FORM 10-K

SCHERING PLOUGH CORP - sgp

Filed: February 27, 2009 (period: December 31, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For fiscal year ended December 31, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For transition period from to

Commission file number 1-6571

SCHERING-PLOUGH CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey	**22-1918501**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
2000 Galloping Hill Road, Kenilworth, NJ	**07033**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(908) 298-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, $.50 par value	New York Stock Exchange
Mandatory Convertible Preferred Stock	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter): $31,979,690,761

Common Shares outstanding as of January 31, 2009: 1,626,412,285

Part of Form 10-K

Documents Incorporated by Reference	Incorporated into
Schering-Plough Corporation's Proxy Statement for the 2009 Annual Meeting of Shareholders to be filed within 120 days after the close of the registrant's fiscal year (the "Proxy Statement")	Part III

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Part I

Item 1. *Business*

Overview of the Business

Schering-Plough refers to Schering-Plough Corporation and its subsidiaries, except as otherwise indicated by the context. Schering Corporation, a predecessor company, was incorporated in New York in 1928 and New Jersey in 1935. The trademarks indicated by CAPITAL LETTERS in this 10-K are the property of, licensed to, promoted or distributed by Schering-Plough Corporation, its subsidiaries or related companies.

Schering-Plough is an innovation-driven, science-centered global health care company. Through its own biopharmaceutical research and collaborations with partners, Schering-Plough creates therapies that help save and improve lives around the world. Schering-Plough applies its research and development platform to prescription pharmaceuticals, animal health and consumer health care products. Schering-Plough's vision is to "Earn Trust, Every Day" with doctors, patients, customers, shareholders, employees and other stakeholders. Schering-Plough is based in Kenilworth, N.J., and its Web site is www.schering-plough.com.

In April 2003, the Board of Directors recruited Fred Hassan to join Schering-Plough as the new Chairman of the Board and Chief Executive Officer. With support from the Board, soon after he arrived in 2003, Hassan installed a new senior executive management team and initiated a strategic plan, with the goal of stabilizing, repairing and turning around Schering-Plough in order to build long-term shareholder value. That strategic plan, the Action Agenda, is a six- to eight-year, five-phase plan.

In 2008 and in the five years since Hassan and the new management team arrived, Schering-Plough made substantial progress. During 2008, in the fourth phase of the Action Agenda — Build the Base — Schering-Plough grew and broadened the base of marketed products, expanded the late-stage research and development project pipeline and made substantial progress with the integration of Organon BioSciences N.V. (OBS), purchased from Akzo Nobel in late 2007. That acquisition was transformative, giving Schering-Plough:

- Key new pipeline projects (including asenapine for schizophrenia and bipolar disease and sugammadex to reverse deep anesthesia);
- Key products in two new therapeutic areas — Women's Health and Central Nervous System;
- A position as a leader in Animal Health by combining Schering-Plough Animal Health with Intervet;
- A leadership position in animal vaccines at Intervet and early-stage innovation capabilities in human vaccines at Nobilon;
- Additional state-of-the-art biologics capabilities;
- A substantial expansion to the Company's geographic footprint; and
- Significant talent, including in key research and development functions.

This strength gained from the progress in the Action Agenda was key for Schering-Plough during 2008, a period of challenge in the pharmaceutical industry (particularly in the U.S.) and the general economy. In addition, Schering-Plough faced particular challenges to the cholesterol products, ZETIA and VYTORIN, particularly in the U.S. as discussed in Item 3, "Legal Proceedings."

In spite of these challenges, in 2008, Schering-Plough delivered strong operational performance but the stock price suffered significant pressure.

The Productivity Transformation Program announced in April of 2008 facilitated Schering-Plough's achievements in 2008. The goal of this program, which includes the ongoing integration of OBS, is to create a leaner, stronger company to support Schering-Plough's goal of building long-term high performance despite the current challenging pharmaceutical industry environment and the particular challenges facing Schering-Plough. This program targets savings of $1.5 billion on an annualized basis by 2012 and is designed to reduce and avoid costs, while increasing productivity. Of the total targeted savings, approximately $1.25 billion are

anticipated to be accomplished by the end of 2010 with the balance achieved by 2012. The targeted savings envisioned by this program include those resulting from the previously announced OBS integration synergies. Beyond this program, Schering-Plough anticipates investing in new high-priority clinical trials, the pursuit of strategic opportunities, including product launches and anticipates natural cost growth.

In 2009, the environment continues to be challenging for all companies in all geographies, in part due to uncertainty in the stock markets and current credit conditions in financial markets. Further, pressures in the U.S. pharmaceutical market include uncertainty in the regulatory process for approving new drugs and new indications; reviewing labeling and indications for marketed products; and assessing information about risks associated with drugs. When human health is involved there is always a balance between the quest for new innovation, particularly to address urgent, unmet medical needs, and a desire to minimize risks. Currently, the balance is strongly skewed toward risk minimization in the U.S., resulting in longer delays in approving products, greater costs in clinical trials and post-marketing trials and increased scrutiny not only by patients, prescribers and regulatory agencies, but also the media. Further, many of Schering-Plough's pharmaceutical products are subject to increasingly competitive pricing as certain of the intermediaries (including managed care groups, institutions and government agencies) seek price discounts. In most international markets, Schering-Plough operates in an environment of government-mandated, cost-containment programs. Also, the pricing, sales and marketing programs and arrangements, and related business practices of Schering-Plough and other participants in the health care industry are under continued scrutiny from federal and state regulatory, investigative, prosecutorial and administrative entities.

Segment Information

Schering-Plough has three reportable segments: Prescription Pharmaceuticals, Animal Health and Consumer Health Care. The segment sales and profit/(loss) data that follow are consistent with Schering-Plough's current management reporting structure.

Prescription Pharmaceuticals

The Prescription Pharmaceuticals segment discovers, develops, manufactures and markets human pharmaceutical products. Within the Prescription Pharmaceuticals segment, Schering-Plough has a broad range of research projects and marketed products in six therapeutic areas: Cardiovascular, Central Nervous System, Immunology and Infectious Disease, Oncology, Respiratory and Women's Health. The Prescription Pharmaceuticals segment also includes Nobilon, a human vaccine development unit and Diosynth, a third-party manufacturing unit. Marketed products include the following:

Cardiovascular Disease: VYTORIN, a cholesterol-lowering tablet combining the dual action of ZETIA and Merck & Co., Inc.'s (Merck) statin Zocor (simvastatin); ZETIA, a novel cholesterol-absorption inhibitor discovered by Schering-Plough scientists, for use as monotherapy or in combination with either statins or fenofibrate to lower cholesterol; INTEGRILIN Injection, a platelet receptor GP IIb/IIIa inhibitor for the treatment of patients with acute coronary syndrome and those undergoing percutaneous coronary intervention in the U.S., as well as for the prevention of early myocardial infarction in patients with acute coronary syndrome in most countries; and ORGARAN, a non-heparin antithrombotic.

Central Nervous System: REMERON, an antidepressant; ESMERON/ZEMURON, a muscle relaxant used in surgical procedures; SUBUTEX, a sublingual tablet formulation of buprenorphine; SUBOXONE, a sublingual tablet combination of buprenorphine and naloxone, marketed by Schering-Plough in certain countries outside the U.S. for the treatment of opiate addiction; NORCURON, a muscle relaxant and BRIDION (sugammadex), an anesthesia reversal agent launched in the European Union (EU) and other countries, and under U.S. review.

Immunology and Infectious Disease: REMICADE, an anti-TNF antibody marketed by Schering-Plough outside of the United States, Japan and certain Asian markets for the treatment of inflammatory diseases such as rheumatoid arthritis, early rheumatoid arthritis, psoriatic arthritis, Crohn's disease, ankylosing spondylitis, plaque psoriasis and ulcerative colitis; PEGINTRON Powder for Injection, a pegylated interferon product for chronic hepatitis C; REBETOL Capsules, for use in combination with PEGINTRON or INTRON A for

treating hepatitis C; AVELOX, which Schering-Plough only markets in the U.S., a broad-spectrum fluoroquinolone antibiotic for certain respiratory and skin infections; and NOXAFIL Oral Suspension, for prophylaxis (prevention) of invasive fungal infections in high-risk patients and the treatment of oropharyngeal candidiasis. It is also approved for the treatment of invasive fungal infections in markets outside the U.S.

