FINAL TRANSCRIPT

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MRK - 4Q 2007 Merck & Co., Inc. Earnings Conference Call

Event Date/Time: Jan. 30. 2008 / 9:00AM ET

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PRESENTATION

Operator

Good day, everyone, and welcome to Merck's fourth quarter 2007 earnings conference call. Today's call is being recorded.

At this time, I would like to turn the call over to Mr. Graeme Bell, Head of Investor Relations. Please go ahead, sir.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Thank you Amanda and good morning. Welcome to our call this morning to review our business results for the fourth quarter of 2007. Joining me on the call today is our Chairman, President, and CEO, Dick Clark; Mr. Peter Kellogg our Executive Vice President and Chief Financial Officer, and we are also joined by Executive Vice President and General Counsel, Bruce Kuhlik. Before we get into the details I would like to go over the logistics as always. On this call we'll review the results contained in the release issued at 7:30 this morning, and you can access this through the Investor Relations section on Merck.com, and I would remind you this conference call is webcast live and recorded. The replay of this event will be available later today via phone, webcast and as always, our pod cast.

As we begin to review the results, let me remind you that some of the statements made during this call may discuss certain subjects that may contain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and involve risks and uncertainty which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include statements regarding product development, product potential or financial performance. No forward-looking statements can be guaranteed, and actual results may differ materially from those projected. Merck undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements on this call should be evaluated together with the many uncertainties that affect Merck's business, particularly those mentioned in the risk factors and cautionary section set forth in item 1A of Merck's form 10-K for the year ended December 31, 2006, and in its periodic reports of form 10-Q and Form 8-K, which the Company incorporates by reference and that are all posted on our website. We'll begin the call with brief remarks from Mr. Clark and Mr. Kellogg, and then we'll open the call for questions and expect the call to last approximately an hour. With that, I will turn the call over, and we'll begin with remarks from our Chairman, President, and CEO, Mr. Clark.

Richard Clark - *Merck & Co., Inc. - CEO, President*

Thank you, Graeme, and good morning, everyone. Earlier this morning, we announced results for the fourth quarter and full year 2007 and we're joining you now to discuss them in greater detail.

I am pleased that today we have another solid set of results with growing revenue and non-GAAP EPS to talk about. The momentum Merck has gained through our consistent performance over the prior seven quarters is seen in our strong quarter in overall annual results. We delivered those results notwithstanding an uncertain short-term economic outlook and the impact of major patent expirations. I want to thank everyone at Merck for helping to get the Company back on track and out performing in terms of innovation, execution of our new commercial model, and delivering shareholder value. I am confident that our continued focus on our plan to win will enable us to accomplish our business goals, help us address emerging chal challenges, and achieve Merck's purpose to discover and develop break through medicines and vaccines.

The results reported today show that Merck continues to deliver on our promise to remain a leader in the pharmaceutical industry. For the fourth quarter, we reported revenue of $6.2 billion which represents top line growth of plus 3% versus the prior year. For the full year 2007, we recorded revenue of $24.2 billion, plus 7% higher than 2006. Based on a continued market penetration and global rollouts of our new product introductions over the past two years, including Gardasil, RotaTeq, Januvia, Janumet and Isentriss, we're on track to sustain growth in 2008 and deliver long-term double-digit EPS growth from 2005 to 2010 excluding certain elements.

During 2008, we will continue to assertively launch our new products globally and ensure that as many patients as possible worldwide have access to our innovative and needed medicine and vaccines. Our most established products also continue to deliver strong performances, including Singulair, Cozaar, Hyzaar, Zetia and Vytorin. Taken together, these established franchises along with our new first in class vaccines and medicines such as Gardasil, RotaTeq, Januvia, Janumet, and Isentriss give us a diverse product portfolio that is well-positioned to drive revenue growth through 2010.

Merck reported full year 2007 non-GAAP earnings per share of $3.20, which excludes fourth quarter charges related to the U.S. Vioxx settlement agreement and civil government investigations, restructuring charges and an insurance arbitration gain. Our full year GAAP EPS were $1.49, for the fourth quarter non-GAAP EPS were $0.80 excluding previously disclosed items. On a GAAP basis, we had a $0.75 loss per share. Looking although at our next generation products, I am pleased to report that with the most recent approval demand for injections we have received eight approvals in 24 months. That's a great example of the benefit of our new business model as it relates to the regulatory filing processes. Gardasil's performance in 2007, its first full year on the market, was an exceptional $1.5 billion in sales. Fourth quarter sales were $339 million.

To date, we had distributed more than 20 million doses of the vaccine worldwide, since its market launch just a year-and-a-half ago in June of 2006. Gardasil has been approved in 93 countries, and is being readied for launch in 76 of those countries. Together, global revenue for Januvia and Janumet reached nearly $300 million in the fourth quarter, reflecting the high value that the physicians, patients and payors are placing on our products and on the healthcare benefits they provide. This result also demonstrates that we continue to build on momentum established with our product launches last year. In fact, Januvia has already become the second leading branded oral anti diabetic agent in the U.S. in terms of new prescription shares. As we move into 2008, JANUVIA has achieved second tier reimbursement coverage in more than 200 million lives across managed care commercial formularies in the U.S.

Ex-U.S., it is available in more than 65 countries, including the recent approval in Canada. In the European Union, JANUVIA already has received full reimbursement in 14 countries. The introduction of Isentriss is a realization of Merck's twenty year commitment to HIV-AIDS. We're working hard on the central launch to ensure that it reaches its reaches full market potential. We will continue to work closely with all stakeholders to foster patient access to Isentriss and to assist patients in need, we have established a support program in the U.S. I am very encouraged that our business continues to deliver substantial growth.

This has been another outstanding quarter for Merck as our new products establish their leadership in an increasing competitive market, even as old products have gone off patent. We are leveraging lessons learned from our new product and vaccine launches and utilizing the new commercial model to further support and consolidate the strong positioning of our established in-line brands. Our success is helping us invest in Merck's future as we continue to fully fund our research spending on investigational product development, the acquisition of NovaCardia and more than 50 new licensing opportunities in therapeutic areas that are of strategic importance to Merck. Our overall financial results were also supported by the strong performance of our partnership and alliances, specifically the Merck Schering Plough partnership, which in 2007 continued to drive our equity income.

