients
- More educational options for their members with diabetes

# Solutions to Address Customer Needs

## The Diversity Dialogue Program



*Racial and ethnic minorities are expected to account for 90% of the projected increase in the US population in the next 5 decades.<sup>2</sup>*



*“Racial and ethnic minorities tend to receive a lower quality of healthcare than non-minorities, even when access-related factors, such as patients’ insurance status and income, are controlled.”<sup>3</sup>*

### Health care disparities are increasingly important

In 2002, the Institute of Medicine Report *Unequal Treatment* found that “racial and ethnic minorities tend to receive a lower quality of healthcare than non-minorities, even when access-related factors, such as patients’ insurance status and income, are controlled.”<sup>3</sup>

For example, minorities are less likely:

- to be prescribed appropriate cardiac medications or undergo bypass surgery
- to receive kidney dialysis or transplants

And are more likely to:

- receive lower limb amputations for diabetes<sup>3</sup>

Helping to understand cultural helping to achieve better o

Provided as a professional service to medical educa

- Unbranded resource to address healthcare disparities
- Customers indicated need to increase training on cultural competence
- Resource developed in coordination by those “closest to the customer”
- Resource also focuses on Merck Priority Disease Areas

# Critical to Embrace New Ways of Engaging Physicians on Their Terms and Execute with Greater Productivity

## Current Industry Model



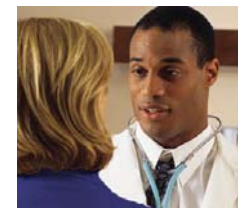
**100  
Sales  
Reps**



**83  
make it past  
reception**



**56 see the  
physician  
(27 drop samples  
and leave)**



**< 24 have  
quality, two  
way  
discussions**

**On average, a  
call lasts 4.6  
minutes**

# Changing Our Commercial Model

	Model	Key Metrics
<b>Current Model</b>	Deliver consistent, compelling brand messages to explain value of product	Brand Differentiation Message Quantity <ul style="list-style-type: none"><li>• Reach &amp; Frequency</li><li>• GRPs</li></ul>
	Hierarchy: product-geography-customer	
	Model	Key Metrics
<b>New Commercial Models</b>	Partner with customers to improve patient outcomes (via products and solutions)	Brand Differentiation Merck Differentiation <ul style="list-style-type: none"><li>• Customer Value Score</li><li>• Trust &amp; Value Metrics</li></ul>
	Hierarchy: customer-product-geography	

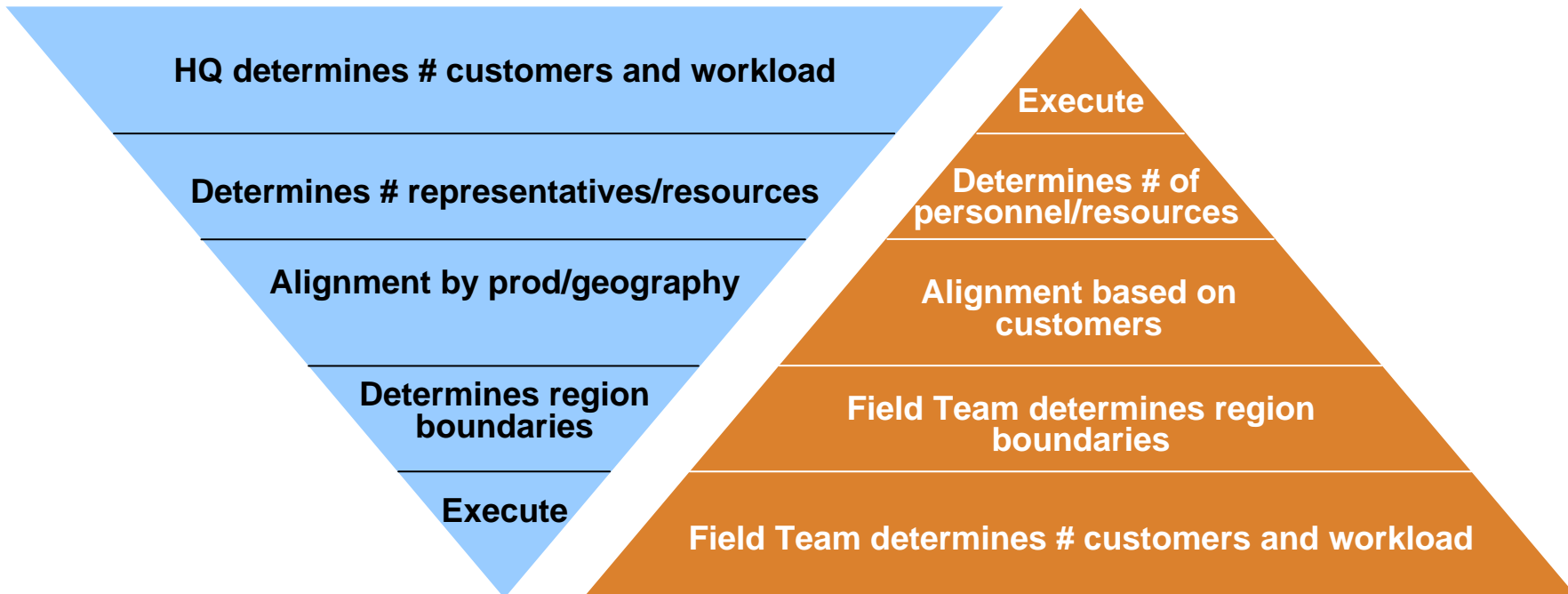
# Piloting New Commercial Models a “Laboratory” with 700 Customer-Facing Employees