Oncology: TEMODAR/TEMODAL for certain types of brain tumors, including newly diagnosed glioblastoma multiforme; CAELYX, a long-circulating pegylated liposomal formulation of the cancer drug doxorubicin marketed by Schering-Plough outside the U.S. for the treatment of certain ovarian cancers, Kaposi's sarcoma and metastatic breast cancer; and INTRON A injection, marketed for chronic hepatitis B and C and numerous anticancer indications worldwide, including as adjuvant therapy for malignant melanoma.

Respiratory: NASONEX, a once-daily, nasal-inhaled steroid for nasal allergy symptoms, including congestion, and for the treatment of nasal polyps in patients 18 years of age and older; CLARINEX/AERIUS/CLARITIN Rx, a non-sedating antihistamine for the treatment of allergic rhinitis; FORADIL AEROLIZER, a long-acting beta2-agonist marketed by Schering-Plough in the U.S. for the maintenance treatment of asthma and chronic obstructive pulmonary disease, and for the acute prevention of exercise- induced bronchospasm; ASMANEX TWISTHALER, an oral dry-powder corticosteroid inhaler for first-line maintenance treatment of asthma; and PROVENTIL HFA (albuterol) inhalation aerosol, for the relief of bronchospasm in patients 12 years or older.

Women's Health: FOLLISTIM/PUREGON, a fertility treatment; NUVARING, a vaginal contraceptive ring; LIVIAL, a menopausal therapy; MARVELON/DESOGEN, a low-dose combined oral contraceptive; MERCILON, a low-dose combined oral contraceptive; CERAZETTE, a progestin only oral contraceptive and IMPLANON, a single-rod subdermal contraceptive implant.

Animal Health

The Animal Health segment discovers, develops, manufactures and markets animal health products, including vaccines. Principal marketed products in this segment include:

Livestock Products: NUFLOR antibiotic range for use in cattle and swine; BOVILIS/VISTA vaccine lines for infectious diseases in cattle; BANAMINE bovine and swine anti-inflammatory; TRI-MERIT data management tool for cattle; ESTRUMATE for treatment of fertility disorders in cattle; REGUMATE/MATRIX fertility management for swine and horses; RESFLOR combination broad-spectrum antibiotic and non-steroidal anti-inflammatory drug for bovine respiratory disease; ZILMAX and REVALOR to improve production efficiencies in beef cattle; M+PAC swine pneumonia vaccine; PG 600 to stimulate fertility in swine and PORCILIS vaccine line for infectious diseases in swine.

Poultry Products: NOBILIS/INNOVAX vaccine lines for poultry; PARACOX and COCCIVAC coccidiosis vaccines for poultry.

Companion Animal Products: NOBIVAC/CONTINUUM vaccine lines for flexible dog and cat vaccination; OTOMAX/MOMETAMAX/POSATEX ear ointments for acute and chronic otitis; CANINSULIN/VETSULIN diabetes mellitus treatment for dogs and cats; PANACUR/SAFEGUARD broad-spectrum anthelmintic (de-wormer) for use in many animals; SCALIBOR/EXSPOT for protecting against bites from fleas, ticks, mosquitoes and sandflies; and HOMEAGAIN proactive U.S. pet recovery network.

Aquaculture Products: SLICE parasiticide for sea lice in salmon; AQUAVAC/NORVAX vaccines against bacterial and viral disease in fish; COMPACT PD vaccine for salmon; and AQUAFLOR antibiotic for farm-raised fish.

Consumer Health Care

The Consumer Health Care segment develops, manufactures and markets Over-the-Counter (OTC), foot care and sun care products. Principal products in this segment include:

Over-the-Counter Products: CLARITIN non-sedating antihistamines; MIRALAX treatment for occasional constipation; CORICIDIN HBP decongestant-free cold/flu medicine for people with high blood pressure; AFRIN nasal decongestant spray; and CORRECTOL laxative tablets.

Foot Care: DR. SCHOLL'S foot care products; LOTRIMIN topical antifungal products; and TINACTIN topical antifungal products and foot and sneaker odor/wetness products.

Sun Care: COPPERTONE sun care lotions, sprays, dry oils and lip-protection products and sunless tanning products; and SOLARCAINE sunburn relief products.

Net sales by segment

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Prescription Pharmaceuticals	$ 14,253	$ 10,173	$ 8,561
Animal Health	2,973	1,251	910
Consumer Health Care	1,276	1,266	1,123
Consolidated net sales	$ 18,502	$ 12,690	$ 10,594

Profit /(loss) by segment

	Year Ended December 31,		
	2008(1)	2007(2)	2006
	(Dollars in millions)		
Prescription Pharmaceuticals	$ 2,725	$ (1,206)	$ 1,394
Animal Health	186	(582)	120
Consumer Health Care	271	275	228
Corporate and other (including net interest (expense)/income of ($465) million, $150 million and $125 million in 2008, 2007 and 2006, respectively	(1,133)	298	(259)
Consolidated profit/(loss) before tax and cumulative effect of a change in accounting principle	$ 2,049	$ (1,215)	$ 1,483

(1) In 2008, the Prescription Pharmaceuticals segment's profit includes charges arising from purchase accounting items of $808 million. In 2008, the Animal Health segment's profit includes charges arising from purchase accounting items of $641 million.

(2) In 2007, the Prescription Pharmaceuticals segment's loss includes $3.4 billion of purchase accounting items, including acquired in-process research and development of $3.2 billion. In 2007, the Animal Health segment's loss includes $721 million of purchase accounting items, including acquired in-process research and development of $600 million.

Schering-Plough's net sales do not include sales of VYTORIN and ZETIA which are managed in the joint venture with Merck, as Schering-Plough accounts for this joint venture under the equity method of accounting (see Note 5, "Equity Income," under Item 8, "Financial Statements and Supplementary Data," for additional information). Equity income from the Merck/Schering-Plough joint venture is included in the Prescription Pharmaceuticals segment.

"Corporate and other" includes interest income and expense, foreign exchange gains and losses, currency option gains, headquarters expenses, special and acquisition-related charges and other miscellaneous items.

The accounting policies used for segment reporting are the same as those described in Note 1, "Summary of Significant Accounting Policies," under Item 8, "Financial Statements and Supplementary Data".

In 2008, "Corporate and other" includes special and acquisition-related charges of $329 million, comprised of $54 million of integration-related costs and $275 million of employee termination costs related to the Productivity Transformation Program which includes the ongoing integration of OBS. It is estimated the charges relate to the reportable segments as follows: Prescription Pharmaceuticals — $230 million, Animal Health — $30 million, Consumer Health — $2 million and Corporate and other — $67 million.

In 2007, "Corporate and other" includes special and acquisition-related charges of $84 million, comprised of $61 million of integration-related costs for the OBS acquisition and $23 million of employee termination costs as part of integration activities. It is estimated the charges relate to the reportable segments as follows: Prescription Pharmaceuticals — $27 million, Animal Health — $11 million and Corporate and other — $46 million.

In 2006, "Corporate and other" includes special charges of $102 million primarily related to changes to Schering-Plough's manufacturing operations in the U.S. and Puerto Rico announced in June 2006, all of which related to the Prescription Pharmaceuticals segment. Included in 2006 cost of sales were charges of approximately $146 million from the manufacturing streamlining actions which were primarily related to the Prescription Pharmaceuticals segment.

See Note 3, "Special and Acquisition-Related Charges and Manufacturing Streamlining," under Item 8, "Financial Statements and Supplementary Data," for additional information.

Information About the Merck/Schering-Plough Joint Venture

In May 2000, Schering-Plough and Merck entered into two separate sets of agreements to jointly develop and manage certain products in the U.S., including (1) two cholesterol-lowering drugs and (2) an allergy/asthma drug. In December 2001, the cholesterol agreements were expanded to include all countries of the world except Japan. In general, the companies agreed that the collaborative activities under these agreements would operate in a virtual joint venture that relies to the maximum degree possible on the respective infrastructures of the two companies. These agreements generally provide for equal sharing of development costs and for co-promotion of approved products by each company. During the second quarter of 2008 the joint venture related to the allergy/asthma drug was terminated in accordance with the agreements.