I want to take a moment now to address the ENHANCE trial. There are a couple of points I'd like you to take away from this subject today. First of all, Merck stands behind the safety and efficacy of profiles of both Zetia and Vytorin. Next, we acted with integrity and with faith in connection with the clinical trial. Third, let's keep this trial in perspective. ENHANCE was not powered or designed to assess cardiovascular clinical event outcomes. As many of you know, we have a large clinical outcomes trial under way called IMPROVE-IT. The IMPROVE-IT trial is intended to measure clinical event dates in more than 10,000 patients with acute coronary syndrome, and IMPROVE-IT is examining ezetimibe simvastatin 1040 versus simvastatin 40 and the relationship between LDL lowering and overall reduction of cardiovascular morbidity and mortality in this patient population. Fourth and perhaps most overlooked in the ENHANCE trial, Vytorin significantly lowered LDL cholesterol compared to simvastatin alone.

As the FDA noted last week in a news conference, elevated LDL cholesterol is very well established risk factor for heart disease. These important findings are also reflected in a national cholesterol educational panel guidelines that continued to identify LDL cholesterol as a primary target for lipid modifying therapy, and that recommended lower target goal levels for LDL over time. Clinical studies that are included in Vytorin's prescription information demonstrated that Vytorin lowers patient's LDL cholesterol more than Atorvastatin, Rosuvastatin, simvastatin at the doses studied. Many patients with elevated cholesterol cannot achieve their cholesterol treatment goals with diet and exercise. Many of those patients also cannot achieve their treatment goals with statins alone.

As we said, we plan to discuss the ENHANCE data in the proper scientific context at the American College of Cardiology meeting in March. Again, let me emphasize that operating with the highest standard of ethics and scientific integrity are the utmost personal importance to me, and are the foundation of this company. We will continue to work hard to respond to any allegations to the contrary. At the same time, Merck will not for a second lose focus of our overarching message and that is improving [yumanow].

For 2008 the Company continues to anticipate many of our in-line and newer franchises will maintain their strong performance, and we look forward to launching additional new products such as Cordaptive if approved and our investigational atherosclerosis compound currently under standard review with the FDA. We anticipate that worldwide revenue will be driven by additional indications for our company's products, and that continued marketing uptake and global rollout of our new products as well as other potential new introductions. When taken together, all of this should help us offset the upcoming loss of marketing exclusivity for Fosamax, our second largest product in the U.S. In addition, during 2008, we plan to file two NDAs for products currently in Phase III, mainly MK 524 B for atherosclerosis and MK 364 for obesity. To position ourselves for commercial success in 2008 and beyond, we will begin to prepare for their perspective launches.

On earnings per share we are confident in our ability to execute against our plan and are reaffirming the full year 2008 non-GAAP EPS range of $3.28 to $3.38, excluding certain items. We're making a slight revision to our 2008 GAAP EPS, which now anticipates to be in the range of $3.80 to $4. Peter will provide additional details in a moment. We are halfway through the strategy outlined in 2005 in our plan to win. We have made some real strides to realizing the benefits of our strategy. We implemented a new research model, and I am confident it will bring greater focus and efficiency to our early compound development. We also made significant progress towards creating standard global processes for late stage clinical development.

Our new global human health organization is in place, representing a significant change from the way we have operated in the past. We're beginning to make in-roads towards a new customer centric commercial model both in the U.S. and in other key markets around the world, while also changing the way we support our global market franchises. Across our global franchises, we have introduced new stage gates to help us fine tune the focus of our research activities on the highest value areas in terms of customer need and probabilities of success. These changes are bringing us closer to achieving our goal of of becoming a more flexible, effective and efficient company.

For example, our manufacturing division and the Merck supply strategy have led the way in returning Merck to pre-Zocor patent expiring with PGM, a year earlier than we initially anticipated, establishing lead supply chains, leveraging low costs and external manufacturing, and consolidating our manufacturing plant network. As you know, global restructuring activities are a part of our overall strategy to further reduce our cost structure and create a leaner and more nimble business model so that we can respond quickly and efficiently to customer expectations, address emerging market demand, and support the drug discovery and development that are core to our business model. As we implement fundamental changes to every aspect of our business, we remain confident that our current products and anticipated new product introductions, as well as our cost savings initiatives will help us position the Company to deliver what we promised in December of 2005.

To generate revenue growth in the range of 4 to 6% on a compound annualized basis from 2005 to 2010, including 50% of the revenue from the joint ventures from which the Company derives equity income, by sustaining our cost management initiative, Merck expects to fulfill our promise to expand the product portfolio, while maintaining marketing and administrative expense flat in 2010 relative to 2006 base, and we continue to expect compound annual double-digit earnings growth, excluding restructuring charges and one-time items by 2010 from a 2005 base. In summary, our performance in 2007 is proof that the customer focused more efficient business model we began implementing more than two years ago is delivering results. With our strong portfolio of products, our robust pipeline of potential new therapies, and our leadership team focused daily on improving operational performance, I am convinced that Merck is well-positioned to build on its record of delivering essentially breakthrough medicine and vaccines to the global marketplace.

However, despite a strong 2007 performance, I see no room for complacency. As I will tell my senior management in our annual strategy meeting this week, it is way too soon to declare victory although we remain confident that our customers will continue

to find value in our products, we have much to do to reach our 2010 goals. We'll need to do even more to realize and sustain the benefit our strategy through 2010, 2015, and beyond. Now I would like to turn the call over to Peter who will provide additional comment on the details of our 2007 results and 2007 financial guidance. Then we will take your questions. Peter?

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

Thank you, and good morning. As Dick mentioned, we are pleased with the fourth quarter and full year business results. Throughout 2007 our in-line product portfolio and our newly launched pharmaceutical products and vaccines helped drive strong organic growth, overcoming the impact of the Zocor and Proscar patent expiries. We continue to significantly reengineer our business to ensure that we have a sustainable operating model that can weather the upcoming loss of marketing exclusivity for Fosamax. These successes allowed us in 2007 to deliver 10% revenue growth including 50% of our JVs and 27% non-GAAP EPS growth, despite patent expiries that exceeded $2 billion. Finally, we continue to make the necessary pipeline investments both internally and externally to position the company for long-term success.