Teams will be Aligned Around Customers

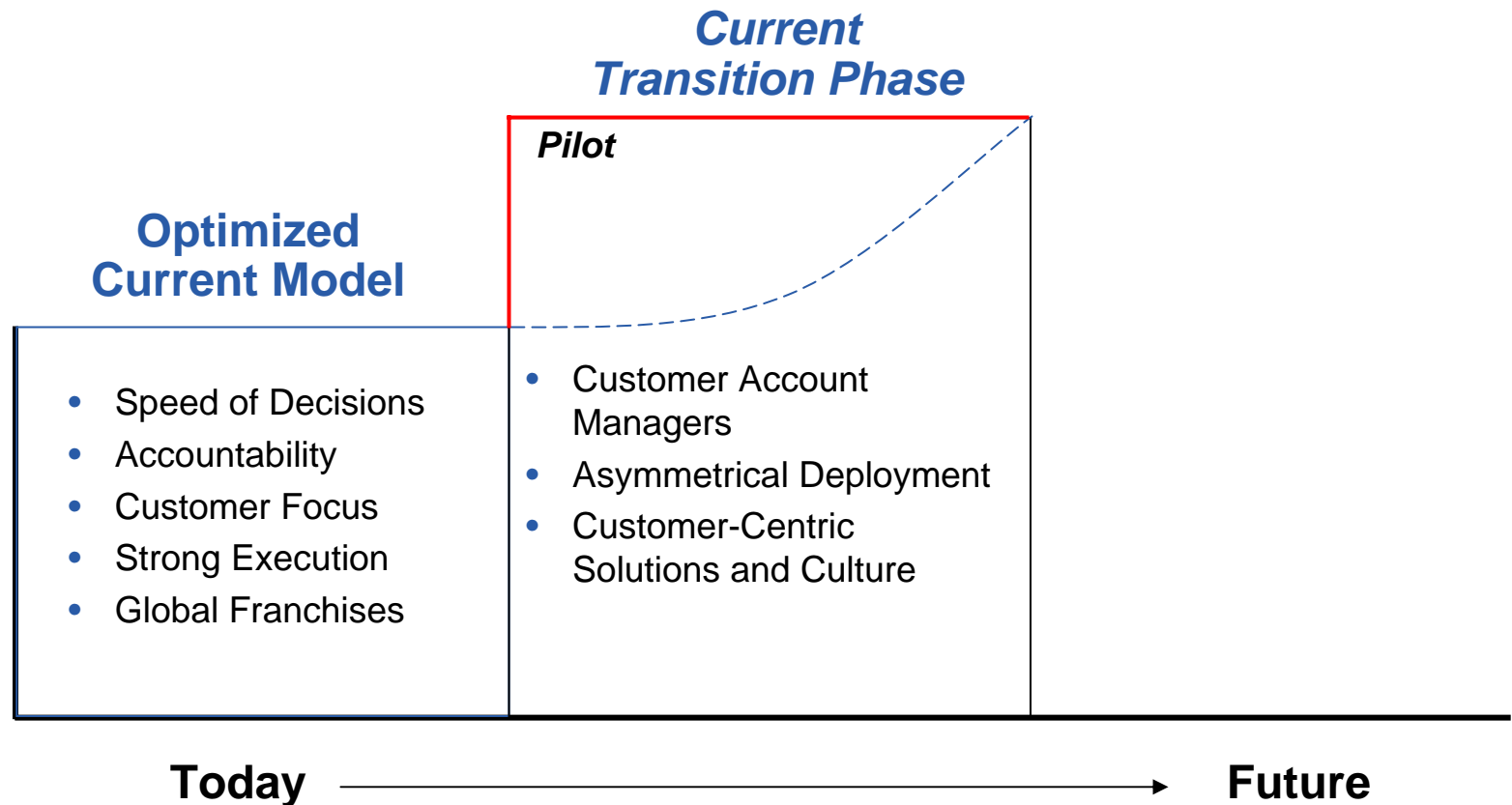
HQ-driven “top-down”  
alignment process