Pursuant to these cholesterol agreements, Schering-Plough granted the joint venture a limited but exclusive license to Schering-Plough's proprietary ezetimibe molecule and technology. The cholesterol agreements provide for Schering-Plough and Merck to develop and commercialize ezetimibe in the cholesterol management field through the joint venture:

i. as a once-daily monotherapy (marketed as ZETIA in the U.S. and Asia and EZETROL in Europe);

ii. in co-administration with various approved statin drugs; and

iii. as a fixed-combination tablet of ezetimibe and simvastatin (Zocor), Merck's cholesterol-modifying medicine. This combination medication (ezetimibe/simvastatin) is marketed as VYTORIN in the U.S. and as INEGY in many international countries.

ZETIA/EZETROL (ezetimibe) and VYTORIN/INEGY (the combination of ezetimibe/simvastatin) are approved for use in the U.S. and have been launched in many international markets.

Schering-Plough utilizes the equity method of accounting in recording its share of activity from the Merck/Schering-Plough joint venture. See Note 5, "Equity Income," under Item 8, "Financial Statements and Supplementary Data," for additional information regarding the profits and costs sharing and accounting as provided by the agreements.

The allergy/asthma agreements provided for the joint development and marketing by the companies of a once-daily, fixed-combination tablet containing loratadine/montelukast. In April 2008, the Merck/Schering-Plough joint venture received a not-approvable letter from the U.S. Food and Drug Administration (FDA) for the proposed fixed combination of loratadine/montelukast. During the second quarter of 2008 the respiratory joint venture was terminated in accordance with the agreements. This action has no impact on the cholesterol joint venture. As a result of the termination of the respiratory joint venture, Schering-Plough received payments totaling $105 million which Schering-Plough recognized in equity income during 2008.

Schering-Plough and Merck are developing a single-tablet combination of ezetimibe and atorvastatin as a treatment for elevated cholesterol levels.

Information About the Centocor Licenses

REMICADE is prescribed for the treatment of inflammatory diseases such as rheumatoid arthritis, early rheumatoid arthritis, psoriatic arthritis, Crohn's disease, ankylosing spondylitis, plaque psoriasis and ulcerative colitis. REMICADE is Schering-Plough's second largest marketed pharmaceutical product line (after the cholesterol franchise). REMICADE is licensed from and manufactured by Centocor, Inc., a Johnson & Johnson company. During 2005, Schering-Plough exercised an option under its contract with Centocor for license rights to develop and commercialize golimumab, a fully human monoclonal antibody which has been filed for approval in Europe. Schering-Plough has exclusive marketing rights to both products outside the U.S., Japan and certain Asian markets. In December 2007, Schering-Plough and Centocor revised their distribution agreement regarding the development, commercialization and distribution of both REMICADE and golimumab, extending Schering-Plough's exclusive rights to market REMICADE to match the duration of Schering-Plough's exclusive marketing rights for golimumab. Effective upon regulatory approval of golimumab in the EU, Schering-Plough's marketing rights for both products will extend for 15 years after the first commercial sale of golimumab within the EU. Centocor will receive a progressively increased share of profits on Schering-Plough's distribution of both products in the Schering-Plough marketing territory between 2010 and 2014, and the share of profits will remain fixed thereafter for the remainder of the term. The changes to the duration of REMICADE marketing rights and the profit sharing arrangement for the products are all conditioned on approval of golimumab being granted prior to September 1, 2014. Schering-Plough may independently develop and market golimumab for a Crohn's disease indication in its territories, with an option for Centocor to participate. In addition, Schering-Plough and Centocor agreed to utilize an autoinjector device in the commercialization of golimumab and further agreed to share its development costs.

Global Operations

A majority of Schering-Plough's operations are outside the U.S. With the acquisition of OBS in late 2007, Schering-Plough's global operations in Prescription Pharmaceuticals and Animal Health increased.

Non-U.S. activities are carried out primarily through wholly-owned subsidiaries wherever market potential is adequate and circumstances permit. In addition, Schering-Plough is represented in some markets through licensees or other distribution arrangements.

Currently, Schering-Plough has business operations in more than 140 countries.

For additional information on global operations, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the segment information described above in this 10-K.

Net sales by geographic area

	2008	2007	2006
		(Dollars in millions)	
United States	$ 5,556	$ 4,597	$ 4,192
Europe and Canada	8,903	5,500	4,403
Latin America	1,987	1,359	990
Asia Pacific	2,056	1,234	1,009
Consolidated net sales	$ 18,502	$ 12,690	$ 10,594

Schering-Plough has subsidiaries in more than 55 countries outside the United States. Net sales are presented in the geographic area in which Schering-Plough's customers are located. The following countries accounted for 5 percent or more of consolidated net sales during any of the past three years:

	2008		2007		2006	
	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales
	(Dollars in millions)					
Total International net sales	$ 12,946	70%	$ 8,093	64%	$ 6,402	60%
France	1,369	7%	965	8%	809	8%
Japan	1,008	5%	709	6%	669	6%
Germany	835	5%	473	4%	408	4%
Canada	774	4%	578	5%	478	5%

Net sales by customer

Sales to a single customer that accounted for 10 percent or more of Schering-Plough's consolidated net sales during any of the past three years were as follows:

	2008		2007		2006	
	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales
	(Dollars in millions)					
McKesson Corporation	$ 1,923	10%	$ 1,526	12%	$ 1,159	11%
Cardinal Health	1,168	6%	1,196	9%	1,019	10%

Supplemental sales information

Sales of products comprising 10 percent or more of Schering-Plough's U.S. or international sales for the year ended December 31, 2008, were as follows:

	Amount	Percentage of applicable sales
	(Dollars in millions)	
U.S.		
NASONEX	$ 644	12%
International		
REMICADE	$ 2,118	16%

Schering-Plough's net sales do not include sales of VYTORIN and ZETIA which are managed in the joint venture with Merck, as Schering-Plough accounts for this joint venture under the equity method of accounting.

Long-lived assets by geographic location

	2008	2007	2006
	(Dollars in millions)		
United States	$ 2,792	$ 2,863	$ 2,547
Netherlands	1,244	1,320	1
Ireland	689	719	488
Singapore	816	822	824
Other	1,572	1,599	804
Total	$ 7,113	$ 7,323	$ 4,664

Long-lived assets shown by geographic location are primarily properties. The significant increase in long-lived assets from 2006 to 2007 is due to the OBS acquisition.

Schering-Plough does not disaggregate assets on a segment basis for internal management reporting and, therefore, such information is not presented.

Research and Development

Schering-Plough's research activities are primarily aimed at discovering and developing new prescription products and enhancements to existing human prescription products of medical and commercial significance. However, Schering-Plough's research and development platform also supports its Animal Health and Consumer Health Care products, and often a research and development project will have application in more than one product segment.

Significant work by the current management team to increase productivity and efficiency in research activities as part of the Action Agenda has produced tangible results. Schering-Plough has increased the number of new molecular entities in Phase III from three in 2004 to eight at year-end 2008, with four more in pre-registration, for a total of 12 in late-stage development.

Company-sponsored research and development expenditures were $3.5 billion, $2.9 billion and $2.2 billion in 2008, 2007 and 2006, respectively. As a percentage of consolidated net sales, research and development expenditures represented approximately 19 percent, 23 percent and 21 percent in 2008, 2007 and 2006, respectively.

Schering-Plough's research activities are concentrated in the six therapeutic areas of focus: Cardiovascular, Central Nervous System, Immunology and Infectious Disease, Oncology, Respiratory and Women's Health. Schering-Plough's research activities include significant biotechnology, immunology and vaccine development efforts, reflecting a portfolio balance between small molecule and biologic products. Research activities include expenditures for both internal research efforts and research collaborations with various partners.

While a number of pharmaceutical compounds are in varying stages of development, it cannot be predicted when or if these compounds will become available for commercial sale. Schering-Plough's product pipeline lists significant products in development and is available on Schering-Plough's web site at www.schering-plough.com. Due to the nature of the development and approval process — as well as the fact that human health is involved and the science of human health is constantly evolving — the status of any compounds in development is subject to change. Schering-Plough does not assume any duty to update this information.