For 2008, we remain on track and we are reaffirming our non-GAAP EPS guidance and the guidance elements for the operating line that support this. Now related to our GAAP guidance we are, one, increasing our restructuring reserve, or restructuring guidance rather for 2008 as we continue to drive efficiencies, and, two, lowering the estimate for the minimum gain associated with the AVLP restructuring in 2008 based on new information that has come in and basically just update the calculation for the minimum gain. Accordingly, I will discuss our adjusted GAAP EPS guidance for 2008 later. The fourth quarter non-GAAP EPS growth excluding restructuring costs and certain items was driven by several lines in the P&L, all with strong results.

Let's go through these lines individually. First, the revenue line grew 3%, reflecting strong performance of our new vaccines and Varivax, the continued market leadership for Singulair and our newly launched pharmaceutical products, including as Dick mentioned, Januvia, Janumet, and Isentriss. Secondly, our product gross margin line showed continued strength and this strength is the result of sustained operational efficiencies and favorable mix. Finally we benefited in the fourth quarter on the tax line. Now I will go through each of these lines in more detail in a minute.

Let me start with revenue. In the fourth quarter, our total revenue was $6.2 billion. That's a 3% increase over the same period last year as I just mentioned, and it is composed of the following: a 1% decline in volume, a 4% increase from foreign exchange, and a 1 point increase from price. On a full year basis for 2007 our total revenue was $24.2 billion, and that's a 7% increase over the same period last year, including a 4% increase in volume, 2 points of increase from foreign exchange and no growth from prices. Again, this growth was achieved in a year where we overcame $2 billion of patent expiries. Now, a major contributing factor to our top line growth continues to be our vaccines business. In the fourth quarter, the vaccines revenue reported by Merck was approximately $1.1 billion. That's a 59% increase as compared to the same period in 2006. On a full year basis in 2007, our vaccine revenue as recorded by Merck, was approximately $4.3 billion. That is a 130% increase over 2006.

Now let's discuss the specific products beginning with Gardasil. We continue to be extremely pleased with the progress of Gardasil in terms of the U.S. market penetration and the global rollout. Based on the international approvals, recommendations, reimbursements and launches, we're well positioned to continue to build on the success of this franchise in 2008. In the fourth quarter, our revenue was $339 million, $268 million of which was in the United States.

Now, U.S. Gardasil sales were down sequentially in Q4 due to seasonality and some supply chain dynamics in the public sector, and I would like to discuss each of these separately. First, seasonality in what we call well visits for the adolescent cohort is heaviest in Q2 and Q3, really not surprisingly, given the typical pattern of back-to-school visits by this cohort group. This results in a 63% of well visits typically occurring in Q2 and Q3. Secondly, in 2007, the public sector sales were heavily weighted towards Q1 and Q2, driven by very rapid adoption by all 55 projects, following the November 2006 VFC contract. As a result, please note that 64% of the VFC sales occurred in Q1 and Q2.

Now, outside the U.S. the Sanofi-Pasteur MSC joint venture recorded end market sales for Gardasil of $231 million in the fourth quarter. Despite the seasonal spike in the U.S. demand for Gardasil in Q3, global end market sales for Gardasil reached a new high in Q4, and in its first full year on the market, 2007 revenue, as recorded by Merck for Gardasil was roughly $1.5 billion. Gardasil's performance in 2007 has been unprecedented for a vaccine launch.

Now, looking forward in the U.S. we estimate that more than 7 million 9 to 26-year-old females have received at least their first dose of Gardasil, and significant opportunity remains with over 29 million 9 to 26-year-old females that have yet to receive a dose of Gardasil. In 2008, we are focusing on increasing penetration across the initial 9 to 26-year-old cohort and improving the compliance rates for second and third doses. We also anticipate expanding the label for Gardasil through incremental indications including an indication for adult women through 45 years old, an indication for adult women with more than double the eligible population for Gardasil in the U.S.

To date, Gardasil has been approved in 93 countries, most under accelerated review, and has launched in 76 countries. In 2008 we anticipate launching Gardasil in over 20 markets, and as we continue the global rollout of Gardasil, we look forward to capitalizing on this significant international opportunity. As per plan, the international launches are just now beginning to pick up, and they will be a significant driver for the franchise in 2008 and beyond.

Now let's move to Varivax. In the fourth quarter, revenue was $270 million. That's a 187% increase over prior year. This strong quarterly result is the function of two major factors. First, we continue to make progress within the cohorts eligible for second dose varicella in the first full year of the new recommendation. As of December 31, we estimate 80 to 85% penetration of the routine four to six-year-old second dose cohort, and 20 to 25% penetration of the cumulative catchup population. Second, as a result of the back-to-school surge that makes Q3 the peak period for the youth vaccine business and the unprecedented demand for Varivax in 2007, we were able to ship approximately $75 million in back orders for Varivax in Q4. By the end of Q4 the back orders were pretty much negligible. Accordingly, Merck is further increasing production of varivax and expects to meet anticipated market demand for varicella, measles, mumps and rubella vaccines through Varivax and MMR-2.

Now, let's turn to Singulair. In the fourth quarter, our Singulair revenue was $1.2 billion, that's up 20% year-over-year and on a full year 2007 basis, our revenue was $4.3 billion, up 19% over prior year. The strong growth for Singulair was driven by continued market share gains in the U.S. for both asthma and allergic rhinitis claims, and secondly, rapid growth in foreign markets, where in a full year basis we saw 27% year-over-year growth, as a result of additional indications and a differentiated product profile. Despite the recent slow down in respiratory market share and potential new competitive threats, we continue to anticipate strong growth for Singulair in 2008.

Now turning to Fosamax, our fourth quarter revenue was $796 million, up 1%, and on a full year basis for 2007, the revenue was $3 billion. That's a 3% decline. In its last full quarter of marketing exclusivity, Fosamax has performed extremely well as a result of differentiation on efficacy, and of course, that relates to hip fracture indications and spine fracture indications, as well as the relevant managed care status of the brand now and its generic counterpart in the future. An authorized generic strategy is in place to maximize the value of the franchise after patent expiry. As we have illustrated with the Zocor expiry in the past, we have the necessary new and in-line products to drive revenue growth through this event in 2008.