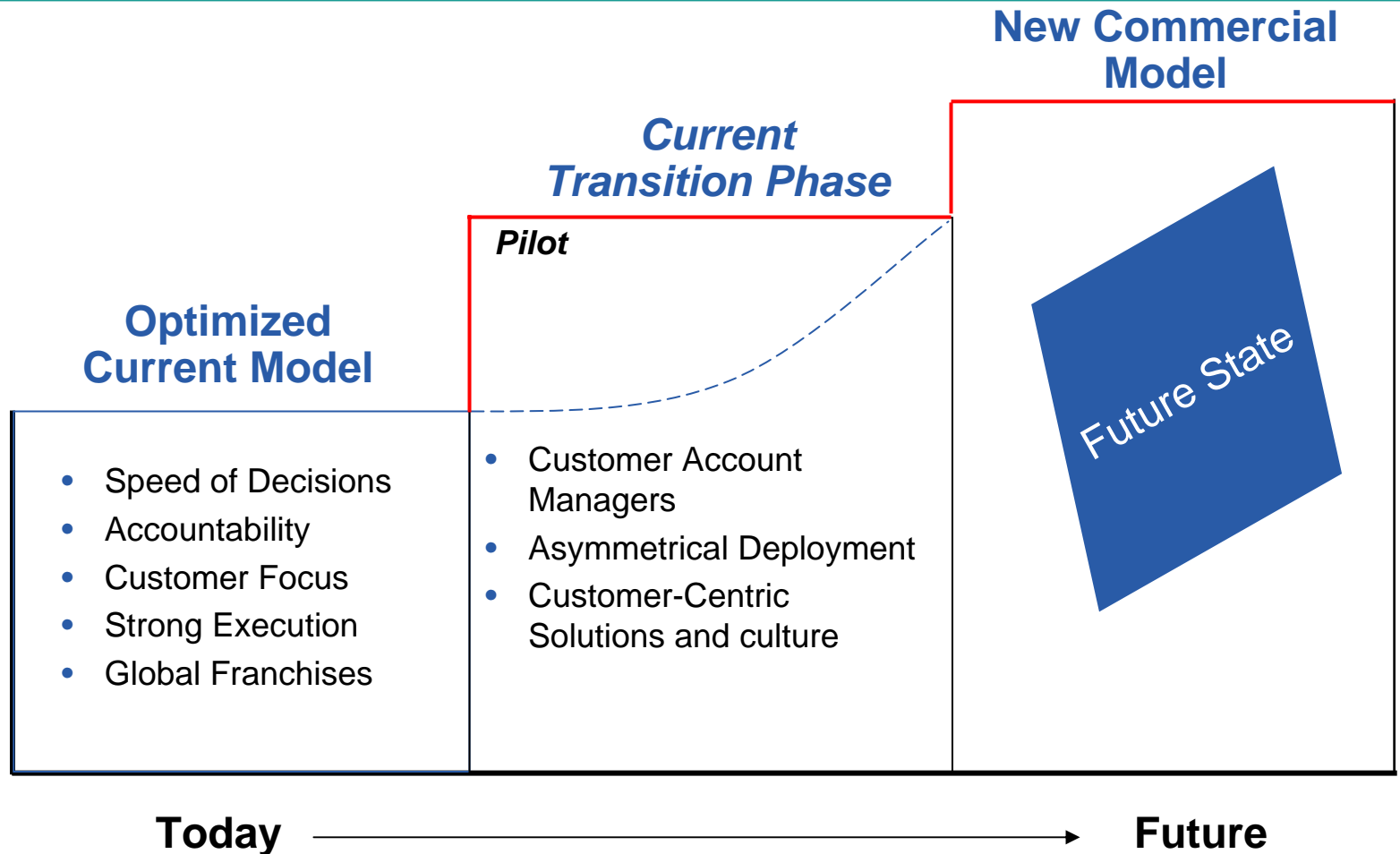
Field-driven “bottom-up”  
alignment process