Schering-Plough has six research and development projects which have been granted fast-track designation by the FDA including: a novel thrombin receptor antagonist for acute coronary syndrome and secondary prevention of subsequent cardiovascular events; boceprevir (a protease inhibitor compound) for hepatitis C; vicriviroc (a CCR5 receptor antagonist) for the treatment of HIV; preladenant (A2a Adenosine receptor antagonist) for the treatment of Parkinson's disease; SCH 900518 (a next generation protease inhibitor compound) for hepatitis C; and an IV formulation of posaconazole (currently approved in many countries for the treatment and prophylaxis of certain fungal infections). Of these products, three are in Phase III clinical testing phase: thrombin receptor antagonist, boceprevir and vicriviroc. Significant expenditures would be required to progress these through development, due to the large number of patients necessary for Phase III trials.

Schering-Plough continues to expect research and development expenses to increase over the next several years. The primary reason is that Schering-Plough's pipeline is larger because the new management team has focused on making research and development more productive and because additional pipeline projects were added in the OBS acquisition. Other reasons include the need for larger clinical trials, more frequent clinical trials and longer clinical trials in the current global regulatory environment. Research and development activities typically continue after a product has been marketed. One reason is to develop new indications for the product. Another reason is to further understand the benefit or risks that may become known as more people use a product for a longer period of time, requiring the need for incremental safety or efficacy testing.

The regulatory authorities around the world are placing increasing emphasis on post-approval commitments in the form of new studies, registries, etc. after initial approval.

Patents, Trademarks and Other Intellectual Property Rights

Overview

Intellectual property protection is critical to Schering-Plough's ability to successfully commercialize its product innovations. Schering-Plough owns, has applied for, or has licensed rights to, a large number of patents, both in the U.S. and in other countries, relating to compounds, formulations, uses, and manufacturing processes. There is no assurance that the patents Schering-Plough is seeking will be granted or that the patents Schering-Plough has been granted would be found valid if challenged. Moreover, patents relating to particular formulations, uses, or processes do not preclude other manufacturers from employing alternative processes or from marketing alternative formulations or uses that might successfully compete with Schering-Plough's patented products.

Outside the U.S., the standard of intellectual property protection for pharmaceuticals varies widely. While many countries have reasonably strong patent laws, other countries currently provide little or no effective protection for inventions or other intellectual property rights. Under the Trade-Related Aspects of Intellectual Property Agreement (TRIPs) administered by the World Trade Organization (WTO), more than 140 countries have now agreed to provide non-discriminatory protection for most pharmaceutical inventions and to assure that adequate and effective rights are available to all patent owners. It is possible that changes to this agreement will be made in the future that will diminish or further delay its implementation in developing countries. It is too soon to assess how much, if at all, Schering-Plough will be impacted commercially from these changes.

When a product patent expires, the patent holder often loses effective market exclusivity for the product. This can result in a rapid, sharp and material decline in sales of the formerly patented product, particularly in the U.S. However, in some cases the innovator company can obtain additional commercial benefits through manufacturing trade secrets; later-expiring patents on processes, uses, or formulations; trademark use; or exclusivity that may be available under pharmaceutical regulatory laws.

Schering-Plough's Intellectual Property Portfolio

Patent protection for certain Schering-Plough compounds, formulations, processes and uses are important to Schering-Plough's business and financial results. For many of Schering-Plough's products, in addition to patents on the compound, Schering-Plough holds other patents on manufacturing processes, formulations, or uses that may extend exclusivity beyond the expiration of the compound patent.

Schering-Plough's subsidiaries own (or have licensed rights under) a number of patents and patent applications, both in the U.S. and abroad. Patents and patent applications relating to Schering-Plough's significant products, including, without limitation, VYTORIN, ZETIA, REMICADE, NASONEX, FOLLISTIM/PUREGON, NUVARING, TEMODAR, PEGINTRON and CLARINEX, are of material importance to Schering-Plough.

Worldwide, Schering-Plough sells all major products under trademarks that also are material in the aggregate to its business and financial results. Trademark protection varies throughout the world, with protection continuing in some countries as long as the mark is used and in other countries as long as it is registered. Registrations are normally for fixed but renewable terms.

Patent Challenges Under the Hatch-Waxman Act

The Drug Price Competition and Patent Term Restoration Act of 1984, commonly known as Hatch-Waxman, made a complex set of changes to both patent and new drug approval laws in the U.S. Before Hatch-Waxman, no drug could be approved without providing the FDA complete safety and efficacy studies, known as a complete New Drug Application (NDA). Hatch-Waxman authorized the FDA to approve generic versions of innovative medicines without such information upon the filing of an Abbreviated New Drug

Application (ANDA). In an ANDA, the generic manufacturer must demonstrate only bioequivalence between the generic version and the NDA-approved drug — not safety and efficacy. Hatch-Waxman provides for limited patent term restoration to partially make up for patent term lost during the time an NDA-approved drug is in regulatory review. NDA-approved drugs also receive a limited period of data exclusivity which prevents the approval of ANDA applications for specific time periods after approval of the NDA-approved drug.

Absent a successful patent challenge, the FDA cannot approve an ANDA until after the innovator's patents that are listed by the innovator in the FDA "Orange Book" expire. However, a generic manufacturer may file an ANDA seeking approval after the expiration of the applicable data exclusivity, and alleging that one or more of the patents listed in the innovator's NDA are invalid or not infringed. This allegation is commonly known as a Paragraph IV certification. The innovator must then file suit against the generic manufacturer to protect its patents. If one or more of the NDA-listed patents are successfully challenged, the first filer of a Paragraph IV certification may be entitled to a 180-day period of market exclusivity over all other generic manufacturers. Generic manufacturers have used Paragraph IV certifications extensively to challenge patents on a wide array of innovative pharmaceuticals, and it is anticipated that this trend will continue. In recent years, certain generic companies have elected to launch generic products "at risk" while patent litigation is ongoing and before a decision is reached by the court.

Schering-Plough's 10-Ks and 10-Qs include a listing of Hatch-Waxman Act challenges to its patents in the "Legal Proceedings" section.

Marketing Activities and Competition

Schering-Plough, through its marketing organization and its trained professional sales representatives, introduces and makes known its prescription drugs to health care providers (such as physicians and pharmacists), hospitals, pharmacy benefit managers, managed care organizations, employers, buying groups and government agencies. Schering-Plough also introduces and makes known its prescription products through journal advertising, direct mail advertising, and the distribution of samples to physicians. Schering-Plough communicates directly to consumers in the U.S. through television, radio, Internet, print and other advertising media. Schering-Plough believes that this advertising can benefit the public health by increasing awareness about diseases, educating patients about treatment options, and motivating patients to engage in a dialogue about health concerns with their physicians. Schering-Plough sells prescription drugs to wholesale and specialty distributors, hospitals, certain managed care organizations, retail and specialty pharmacists and government agencies.

Schering-Plough, through its trained professional sales representatives, promotes its animal health products to veterinarians, distributors and animal producers.

Schering-Plough sells over-the-counter (OTC), foot care and sun care products through wholesale and retail drug, food chain and mass merchandiser outlets. Schering-Plough promotes directly to the consumer through television, radio, Internet, print and other advertising media. Where appropriate, Schering-Plough seeks regulatory approval to switch prescription products to over-the-counter status. In this way, the OTC marketplace is another means of maximizing the return on investments in discovery and development.

The pharmaceutical industry is highly competitive and includes other large companies, some significantly larger than Schering-Plough, with substantial resources for research, product development, advertising, promotion and field selling support. Competitive pressures have intensified as pressures in the environment have intensified.

There are numerous domestic and international competitors in this industry. Some of the principal competitive techniques used by Schering-Plough for its products include research and development of new, innovative and improved products, varied dosage forms and strengths and switching prescription products to non-prescription status. In the U.S., many of Schering-Plough's products are subject to increasingly competitive pricing as managed care groups, institutions, federal and state government entities and agencies and buying groups seek price discounts and rebates. Governmental, third-party payers, practices of U.S. pharmacists

and other pressures toward the dispensing of generic products may significantly reduce the sales of certain products when they, or competing products in the same therapeutic category, are no longer protected by patents or exclusivity available under pharmaceutical regulatory laws. Outside the U.S. there are similar competitive pressures. Additionally, in Europe and some other international markets, the government regulates pharmaceutical prices and access to control costs for government sponsored healthcare systems. There is a possibility, that in the U.S., the Medicare Act could be amended to allow the federal government to negotiate prices directly with manufacturers. Additionally, several states are considering price controls or access constraints under the Medicaid program.