Now let's look at total revenues including 50% of joint ventures. In the fourth quarter, our total revenue including the 50% of joint ventures was $7.5 billion, that's a 7% increase if you do the same adjustment in the base period. On a full year basis for 2007, revenue including 50% of joint ventures was $28.8 billion, a 10% increase over the comparable 2006 figure. As we have stated many times, we have the opportunity to capitalize on our robust product portfolio and deliver solid revenue growth through 2010. Despite certain patent expiries during this time frame that we talked about, we continue to expect revenue growth of 4 to 6%, including 50% of our JVs on a compounded annual basis, and this is driven by our in-line products, our launch products and our potential new products, and of course this 4 to 6% as I mentioned includes 50% of the revenues of the joint ventures from our 2005 base.

Now regarding 2008 revenue guidance, we are reaffirming all elements of our full year revenue guidance. As always to assist your modeling, we provide a breakdown of the product revenues in our other financial disclosure schedule attached to the press release issued this morning. Let's go down the P&L of the next line, which is materials and production. In the fourth quarter, materials and production were $1.5 billion. This quarter includes $118 million for costs associated with the global restructuring program, primarily related to accelerated depreciation and asset impairment costs. Excluding these costs, material and production decreased 5% in the quarter. Our fourth quarter product gross margin was 75.3%. This reflected a 1.9 percentage point unfavorable impact related to the restructuring costs. Excluding these restructuring costs, we had a fourth quarter PGM of 77.1%. Just as in previous periods, these results were affected by the final product mix. On a full year 2007 basis, our adjusted product gross margin was 76.6%.

Looking forward, in 2008 we continue to anticipate PGM in the 77 to 78% range. This guidance excludes the portion of the restructuring costs that will be included in product costs and will affect the reported PGM in 2008. Moving to the next line, marketing and administrative, our Q4 marketing and administrative expense was $1.7 billion, and that's a 27% decrease over prior year. Let me provide you with some additional perspective on that. Included in the fourth quarter marketing and administrative expense is a previously disclosed $455 million gain, related to insurance proceeds which the Company was awarded in the arbitration with the company's upper level excess product liability insurance carriers. These claims related to coverage for costs incurred in the Vioxx product liability litigation. Also as previously disclosed, in connection with the U.S. Vioxx settlement agreement, the Company recorded a pre-tax charge of $4.85 billion, which represents the fixed amount to be paid by the Company to settle qualifying claims. Note that we have broken out this charge on its own line in the income statements.

During the fourth quarter the Company did not increase the reserve related solely for future legal defense costs of Vioxx litigation. However, in the fourth quarter, the Company spent approximately $200 million in Vioxx legal defense costs, which resulted in a reserve as of December 31, 2007, of approximately $522 million, solely for its future legal defense costs related to the Vioxx litigation, of which approximately $80 million has now been allocated to Merck's anticipated future costs to administer the settlement. Consequently, as of December 31, 2007, if you add this up, the Company had an aggregate reserve of approximately $5.372 billion related to the Vioxx litigation.

Excluding these charges in 2006 and 2007, M&A decreased 2% in the fourth quarter and increased 4% for the full year. A significant portion of the increased spending is attributable to fluctuations in foreign exchange rates which have increased significantly during the last twelve months, as I am sure you're all aware. Of course we do see this as a benefit on our top line revenues as I mentioned earlier, but this does increase our marketing and administrative dollars and dollar build. Regardless of foreign exchange, we maintain a healthy amount of support behind our growing core and successful new franchises, many of which are continuing their global launch activities market by market in 2008. Reflecting our commitment to realizing efficiencies throughout the Company and optimizing our cost structure, the component of marketing and administrative consisting of selling and general administrative costs that support our core operations remained down over the prior year.

Finally, we are comfortable with the focus of these investments and it is important to note that we continue our increased focus on cost management, and we are seeing the positive benefits of practical ongoing cost management initiatives, including the redesign of many of our critical business processes. Now looking forward in 2008, we continue to anticipate marketing administrative expense to be approximately $7.8 to $8 billion for 2008. Moving to research and development, our fourth quarter R&D expenses were $1.4 billion. That's a 20% decrease year-over-year. However, it is a 10% growth if you were to exclude the Sirna in-process R&D charge in the prior year. Our full year 2007 R&D expenses were $4.9 billion. That's a 2% increase year-over-year, but again, if you make the adjustment for the Sirna in-process R&D charge and restructuring in the base period, it is a 15% growth.

Let me take a moment to explain the R&D result. We remain committed to fully funding our core internal R&D ensuring the continued success of all compounds in all phases of development. Our internal R&D growth remains strong. We continue to invest in life cycle management programs for Gardasil, Januvia, and Isentriss and late stage clinical trials on our MK 524 program, the MK 364, MK 974, MK 7418 from NovaCardia and MK 8669 from Ariad and the MK 822 and our other investigational vaccines. It is a good thing I have to read off that many numbers related to Phase III programs.

In addition, the company continues an active external collaboration and business development agenda funding clinical grant programs, third party scientific collaborations and licensing transactions, and of course all of that is in our R&D line. Our guidance for R&D in 2008 is that we reaffirm the guidance that we have previously given of $4.7 billion to $4.9 billion. Now turning to restructuring costs, the fourth quarter total costs associated with the global restructuring program was $274 million. $118 million as I mentioned earlier, for asset related charges were included in the materials and production line.

The restructuring cost line reflects $156 million of costs for employee separation and other related costs associated with the approximately 1,200 position eliminations, bringing the total to 7200 since the initiative started. As we continue to reengineer our business, we will look for opportunities to drive further efficiencies. As part of the company's restructuring of its operations, additional costs related to site closings, position eliminations, and related costs will be incurred in 2008. We anticipate the aggregate 2008 pre-tax expense related to these activities to be in the range of 100 to $300 million.

Now let's turn to equity income. In the fourth quarter, our equity income from affiliates was $796 million. Our Q4 performance reflects the continued success of the Merck Schering Plough cholesterol franchise in the U.S. and Europe and an increasing contribution from our European vaccine joint venture Sanofi-Pasteur MSC which I am sure is not a surprise to any of you.