# Pilots are Generating: Continuous Improvements to Current Model and Path to New Commercial Models



# Pilots are Generating: Continuous Improvements to Current Model and Path to New Commercial Models



# New Commercial Models More Effective and Efficient

## *Greater Sales Increased Market share*

- Value-based partnership vs. message frequency transactions
- Longer-term customer loyalty and advocacy vs. short-term product utilization
- Increased focus on healthcare system – physician groups, integrated health systems, payers and consumers

## *Increased Operating Income Lower SG&A*

- Strategic channel management to decrease dependency on personal promotion
- Customer segmentation from a Merck portfolio view to drive resource allocation choices
- Mass customized solutions that can be used with multiple customers

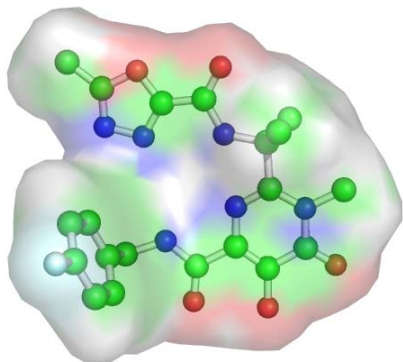
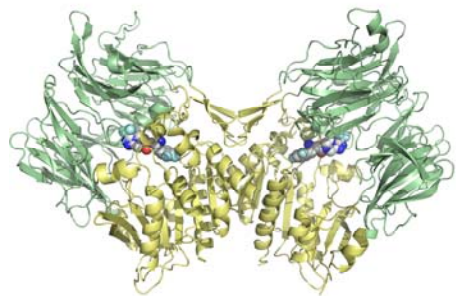
# Emerging Markets

## On Track to Double Sales to \$2 Billion by 2010

- Merck well positioned to capitalize on key growth opportunity
  - High growth rates & rapidly evolving health care systems
  - Speed to market & market access are key levers
- Product portfolio well aligned to meet healthcare needs
  - Increasing burden of chronic disease – e.g. emerging markets account for over 60% of global cases of diabetes
- Merck will increase & sustain investments to build the business
  - Expanding on the strong foundations in China, Korea, Russia and Turkey
  - Building the presence in India and other emerging markets
- Adopting an integrated strategy in key markets to support global revenue growth & expense objectives
  - Leveraging local capabilities in R&D, manufacturing & services via partnerships & alliances

# Summary

- Realizing our Plan to Win
  - Maximizing Product Launches – 7 in 2 years
  - Driving In-Line Product Growth
  - Preparing for Next Wave of Launches
- Moving Forward on New Commercial Models
  - Increasing efficiency and effectiveness
- Growing in Emerging Markets
  - On track to double sales to \$2 billion in emerging markets by 2010



# Questions and Answers