Government Regulation

Each of Schering-Plough's major business segments is subject to significant regulation in multiple jurisdictions. This section describes the general regulatory framework. Additional information about the cost of regulatory compliance and specific impacts on Schering-Plough's business and financial condition are described under the heading "Regulatory And Competitive Environment In Which Schering-Plough Operates" in Management's Discussion and Analysis later in this 10-K. Additional information about other regulatory matters can be found in Note 21, "Legal, Environmental and Regulatory Matters," under Item 8, "Financial Statements and Supplementary Data."

In the prescription pharmaceuticals segment, regulations apply at all phases of the business, including:

- regulatory requirements to conduct, and standards for, clinical trials (for example, requiring the use of Good Clinical Practices or GCPs), which apply at the research and development stage;
- regulatory requirements to conduct, and standards for, post-approval clinical trials;
- required regulatory approval to begin marketing a new drug or to market an existing drug product for new indications;
- regulations prescribing the manner in which drugs are manufactured, packaged, labeled, advertised, marketed and distributed;
- regulations impacting the pricing of drugs;
- regulatory requirements to assess and report adverse impacts and side effects of drugs used in clinical trials, as well as marketed drugs, called "pharmacovigilance;" and
- the ability of regulatory authorities to remove a product from the market, modify its approved uses/labeling or recall certain batches of products.

In the U.S., the national regulation of all phases of the prescription drug business except pricing is centralized at the FDA. The FDA is responsible for protecting the U.S. public health by assuring the safety, efficacy, and security of human and veterinary drugs, biological products and medical devices. Generally, there is free market pricing in the U.S., although the Centers for Medicare and Medicaid Services (CMS) and Medicare Part B and D include provisions about pricing drugs for the elderly, disabled and indigent who receive federal prescription benefits. Schering-Plough is also committed to complying with voluntary best practices of the Pharmaceutical Research and Manufacturers of America (PhRMA), a trade industry group of which it is a member, regarding marketing and advertising practices.

In the EU, including Schering-Plough's key markets in the United Kingdom, France, Germany and Italy, there is regulation at the local country level and additional regulation at the EU level, through the European Medicines Agency (EMEA). Pharmaceutical products are regulated at both of these levels through various national, mutual recognition or centralized regulatory procedures. The EMEA coordinates the evaluation and supervision of the majority of medicinal products throughout the EU. There is no pan-EU market pricing system; however, individual member states have various systems/agencies that regulate price at a local level.

In Japan, there is regulation through the Pharmaceuticals and Medical Device Agency (PMDA). The PMDA regulates pharmaceuticals and medical devices from development through post-marketing use. The Japanese government regulates the pricing/reimbursement of pharmaceutical products in Japan through a

complicated pricing process that includes benchmarks with prices in other western countries such as the U.S., Canada and select EU countries.

There is increasing pressure from governmental bodies in all major markets, as well as from third-party payors, for the pharmaceutical industry to bring products to market that provide differentiation versus existing products. This can lead to more expensive and scientifically challenging clinical trials in order to generate this type of data for new products versus marketed comparators.

In the U.S., the focus on product differentiation and reliance on comparator data will be accelerated by new federal grants provided through the stimulus package for comparative effectiveness reviews ($1.1 billion) and health information technology ($2.0 billion), coupled with $17 billion in bonus payments through Medicare and Medicaid to physicians and hospitals that adopt health information technology improvements. It is difficult to predict the speed of change or the degree of impact this new spending will have regarding pharmaceutical markets and branded pharmaceutical products.

For a description of the prescription pricing pressures refer to “Pricing Pressures” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Raw Materials

Raw materials essential to Schering-Plough’s operations are available in adequate quantities from a number of potential suppliers. Energy is expected to be available to Schering-Plough in sufficient quantities to meet its operating requirements.

Seasonality

Certain of Schering-Plough’s products, particularly the respiratory and sun care products, are seasonal in nature. Seasonal patterns do not have a material effect on the consolidated operations of Schering-Plough.

Environment

To date, environmental matters have not had a material effect on Schering-Plough’s operations or financial position. These matters include compliance with federal, state and local laws regarding discharge of materials into the environment, or protection of the environment and climate change.

Employees

At December 31, 2008, Schering-Plough had approximately 51,000 employees worldwide, with approximately 15,000 employees in the United States and approximately 36,000 employees outside the United States.

Available Information

Schering-Plough’s 10-Ks, 10-Qs, 8-Ks and amendments to those reports that are filed with or furnished to the U.S. Securities and Exchange Commission (SEC) are available free of charge on Schering-Plough’s web site as soon as reasonably practicable after such materials are electronically filed with the SEC. Schering-Plough’s Internet address is www.schering-plough.com. Since Schering-Plough began this practice in the third quarter of 2002, each such report has been available on Schering-Plough’s web site within 24 hours of filing. Reports filed by Schering-Plough with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxies and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. ***Risk Factors***

Schering-Plough’s future operating results and cash flows may differ materially from the results described in this 10-K due to risks and uncertainties related to Schering-Plough’s business, including those discussed

below. In addition, these factors represent risks and uncertainties that could cause actual results to differ materially from those implied by forward-looking statements contained in this report.

Key Schering-Plough products generate a significant amount of Schering-Plough's profits and cash flows, and any events that adversely affect the markets for its leading products could have a material and negative impact on results of operations and cash flows.

Schering-Plough's ability to generate profits and operating cash flow depends largely upon the continued profitability of Schering-Plough's cholesterol franchise, consisting of VYTORIN and ZETIA, and other key products such as REMICADE, TEMODAR, NASONEX, PEGINTRON, CLARINEX, FOLLISTIM, CLARITIN, REMERON and NUVARING. As a result of Schering-Plough's dependence on key products, any event that adversely affects any of these products or the markets for any of these products could have a significant impact on results of operations and cash flows. These events could include loss of patent protection, increased costs associated with manufacturing, generic or OTC availability of Schering-Plough's product or a competitive product, the discovery of previously unknown side effects, increased competition from the introduction of new, more effective treatments and discontinuation or removal from the market of the product for any reason.

There is a high risk that funds invested in research will not generate financial returns because the development of novel drugs requires significant expenditures with a low probability of success.

There is a high rate of failure inherent in the research to develop new drugs to treat diseases. As a result, there is a high risk that funds invested by Schering-Plough in research programs will not generate financial returns. This risk profile is compounded by the fact that this research has a long investment cycle. To bring a pharmaceutical compound from the discovery phase to market may take a decade or more and failure can occur at any point in the process, including later in the process after significant funds have been invested.

Schering-Plough's success is dependent on the successful development and marketing of new products, which are subject to substantial risks.

Products that appear promising in development may fail to reach market for numerous reasons, including the following:

- findings of ineffectiveness, superior safety or efficacy of competing products, or harmful side effects in clinical or pre-clinical testing;
- failure to receive the necessary regulatory approvals, including delays in the approval of new products and new indications, and increasing uncertainties about the time required to obtain regulatory approvals and the benefit/risk standards applied by regulatory agencies in determining whether to grant approvals;
- lack of economic feasibility due to manufacturing costs or other factors; and
- preclusion from commercialization by the proprietary rights of others.

Intellectual property protection for innovation is an important contributor to Schering-Plough's profitability. Generic forms of Schering-Plough's products may be introduced to the market as a result of the expiration of patents covering Schering-Plough's products, a successful challenge to Schering-Plough's patents, or the "at-risk" launch of a generic version of a Schering-Plough product, which may have a material and negative effect on results of operations.

Intellectual property protection is critical to Schering-Plough's ability to successfully commercialize its products. Patents relating to Schering-Plough's significant products may be of material importance to Schering-Plough. Upon the expiration or the successful challenge of Schering-Plough's patents covering a product, competitors may introduce lower-priced generic or similar branded versions of that product, which may include Schering-Plough's well-established products.