Turning to guidance for equity income, the recent public confusion surrounding the enhanced results, although disappointing, has caused us to consider whether any different scenarios regarding the potential impact to the franchise are appropriate. At this time based on limited data it is too early to make informed judgments or change the long-term trajectory that's expected for the franchise. At this time, we believe we're looking at more of a reaction in the market than a real ongoing trend. In addition, the equity income contribution that we record is from a portfolio of several joint ventures and partnerships. On an annual basis, there are always positives as well as negatives within the portfolio. At this time, we feel no need to adjust our 2008 equity income guidance and are not changing our range of $3 billion to $3.3 billion.

Now turning to the taxes on income, the effective tax rate of 48.7% and 2.8% for the fourth quarter and full year of 2007 respectively reflects the impact of the U.S. Vioxx settlement agreement charge, civil government investigations charge, and the gain related to the insurance arbitration settlement previously referenced. Given the charges in the fourth quarter and the full year, it is helpful to look at the non-GAAP tax rate. Our non-GAAP tax rate for Q4 and full year 2007 were 18.4% and 24.1%. Of course that 24.1% is at the low end of our guidance range. These rates reflect the favorable impacts of an adjustment related to the termination of Puerto Rico tax benefits and fourth quarter adjustments related to certain federal and state tax items. Looking forward, we are reaffirming that our full year 2008 tax rate guidance range stays intact, and I would direct to you today's press release for details.

So coming to the bottom line on net income and earnings per share, in the fourth quarter on a GAAP basis we had a net loss of $1.6 billion, or on a per share basis, that was a loss of $0.75. However, excluding the restructuring charges, the big litigation reserves, and proceeds from an insurance gain, the Q4 non-GAAP earnings per share was $0.80 per share. On a full year basis, our net income was $3.3 billion, and the GAAP earnings per share was was $1.49 again excluding the restructuring charges, litigation reserves, and proceeds from an insurance gain, the full year 2007 non-GAAP earnings per share was $3.20. Turning briefly to 2008 guidance, I have mentioned several elements as part of the results review, and I would direct to you the details of our guidance contained in today's press release.

In summary, we are reaffirming our 2008 non-GAAP EPS guidance of $3.28 to $3.38, excluding certain items. On a GAAP basis, we now anticipate GAAP full year 2008 EPS of $3.80 to $4. So in summary, the Company remains on track, both in terms of strategy and performance to deliver long-term double-digit earnings per share growth from 2005 to 2010 excluding certain items. We have financial strength, and we remain fully committed to maintaining our dividend at the current level. At the same time we continue to fully invest in all of our key strategic priorities. 2007 represented an important step in a multi-year journey to return Merck to its leadership position in the pharmaceutical industry. While much has been accomplished over the last twelve months, many opportunities remain, and we look forward to capitalizing on them in 2008 and beyond. With that said, I will turn the call back over to Graeme.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Thank you, Peter. We appreciated your patience as we go through the prepared remarks. We will now open the call to take your questions. We will take them, as always, in the order received and try to get through as many as possible for the duration of the call. So at this point, I will turn the call back over to Amanda, who will communicate instructions for the Q&A format, then introduce the first question. Amanda?

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Your first question is from Barbara Ryan with Deutsche Bank.

Barbara Ryan - *Deutsche Bank - Analyst*

Thank you so much for taking my question. Just a short one, Peter, for you. I guess you addressed it. It was really related to the tax rate, and I know you went through the other reasons, but I know in Pfizer's case, too, there was a lower tax rate in part because of the geographic mix which really swung, and then it happened to be, in their instance, low tax countries as well, and I am just wondering if that played a role as well?

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

Yes. Barbara, this is Peter. Thanks. Every quarter we have a little bit of geographic mix impact although I wouldn't say that was the primary driver this quarter. The reason our tax rate was a little off trend in the fourth quarter was again I am referring to this now on a non-GAAP basis which is I am assuming what you're looking at. It was more related to the termination of the Puerto Rico tax benefits we were seeing, and also some fourth quarter adjustments to certain federal and state tax items, and these were really kind of items that touched our reserves relative to what our expectations were and as we close these things out, we're able to adjust the reserves.

It is sort of each quarter we look at our reserves relative to our what we know about our tax positions and quite frankly in the fourth quarter, these were more adjustments to that. There is a little bit of mix, but it is much more the adjustments related to those three items that cause this benefit. Again, I would highlight that it is more happened in the fourth quarter as we move into 2008, I think we run right back into our ongoing tax rate that we always talked about in terms of guidance and what you should expect.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Next question, please.

Operator

The next question is from Jami Rubin with Morgan Stanley. The next question is from John Boris with Bear Stearns.

John Boris - *Bear Stearns - Analyst*

Okay. Thanks for taking the questions. Peter, I think you characterized the Zetia Vytorin situation as a reaction in the media rather than an ongoing trend. Just a three-part question to this. How many weeks or months do you need to be able to establish a trend for the joint venture? Secondly, are you seeing any impact on your ex-U.S. business from all of the media hype in the United States over the enhanced results, and then the third part, can you talk about first line use in the United States for Vytorin and what percent of first line use is made up of VYTORIN's use? Thanks.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

John, thanks. So first of all I think it is hard to -- the data we have right now is obviously the daily scripts, and we have one weekly tabulation on that, so we're very cautious about reading daily scripts. We acknowledge that's the only thing out there to look at, but we often find it doesn't always represent exactly the trend that you want or doesn't sync well with the weekly or monthly recaps, so we're very cautious about looking at daily scripts and drawing broad full year conclusions that, and I think quite frankly there has been a tremendous amount of various points of view and opinions floating around in the market that can be disruptive and create reactions. I really believe that as the full body of evidence is going to digest it in the medical community, and as the full data of course of the trial is released, I would expect to see the market trends really emerge at that point based on a much more complete and scientific evaluation of what the trial really means or doesn't mean.

Secondly, the ex U.S. business really has not been affected. This has been pretty much a U.S. phenomena at this point, and I think again the international medical community is I think not reacting quite as much to some of the news lines, and probably most of the news lines are a little more U.S.-centric. Related to the first line usage of Vytorin, to be modest, I am a little bit -- I apologize -- not able to answer that question, and I think maybe we can come back to you on that later in the call. John, we noted that and let me come back later in the call if we have the data. I apologize for that one.

Richard Clark - *Merck & Co., Inc. - CEO, President*

One other point, John, when you think about Zetia and Vytorin ex-U.S., we certainly had a very strong fourth quarter. For example, Zetia grew at 40% versus fourth quarter '06, and Vytorin grew at 84% in Europe, and in the Far East was 67% for Zetia and greater than 100% for Vytorin, so we continue to see strong growth for Zetia and Vytorin outside the U.S.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Next question, please.

Operator

Next question is from Jami Rubin with Morgan Stanley.

Jami Rubin - *Morgan Stanley - Analyst*

Thank you. Can you hear me okay? Great. Just a comment. Peter, we've discussed this a lot before in the past, but your stock is down 25% since the ENHANCE controversy on January 14th, and I would just think with $10 billion in cash from operations you just received $2.5 billion from AstraZeneca, and Vioxx settlement is now behind you, hopefully, we're really close, and I can't think of a better time to announce a major stock buyback program. My question also has to do with again going back to ENHANCE. Are you aware that the negative publicity has in any way affected patient dropouts in the IMPROVE-IT trial, and my second question -- and I just want to ask this. With Gardasil sales outside the U.S. or rest of world sales that you book, your sales

were $70 million versus $90 million in the third quarter yet you're in the process of launching in a number of markets. Can you give us a sense of what's going on and how we think about that trajectory going forward? Thanks.

Richard Clark - *Merck & Co., Inc. - CEO, President*

So a couple questions. Why don't we take them in order you laid them out. I think you're making a comment about the stock buyback. I think the only thing I just remind everybody and you see in our press release, as of December 31st, we had $5.1 billion approved by our Board under the current buyback authorization, and that obviously compares to $6 billion that was outstanding as of September, and clearly the points you made and lost on us. We understand exactly what you're saying.

On ENHANCE on the IMPROVE-IT dropout, I don't think we have seen any reaction at all in that trial accrual or participation, and nor would we necessarily expect to see that at this point. Related to Gardasil sales, I think clearly one of the things that you do see as you roll out bumps and ins and outs and so forth and some volatility sometimes as you go through quarters, there were a couple of markets that had pretty heavy activity in Q3 and then didn't have quite the same activity in Q4, but we don't really read that as a trend at all. And these are kind of some of the short-term volatility elements you get in supply chain or just a rollout activity in the market.

Quite frankly, when we stack up the all the different data points and the approvals and the authorizations and the activity level, and the awareness of Gardasil and the international market that we're looking at, the kind of things we look at when we put together our plans, really, Gardasil is poised to have a really good year internationally. We aren't really concerned about quarter fluctuations, and I would encourage everybody to look forward and recognize not only the number of approval that is have come through but how many of them were actually accelerated approvals and how good our authorization and reimbursement status is around the world. I really think we're headed for something where I wouldn't worry as much about quarterly fluctuations during a launch as really looking at the preponderance of all of that positioning.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

I would make a few comments, Jami. First, as we said, Gardasil sales in 2007 were $1.5 billion, and we have a tremendous amount of confidence and expect continued growth globally for Gardasil in 2008 above that number, and so we're very confident in that as we go throughout the world. The second point which we said in the past is that females 9 to 26, if you look at the EU and U.S. and other high income markets, it is about $118 million. As you know, with our December submission for 27 to 45-year-old women, that 118 goes up to 264, and so there is a substantial uptick and up growth we can provide based on enhanced indications for the vaccine, but we're very confident in where Gardasil is going to be in 2008.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Can I go back to John's question if I may for a moment with regard to managed care and the use of Vytorin. In the aggregate managed care organizations have all recognized a need for a product with excellent LDL efficacy, notwithstanding the availability of generic simva. In terms of the book of business, we basically indicate that about 93% of the business comes from continued therapy. 4% of our business comes from patients who are new to market, who are initiating therapy and been naive to therapy previously. 2% of it comes from brand switches, and about 1% of utilities with add-on, so that gives you perspective in terms of where the business comes from relative to Vytorin. With that, Amanda, can I have the next question, please.

Operator

The next question is from Tony Butler with Lehman Brothers.

Tony Butler - *Lehman Brothers - Analyst*

Thanks very much. Given much of the hoopla from the congressional investigation, I am curious, Dick, how you're feeling about the regulatory nature of Cordaptive, and do you think the FDA is actually shy about approving a new therapy despite the fact that they were very bullish about niacin-based outlook studies on the call Friday and second to that question is, are you actually increasing the number of details today for Vytorin and Zetia, and more over can you go over or express comments regarding the future for DTC ads, thanks.

Richard Clark - *Merck & Co., Inc. - CEO, President*

Certainly speaking first of Vytorin and Zetia, I think the joint venture between Merck and Schering Plough in the last few weeks has done an outstanding job of reaching out to healthcare professionals, approximately 95% of the top specialists and 90% of PCPs have been called on by our representatives post the press release. All of these representatives were provided with our letter that we have sent, and really have follow-up calls and so we're really helping the physicians position the products correctly, and I think we've got favorable response from that as well as favorable response from the patient ads that have been put in, a majority of these papers. I think in in addition, all of the managed care organizations have been contacted by us.

There haven't been any changes, so I think we have done a fairly good job of focusing our physicians to make sure we can put in in proper context and provide them the information that they needed, and we're continuing to get good feedback from that to your question with Cordaptive, it was reassuring at the FDA call on Friday where they said at this point, we believe it is premature to embark on any systemic changes, and we approved lipid lowering drugs because we believe there is a long track record of success in the approach we have followed over the past several decades. I think that is reassuring from not only a Cordaptive basis, but to make sure patients stay on their cholesterol lowering products in order to lower their LDL for patients would get off of it based on media hype, that would be terrible from a healthcare standpoint. I think that's important. We're evaluating our DTC advertising as we move forward.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Tony, I would just add that as we stated in December with Peter Kim at the annual business briefing, we went through with you how extensively we have studied Cordaptive as we were approaching this regulatory submission. We won't go through that again. I would point you back as a point of reference to our confidence in terms of the filing relative to those remarks. So next question, please, Amanda?

Operator

The next question is from Tim Anderson with Sanford Bernstein.

Tim Anderson - *Sanford Bernstein - Analyst*

Thank you. A few questions, please. I would have to imagine that you guys have heavily contemplated getting full enhanced results out earlier than the late March meeting of ACC, maybe published in something like a medical journal. Until results are published, your reps of course are very limited in what they can say to prescribers, so any comments on that? The second question just going back to DTC, I thought the original word out of Merck was that DTC was temporarily suspended but that it would resume in very short course, and I am wondering if that changed, and then on Cordaptive, do you expect that to likely go up for an FDA advisory committee?