A generic manufacturer may file an Abbreviated New Drug Application seeking approval after the expiration of the applicable data exclusivity and alleging that one or more of the patents listed in the

innovator's New Drug Application are invalid, not infringed or unenforceable. This allegation is commonly known as a Paragraph IV certification. The innovator then has the ability to file suit against the generic manufacturer to enforce its patents. Generic manufacturers have used Paragraph IV certifications extensively to challenge patents on a wide array of innovative pharmaceuticals, and it is anticipated that this trend will continue. In recent years, some generic manufacturers have launched generic versions of products before the ultimate resolution of patent litigation (commonly known as "at-risk" product launches). Generic entry may result in the loss of a significant portion of sales or downward pressures on the prices at which Schering-Plough offers formerly patented products. Please refer to "Legal Proceedings" in Item 3 in this 10-K for descriptions of pending intellectual property litigation.

Additionally, certain foreign governments have indicated that compulsory licenses to patents may be granted in the case of national emergencies, which could diminish or eliminate sales and profits from those regions and negatively affect Schering-Plough's results of operations. Further, recent court decisions relating to other companies' U.S. patents, potential U.S. legislation relating to patent reform, as well as regulatory initiatives may result in further erosion of intellectual property protection.

Patent disputes can be costly to prosecute and defend and adverse judgments could result in damage awards, increased royalties and other similar payments and decreased sales.

Patent positions can be highly uncertain and patent disputes in the pharmaceutical industry are not unusual. An adverse result in a patent dispute involving Schering-Plough's patents, or the patents of its collaborators, may lead to a determination by a court that the patent is not infringed, is invalid, and/or is unenforceable. Such an adverse determination could lead to Schering-Plough's loss of market exclusivity. An adverse result in a patent dispute alleging that Schering-Plough has infringed patents held by a third party may lead to a determination by a court that the patent is infringed, valid, and enforceable. Such an adverse determination may preclude the commercialization of Schering-Plough's products and/or may lead to significant financial damages for past and ongoing infringement. Due to the uncertainty surrounding patent litigation, parties may settle patent disputes by obtaining a license under mutually agreeable terms in order to decrease risk of an interruption in manufacturing and/or marketing of its products.

The potential for litigation regarding Schering-Plough's intellectual property rights always exists and litigation may be initiated by third parties attempting to abridge Schering-Plough's rights. Even if Schering-Plough is ultimately successful in a particular dispute, Schering-Plough may incur substantial costs in defending its patents and other intellectual property rights. See "Patent Challenges Under the Hatch-Waxman Act" in Item 3, "Legal Proceedings" for a list of current Paragraph IV certifications for Schering-Plough products.

Multi-jurisdictional regulations, including those establishing Schering-Plough's ability to price products, may negatively affect Schering-Plough's sales and profit margins.

Schering-Plough faces increasing pricing pressure globally from managed care organizations, institutions and government agencies and programs that could negatively affect Schering-Plough's sales and profit margins. For example, in the U.S., the Medicare Prescription Drug Improvement and Modernization Act of 2003 contains a prescription drug benefit for individuals who are eligible for Medicare. The prescription drug benefit became effective on January 1, 2006, and has resulted in increased use of generics and increased purchasing power of those negotiating on behalf of Medicare recipients, which in turn has resulted in increased price pressure on Schering-Plough's products.

In addition to legislation concerning price controls, other trends could adversely affect Schering-Plough's sales and profit margins. These trends include legislative or regulatory action relating to pharmaceutical pricing and reimbursement, health care reform initiatives, drug importation legislation and involuntary approval of medicines for OTC use. These trends also include non-governmental initiatives and practices such as consolidation among customers, managed care practices and health care costs containment. Increasingly, market approval, reimbursement of products, prescribers' practices and policies of third-party payors may be

influenced by health technology assessments by the National Institute for Health and Clinical Excellence in the UK and other such organizations.

In the U.S., as a result of the government's efforts to reduce health care expenditures and other payors' efforts to reduce health care costs, Schering-Plough faces increased pricing pressure as payors continue to seek price discounts with respect to Schering-Plough's products.

In other countries, many governmental agencies strictly control, directly or indirectly, the prices at which pharmaceutical products are sold. In these markets, cost control methods including restrictions on physician prescription levels and patient reimbursements; emphasis on greater use of generic drugs; and across-the-board price cuts may decrease revenues internationally.

Through the acquisition of OBS, Schering-Plough acquired marketed products and pipeline projects in new therapeutic areas, including women's health and central nervous system, each of which carry unique risks and uncertainties which could have a negative impact on future results of operations and cash flows.

With its acquisition of OBS, Schering-Plough acquired products in additional therapeutic areas. Each therapeutic area presents a different risk profile, including different benefits and safety issues that must be balanced by Schering-Plough and regulators as various research and development and marketing decisions are made; unique product liability risks; different patient and prescriber priorities; and different societal pressures. While adding new therapeutic areas may strengthen Schering-Plough's business by increasing sales and profits; making the combined company more relevant to patients and prescribers; and diversifying enterprise risk across more areas, such positives may not outweigh the additional risk in a particular therapeutic area or could result in unanticipated costs that could have a significant adverse impact on results of operations and cash flows.

Market forces continue to evolve and can impact Schering-Plough's ability to sell products or the price Schering-Plough can charge for products.

A number of intermediaries are involved between drug manufacturers, such as Schering-Plough, and patients who use the drugs. These intermediaries impact the patient's ability, and their prescribers' ability, to choose and pay for a particular drug, which may adversely affect sales of a particular Schering-Plough drug. These intermediaries include health care providers, such as hospitals and clinics; payors and their representatives, such as employers, insurers, managed care organizations and governments; and others in the supply chain, such as pharmacists and wholesalers. Examples include: payors that require a patient to first fail on one or more generic, or less expensive branded drugs, before reimbursing for a more effective, branded product that is more expensive; payors that are increasing patient co-payment amounts; hospitals that stock and administer only a generic product to in-patients; managed care organizations that may penalize doctors who prescribe outside approved formularies which may not include branded products when a generic is available; and pharmacists who receive larger revenues when they dispense a generic drug over a branded drug. Further, the intermediaries are not required to routinely provide transparent data to patients comparing the effectiveness of generic and branded products or to disclose their own economic benefits that are tied to steering patients toward, or requiring patients to use, generic products rather than branded products.

Government investigations involving Schering-Plough could lead to the commencement of civil and/or criminal proceedings involving the imposition of substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs, which could give rise to other investigations or litigation by government entities or private parties.

Schering-Plough cannot predict whether future or pending investigations to which it may become subject would lead to a judgment or settlement involving a significant monetary award or restrictions on its operations.

The pricing, sales and marketing programs and arrangements and related business practices of Schering-Plough and other participants in the health care industry are under increasing scrutiny from federal and state regulatory, investigative, prosecutorial and administrative entities. These entities include the Department of

Justice and its U.S. Attorneys' Offices, the Office of Inspector General of the Department of Health and Human Services, the FDA, the Federal Trade Commission and various state Attorneys General offices. Many of the health care laws under which certain of these governmental entities operate, including the federal and state anti-kickback statutes and statutory and common law false claims laws, have been construed broadly by the courts and permit the government entities to exercise significant discretion. In the event that any of those governmental entities believes that wrongdoing has occurred, one or more of them could institute civil or criminal proceedings which, if resolved unfavorably, could subject Schering-Plough to substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs. In addition, an adverse outcome to a government investigation could prompt other government entities to commence investigations of Schering-Plough or cause those entities or private parties to bring civil claims against it. Schering-Plough also cannot predict whether any investigations will affect its marketing practices or sales. Any such result could have a material adverse impact on Schering-Plough's results of operations, cash flows, financial condition, or its business.

A number of governmental entities in the U.S. have made inquiries or initiated investigations into the timing and disclosures relating to the ENHANCE clinical trial. These include several letters from Congress, investigations by state Attorneys General offices, and requests for information from U.S. Attorneys' Offices and the Department of Justice.

Regardless of the merits or outcomes of any investigation, government investigations are costly, divert management's attention from Schering-Plough's business and may result in substantial damage to Schering-Plough's reputation.

See Item 3, "Legal Proceedings" — "Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture" for further information about the Merck/Schering-Plough cholesterol joint venture's ENHANCE clinical trials and related matters.

There are other legal matters in which adverse outcomes could negatively affect Schering-Plough's results of operations, cash flows, financial condition, or business.