Richard Clark - *Merck & Co., Inc. - CEO, President*

On the last point we have not been advised of any advisory committee to date. Your point concerning publishing, we're working with the lead investigator who will submit the enhanced study for publication and make sure that is done as soon as we can, and so that is being certainly studied.

Tim Anderson - *Sanford Bernstein - Analyst*

Regarding DTC?

Richard Clark - *Merck & Co., Inc. - CEO, President*

Yes. DTC we're still evaluating we make sure we do it the proper way. I would say it is temporarily on hold.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Thanks, Tim. Next question, please.

Operator

The next question is from Harlan Sonderling with Columbia Management.

Harlan Sonderling - *Columbia Mangement - Analyst*

Yes, thank you very much. I wanted to ask in light of the ENHANCE trials, whether you are changing the sales effort on the ground, that is you're not changing yet the DTC advertising beyond the temporary suspension. You've commented on the results, the getting the enhanced results out and what are your reps telling physicians and have you changed that message, please?

Richard Clark - *Merck & Co., Inc. - CEO, President*

We are making sure that we have all available resources for both the joint venture and the companies to make sure that we're able to get out our press release to make sure that we're able to show the healthcare providers the position we put together from a letter standpoint. The most critical thing we have to make sure that we're able to continue to deliver the message that LDL lowering is key. So in some cases for LDL lowering, the patient may do well on a generic simvastatin, in many other cases they won't be able to reach full. If that's the case, Vytorin and Zetia are the branded products that we've been able to prove clinically lower LDL to the right impact and have a better chance to reach the goal. And those messages haven't deviated.

We have very safe products in the marketplace, and they're very important part of the management programs, and our professional representatives continue to deliver those messages and ask those questions. We are obviously not backing off those two products, because they're so important from a health management standpoint, and we're making sure that we can answer any questions, because with the media hype there is a great deal of confusion out there, and we have obviously the excellent comments by the FDA and the other societies that come out and said LDL lowering is key to this, and quite frankly there are no better products for LDL lowering than Vytorin and Zetia.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Next question, please, Amanda.

Operator

The next question is from James Kelly with Goldman Sachs.

James Kelly - *Goldman Sachs - Analyst*

Thank you very much. I just wanted to ask a question to get a little more detail on the trajectory of the vaccines. I know you mentioned about the seasonality elements, but there were also some other elements, and I apologize if you did address this in the prepared comments and I missed it, of some catch-up vaccinations and whether or not that's already substantially done as far as you're hearing back in the chicken pox second dose and catchup there or any of the other pieces that may be other than seasonality? Thank you.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

James, this is Peter. Thanks. So not a lot of different parts to to your question quite frankly. Yes, there is seasonality in the vaccines business as I mentioned, just based on the pattern of well visits for adolescents. You do see a fairly healthy back-to-school surge. I also commented on the call, and I hope this is directly addressing it, that as of year end we estimate that 80 to 85% penetration of the routine four to six-year-old second dose cohort of Varivax has been achieved, and 20 to 25% penetration of the cumulative catchup population has been achieved. The other thing is we did have back orders coming out of Q3, and I mentioned that in Q4 we shipped $75 million to completely fulfill that back order situation. I think that hits the point that you were asking, if I missed it, please come back. I apologize.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Next question, please.

Operator

Next question is from Roopesh Patel with UBS.

Roopesh Patel - *UBS - Analyst*

First on Vytorin and Zetia, can you summarize for us the clinical data that's expected to be presented for Vytorin and Zetia besides ENHANCE over the course of the next twelve months and then on Gardasil, just a clarification. Peter, you mentioned supply chain dynamics influenced fourth quarter sales. Was that just the VFC purchasing patents over the course of the year or something else that influenced fourth quarter sales? Thanks.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

Hi, Roopesh. This is Peter. Let me take it in reverse order. The supply chain dynamics were much more in the public sector. You're right. It was really the VFC contract, and what we saw was very rapid adoption in pickup of the product by the all the different various public sector sales entities, and so as a result that drove a heavier sales volume in Q1 and Q2 of us shipping product out, and then as we went through the balance of the year we saw that some of the supply chain items balance out and get kind

of sorted through, and so as we came to the third and fourth quarter we ended up with a little bit of a rebalancing of some of that inventory. That is a very fragmented system and obviously that is kind of just a dynamic that occurs sometimes when you roll off the vaccines. Hard to know exactly also what's going on because there is an enormous amount of inventory reporting up there. It was all public sector.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Roopesh, with regard to the first part of the question with regard to expectations of clinical data dissemination, obviously we've got ACC in March for ENHANCE. With regard to SEIZE, we expect to have the data in 2008 on SEIZE, and then you have shop, the expectation is we have clinical data in 2011. As we mentioned, IMPROVE-IT, which is still enrolling, we expect the data to be out in 2011 as well. Between now and 2011, 2000-- the four studies will be disseminated. Next question, please, Amanda.

Operator

Your next question is from David Risinger with Merrill Lynch.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

David, please go ahead.

David Risinger - *Merrill Lynch - Analyst*

Yes, can you hear me?

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Yes.

David Risinger - *Merrill Lynch - Analyst*

To follow up on SEIZE and IMPROVE-IT, if you could please characterize what Merck expects out of the SEIZE study, that would be helpful, and also if you could please excellent on whether there is the possibility of accelerating IMPROVE-IT or the possibility of an interim look at the data before 2011 that could be made public. Thank you.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

David, with regard to those two studies, clearly there are protocols in place, and we shared some of that information with you. We certainly can't foreshadow when exactly the results will be available nor do we have the exact setup in terms of the data monitoring boards and how the data will roll out of these studies. Clearly the protocols are in process and there is one particular study looking at aortic stenosis and another is looking at another patient population. Across ENHANCE, SEIZE, SHARP and IMPROVE-IT, obviously IMPROVE-IT is the critical outcome constituted any all of that. We feel that there will be an awful lot of incremental data that we'll gather with regard to these compounds. Next question, please, Amanda.

Operator

The next question is from Chris Schott with Banc of America.