Unfavorable outcomes in other pending litigation matters, or in future litigation, including litigation concerning product pricing, securities law violations, product liability claims, ERISA matters, patent and intellectual property disputes, and antitrust matters could preclude the commercialization of products, negatively affect the profitability of existing products and subject Schering-Plough to substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs. Any such result could materially and adversely affect Schering-Plough's results of operations, cash flows, financial condition, or business.

Further, aggressive plaintiffs counsel often file litigation on a wide variety of allegations whenever there is media attention or negative discussion about the efficacy or safety of a product and whenever the stock price is volatile; even when the allegations are groundless, Schering-Plough may need to expend considerable funds and other resources to respond to such litigation.

Please refer to "Legal Proceedings" in Item 3 in this 10-K for descriptions of significant pending litigation.

Issues concerning the Merck/Schering-Plough Cholesterol Joint Venture's clinical trials could have a material adverse effect on the joint venture's sales of VYTORIN and ZETIA, which in turn could have a material adverse impact on Schering-Plough's financial condition.

See Item 3, "Legal Proceedings" — "Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture" for further information about the Merck/Schering-Plough cholesterol joint venture's ENHANCE clinical trials and related matters.

There was significant negative media surrounding the release of the ENHANCE results. As the Merck/Schering-Plough cholesterol joint venture's ENHANCE and SEAS clinical trial results are further reviewed, VYTORIN and ZETIA may receive additional media attention, in connection with these and other clinical

trials, which could lead to reduced sales, or affect enrollment in clinical trials. Current or future investigations, analysis of the ENHANCE, SEAS, or other clinical trials, data by various agencies, litigation concerning the sale and promotion of these products, or the securities and other class action litigation relating to such matters could, if resolved unfavorably to Schering-Plough or the joint venture, have a material adverse effect on Schering-Plough's results of operations, cash flow and financial position.

Schering-Plough and third parties acting on its behalf are subject to governmental regulations, and the failure to comply with, as well as the costs of compliance with, these regulations may adversely affect Schering-Plough's results of operations, cash flow and financial position.

Manufacturing and research practices of Schering-Plough and third parties acting on its behalf must meet stringent regulatory standards and are subject to regular inspections. The cost of regulatory compliance, including that associated with compliance failures, can materially affect Schering-Plough's results of operations, cash flow and financial position. Failure to comply with regulations, which include pharmacovigilance reporting requirements and standards relating to clinical, laboratory and manufacturing practices, can result in suspension or termination of clinical studies, delays or failure in obtaining the approval of drugs, seizure or recalls of drugs, suspension or revocation of the authority necessary for the production and sale of drugs, withdrawal of approval, fines and other civil or criminal sanctions.

Schering-Plough also is subject to other regulations, including environmental, health and safety, and labor regulations.

Developments following regulatory approval may adversely affect sales of Schering-Plough's products.

Even after a product reaches market, certain developments following regulatory approval, including results in post-marketing Phase IV trials, may decrease demand for Schering-Plough's products, including the following:

- the re-review of products that are already marketed;
- new scientific information and evolution of scientific theories;
- the recall or loss of marketing approval of products that are already marketed;
- changing government standards or public expectations regarding safety, efficacy or labeling changes; and
- greater scrutiny in advertising and promotion.

In the past several years, clinical trials and post-marketing surveillance of certain marketed drugs of competitors within the industry have raised safety concerns that have led to recalls, withdrawals or adverse labeling of marketed products. Clinical trials and post-marketing surveillance of certain marketed drugs also have raised concerns among some prescribers and patients relating to the safety or efficacy of pharmaceutical products in general that have negatively affected the sales of such products. In addition, increased scrutiny of the outcomes of clinical trials have led to increased volatility in market reaction. Further, these matters often attract litigation and, even where the basis for the litigation is groundless, considerable resources may be needed to respond.

In addition, following the wake of product withdrawals of other companies and other significant safety issues, health authorities such as the FDA, the EMEA and the PMDA have increased their focus on safety when assessing the benefit/risk balance of drugs. Some health authorities appear to have become more cautious when making decisions about approvability of new products or indications and are re-reviewing select products that are already marketed, adding further to the uncertainties in the regulatory processes. There is also greater regulatory scrutiny, especially in the U.S., on advertising and promotion and in particular, direct-to-consumer advertising.

If previously unknown side effects are discovered or if there is an increase in negative publicity regarding known side effects of any of Schering-Plough's products, it could significantly reduce demand for the product or require Schering-Plough to take actions that could negatively affect sales, including removing the product from the market, restricting its distribution or applying for labeling changes. Further, in the current

environment in which all pharmaceutical companies operate, Schering-Plough is at risk for product liability claims for its products.

New products and technological advances developed by Schering-Plough's competitors may negatively affect sales.

Schering-Plough operates in a highly competitive industry. Schering-Plough competes with a large number of multinational pharmaceutical companies, biotechnology companies and generic pharmaceutical companies. Many of Schering-Plough's competitors have been conducting research and development in areas served both by Schering-Plough's current products and by those products Schering-Plough is in the process of developing. Competitive developments that may impact Schering-Plough include technological advances by, patents granted to, and new products developed by competitors or new and existing generic, prescription and/or OTC products that compete with products of Schering-Plough or the Merck/Schering-Plough Cholesterol Joint Venture. In addition, it is possible that doctors, patients and providers may favor those products offered by competitors due to safety, efficacy, pricing or reimbursement characteristics, and as a result Schering-Plough will be unable to maintain its sales for such products.

Competition from third parties may make it difficult for Schering-Plough to acquire or license new products or product candidates (regardless of stage of development) or to enter into such transactions on terms that permit Schering-Plough to generate a positive financial impact.

Schering-Plough depends on acquisition and in-licensing arrangements as a source for new products. Opportunities for obtaining or licensing new products are limited, however, and securing rights to them typically requires substantial amounts of funding or substantial resource commitments. Schering-Plough competes for these opportunities against many other companies and third parties that have greater financial resources and greater ability to make other resource commitments. Schering-Plough may not be able to acquire or license new products, which could adversely impact Schering-Plough and its prospects. Schering-Plough may also have difficulty acquiring or licensing new products on acceptable terms. To secure rights to new products, Schering-Plough may have to make substantial financial or other resource commitments that could limit its ability to produce a positive financial impact from such transactions.

Schering-Plough relies on third-party relationships for its key products, and the conduct and changing circumstances of such third parties may adversely impact the business.

Schering-Plough has several relationships with third parties on which Schering-Plough depends for many of its key products. Very often these third parties compete with Schering-Plough or have interests that are not aligned with the interests of Schering-Plough. Notwithstanding any contracts Schering-Plough has with these third parties, Schering-Plough may not be able to control or influence the conduct of these parties, or the circumstances that affect them, either of which could adversely impact Schering-Plough.

The relationships are long-standing and, as the third party's work and Schering-Plough's work evolves, priorities and alignments also change. At times new issues develop that were not anticipated at the time contracts were negotiated. These new issues, and related uncertainties in the contracts, also can adversely impact Schering-Plough.

Schering-Plough's global operations expose Schering-Plough to additional risks, and any adverse event could have a material negative impact on results of operations.

A majority of Schering-Plough's operations are outside the U.S. With the acquisition of OBS in late 2007, Schering-Plough's global operations in Prescription Pharmaceuticals and Animal Health increased. Acquisitions, such as the recently completed purchase of OBS, further expanded the size, scale and scope of Schering-Plough's global operations. Risks inherent in conducting a global business include:

- changes in medical reimbursement policies and programs and pricing restrictions in key markets;

- multiple regulatory requirements that could restrict Schering-Plough's ability to manufacture and sell its products in key markets;
- trade protection measures and import or export licensing requirements;
- diminished protection of intellectual property in some countries; and
- possible nationalization and expropriation.

In addition, there may be changes to Schering-Plough's business and political position if there is instability, disruption or destruction in a significant geographic region, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest; and natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease.

The integration of the businesses of Schering-Plough and OBS to create a combined company is a complex process and may be subject to unforeseen developments, which could have an adverse impact on the results of future operations.