Chris Schott - *Banc of America - Analyst*

Thank you. Three quick questions. Maybe on Gardasil in Europe, obviously saw some strong acceleration this quarter. Give us more color in terms of what countries were driving this or initial contracts driving that and maybe where you stand versus your competitor in those markets with regard to any tenders that have occurred. For Gardasil in the U.S. just to clarify, do we expect the vaccine for children sales to be front half loaded going forward or is that an artifact of what you're mentioning of the initial rollout and finally if you can give us an update on the potential timing of FDA sign off for new batches of varicella bulk, please thanks.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

Let me say the second one if I can which is the vaccines for children and supply chain. Good question. We don't anticipate this to be an annual cycle at all. It is very much an artifact of the approval and the new contract established in late 2006, so then the market reaction is picking up supply and so forth. This is not an annual cycle we expect. It was much more related to a, if you will, a approval and changing additions since the market reacted to that. I don't think there would be any expectation of seasonality per se in the supply dynamics for the public sector.

With--related to the Gardasil international markets, in some ways in the international rollout, first of all, I think it is way too early to have a lot of input on tenders and so forth. I would say that we don't see anything that is an usual bias at this point relative to any of the markets rolling out. Typically you see markets vaccines more rapidly than others, and some some of the bigger markets obviously you're planning a role, but I don't think there is anything really that a strange dynamic in the rollout at this point. I would say that all the numbers are relatively early days, so we're just beginning to roll out and expect 2008 to be an interesting year to watch. Maybe more specifically, Dick, do you have anything you would comment on?

Richard Clark - *Merck & Co., Inc. - CEO, President*

On the bulk issue with the FDA from a vair sell, it is too early to tell when we would finalize our submission and have approval. As I said on the last call, we continue to see excellent progress, and excellent potency out of the lots being manufactured, and so we're putting all of the required data together in the submission for the FDA, and we can't give a date yet for that.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Amanda, given the time, we'll have time for one more question, please.

Operator

Your final question is from Seamus Fernandez from Leerink Swann.

Seamus Fernandez - *Leerink Swann - Analyst*

Thanks very much. A couple of quick questions. Can you give us a little visibility on when the 30-month stay expires on Nexium and any kind of possibility of a Nexium patent settlement would impact the contribution to Merck from AZLP? If there were a settlement, it is unclear to me how that would be booked into the overall scope of the partnership. Just a second quick question. Peter, you mentioned new competitive threats in asthma and allergic rhinitis. Can you give us a little bit more of a sense of what those new competitive threats are in your view and also last year we had a very, very strong allergy season, and the seasonality in Singulair was high. Can you give us a sense, do we have any visibility now on whether or not that season is expected to be

equally strong this year or not, and then just a last question quickly on Q4 costs related to the vaccine recalls that we saw. Were those material in any way and can we kind of expect those to recur or not recur in the first half of this year? Thanks very much.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

So you get the award for the most comprehensive set of questions and let me quickly go through them. I am afraid if we miss one we need to recap. First let me start back with the Nexium. Basically the stay goes through April of this year, so that's the date where you would see the 30-month stay would expire. Quite frankly after that we have no idea what might happen. However, obviously we are going through normal legal steps now and working on that. If there was some sort of a settlement, it is unclear what the settlement would be, but it is unclear it would really affect 2008 anyway. That would be something all in the works, so way too early to comment on that, but I would say at this point we're following the normal steps and processes related to that, so nothing really new to report and nor any sense of anything new that would happen really in that situation. Bruce Kuhlik is here, do you have any other comment on that?

Bruce Kuhlik - *Merck & Co., Inc. - General Counsel*

Peter, thanks. The stay, the initial one expires in April, but the fact the stay expires does not have any bearing on meaning actually that a generic would launch at that time, and we're continuing actively to defend those installations.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

Okay. In terms of the asthma season, I think it is a little too early to start reading into the asthma season. We would -- as a CFO I would love to have the crystal ball and at this point I don't have it, so we have to play the season as it goes. We really don't have any leading indicators, and I am not sure there are. On the competitive threats relative to Singulair, what I was referring to is new brand entrants in 2008 we're anticipating, and the normal lift, and I think we're confident in the guidance we've given for 2008 for Singulair, so I didn't mean to create concern, I just wanted to highlight that Singulair has been barreling ahead as you mentioned partly because of the asthma season we've been experiencing and so forth and to have a $4.3 billion drug growing 19% full year in 2007 is something that is pretty great. On the other hand what we're highlighting, there are other factors. As you say, not sure the asthma season and there are new competitors coming into the market. That's all I would say.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

Seamus, regarding your question on the costs of the recall during the quarter, it wasn't material in any particular way, so let me just give you perspective. The total cost of the recall was approximately $40 million in the fourth quarter, approximately half of that cost was associated with sales credits to customers and the other half was associated with inventory that we had to write down that we had in supply chain, so we didn't consider that Pedovax recall to be a material event to our results.

Peter Kellogg - *Merck & Co., Inc. - EVP, CFO*

I think that covers all the points that were asked. Good list of questions. Thanks.

Graeme Bell - *Merck & Co., Inc. - Senior Director - IR*

So that last question concludes today's conference call. The information from today's call, both the transcript and the replay will be available on the website for the next several months, and as always, Mike Nally, whose birthday it is today, and I will be available all day to take your calls and answer your incremental questions. With that let me pass it back to Dick for concluding remarks.

Richard Clark - *Merck & Co., Inc. - CEO, President*

Thank you, Graeme, and thanks for joining us on the call today. As we have clearly stated, we're very pleased with the fourth quarter and full year 2007 results. We're not wasting any time looking in the rearview mirror in congratulating ourselves. We're proud of how far we've come, but we have tremendous amount to do before we hit the finish line. 2008 represents the halfway point towards our long-term guidance, and new challenges pop up every day. We begin our 2008 with a sense of urgency and a sharp focus on what we need to do.

We'll continue to work hard to grow our pipeline and reengineer our business to deliver sustained revenue and earnings growth beyond 2007. I think it is also important to note that in addition to all of the activities we're talking about, we have 150 country launches in 2008 for our products and vaccines. That's 150 new product launches. Thank you again. We appreciate your interest and participation. Operator, thank you very much for your assistance.

Operator

This concludes today's conference call. You may now disconnect.