As the two companies are combined, the workforces of Schering-Plough and OBS will continue to face uncertainties until the completion of the integration phase. Cultural integration particularly in trans-Atlantic transactions are complex and can take several years. Although substantial progress has been made towards completing the integration phase of the OBS acquisition as quickly as possible, it is difficult to predict how long the integration phase will last.

The workforces of both companies are learning to use new processes as work is integrated and streamlined. Further, for those employees of the new combined company who have not in the past worked for a U.S.-based global company, the applicable regulatory requirements are different in a number of respects. While substantial efforts are being made to facilitate smooth execution of integration including thorough training and transparent and motivational employee communications there may be an increased risk of slower execution of various work processes, repeated execution to achieve quality standards and reputational harm in the event of a compliance failure with new and complex regulatory requirements, even if such a failure were inadvertent. Any such events could have an adverse impact on the results of future operations.

The acquisition of OBS expanded Schering-Plough's animal health business worldwide, which increases the risk that negative events in the animal health industry could have a negative impact on future results of operations.

Through the acquisition of OBS's animal health business, Schering-Plough's global Animal Health business is a more significant business segment. The combined company's future sales of key animal health products could be adversely impacted by a number of risk factors including certain risks that are specific to the animal health business. For example, the outbreak of disease carried by animals, such as Bovine Spongiform Encephalopathy ("BSE") or mad cow disease, could lead to their widespread death and precautionary destruction as well as the reduced consumption and demand for animals, which could adversely impact Schering-Plough's results of operations. Also, the outbreak of any highly contagious diseases near Schering-Plough's main production sites could require Schering-Plough to immediately halt production of vaccines at such sites or force Schering-Plough to incur substantial expenses in procuring raw materials or vaccines elsewhere. Other risks specific to animal health include epidemics and pandemics, government procurement and pricing practices, weather and global agribusiness economic events. As the Animal Health segment of Schering-Plough's business becomes more significant, the impact of any such events on future results of operations would also become more significant.

The acquisition of OBS increased Schering-Plough's biologics human and animal health product offerings, including animal health vaccines. Biologics carry unique risks and uncertainties, which could have a negative impact on future results of operations.

The successful development, testing, manufacturing and commercialization of biologics, particularly human and animal health vaccines, is a long, expensive and uncertain process. There are unique risks and uncertainties with biologics, including:

- There may be limited access to and supply of normal and diseased tissue samples, cell lines, pathogens, bacteria, viral strains and other biological materials. In addition, government regulations in multiple jurisdictions such as the U.S. and European states within the EU, could result in restricted access to, or transport or use of, such materials. If Schering-Plough loses access to sufficient sources of such materials, or if tighter restrictions are imposed on the use of such materials, Schering-Plough may not be able to conduct research activities as planned and may incur additional development costs.
- The development, manufacturing and marketing of biologics are subject to regulation by the FDA, the EMEA and other regulatory bodies. These regulations are often more complex and extensive than the regulations applicable to other pharmaceutical products. For example, in the U.S., a Biologics License Application, including both preclinical and clinical trial data and extensive data regarding the manufacturing procedures, is required for human vaccine candidates and FDA approval for the release of each manufactured lot.
- Manufacturing biologics, especially in large quantities, is often complex and may require the use of innovative technologies to handle living micro-organisms. Each lot of an approved biologic must undergo thorough testing for identity, strength, quality, purity and potency. Manufacturing biologics requires facilities specifically designed for and validated for this purpose, and sophisticated quality assurance and quality control procedures are necessary. Slight deviations anywhere in the manufacturing process, including filling, labeling, packaging, storage and shipping and quality control and testing, may result in lot failures, product recalls or spoilage. When changes are made to the manufacturing process, Schering-Plough may be required to provide pre-clinical and clinical data showing the comparable identity, strength, quality, purity or potency of the products before and after such changes.
- Biologics are frequently costly to manufacture because production ingredients are derived from living animal or plant material, and most biologics cannot be made synthetically. In particular, keeping up with the demand for vaccines may be difficult due to the complexity of producing vaccines.
- The use of biologically derived ingredients can lead to allegations of harm, including infections or allergic reactions, or closure of product facilities due to possible contamination. Any of these events could result in substantial costs.
- There currently is no process in the U.S. for the submission or approval of generic biologics based upon abbreviated data packages or a showing of sameness to another approved biologic, but there is public dialogue at the FDA and in Congress regarding the scientific and statutory basis upon which such products, known as biosimilars or follow-on biologics, could be approved and marketed in the U.S. Schering-Plough cannot be certain when Congress will create a statutory pathway for the approval of biosimilars, and Schering-Plough cannot predict what impact, if any, the approval of biosimilars would have on the sales of Schering-Plough products in the U.S. In Europe, however, the EMEA has issued guidelines for approving biological products through an abbreviated pathway, and biosimilars have been approved in Europe. If a biosimilar version of one of Schering-Plough's products were approved in Europe, it could have a negative effect on sales of the product.

Schering-Plough is exposed to market risk from fluctuations in currency exchange rates and interest rates.

Schering-Plough operates in multiple jurisdictions and, as such, virtually all sales are denominated in currencies of the local jurisdiction. Additionally, Schering-Plough has entered and will enter into acquisition, licensing, borrowings or other financial transactions that may give rise to currency and interest rate exposure.

Since Schering-Plough cannot, with certainty, foresee and mitigate against such adverse fluctuations, fluctuations in currency exchange rates and interest rates could negatively affect Schering-Plough's results of operations, financial position and cash flows.

In order to mitigate against the adverse impact of these market fluctuations, Schering-Plough will from time to time enter into hedging agreements. While hedging agreements, such as currency options and interest rate swaps, limit some of the exposure to exchange rate and interest rate fluctuations, such attempts to mitigate these risks are costly and not always successful.

The current stock market and credit market conditions are extremely volatile and unpredictable. It is difficult to predict whether these conditions will continue or worsen, and, if so, whether the conditions would impact Schering-Plough and whether such impact could be material.

Schering-Plough has exposure to many different industries and counterparties, including commercial banks, investment banks, suppliers and customers (which include wholesalers, managed care organizations and governments) that may be unstable or may become unstable in the current economic environment. Any such instability may impact these parties' ability to fulfill contractual obligations to Schering-Plough or they might limit or place burdensome conditions upon future transactions with Schering-Plough. Customers may also reduce spending during times of economic uncertainty. Also, it is possible that suppliers may be negatively impacted. In such events, there could be a resulting material and adverse impact on operations and results of operations.

Although Schering-Plough currently has no plan to access the equity or debt markets to meet capital or liquidity needs, constriction and volatility in these markets may restrict future flexibility to do so if unforeseen capital or liquidity needs were to arise.

Further, the current conditions have resulted in severe downward pressure on the stock and credit markets, which could further reduce the return available on invested corporate cash, reduce the return on investments held by the pension plans and thereby potentially increase funding obligations, all of which if severe and sustained could have material and adverse impacts on Schering-Plough's results of operations, financial position and cash flows.

Insurance coverage for product liability may be limited, cost prohibitive or unavailable.

Schering-Plough maintains insurance coverage with such deductibles and self-insurance to reflect market conditions (including cost and availability) existing at the time it is written, and the relationship of insurance coverage to self-insurance varies accordingly. For certain products, third-party insurance is increasingly cost prohibitive, available on more limited terms than past coverage, or unavailable. Schering-Plough self-insures substantially all of its risk as it relates to products' liability, as the availability of commercial insurance has become more restrictive. Schering-Plough continually assesses the best way to provide for its insurance needs.

Schering-Plough is subject to evolving and complex tax laws, which may result in additional liabilities that may affect results of operations.

Schering-Plough is subject to evolving and complex tax laws in the jurisdictions in which it operates. Significant judgment is required for determining Schering-Plough's tax liabilities, and Schering-Plough's tax returns are periodically examined by various tax authorities. Schering-Plough believes that its accrual for tax contingencies is adequate for all open years based on past experience, interpretations of tax law, and judgments about potential actions by tax authorities; however, due to the complexity of tax contingencies, the ultimate resolution of any tax matters may result in payments greater or less than amounts accrued.

In addition, Schering-Plough may be impacted by changes in tax laws including tax rate changes, changes to the laws related to the remittance of foreign earnings, new tax laws and revised tax law interpretations in domestic and foreign jurisdictions.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Schering-Plough's corporate and global pharmaceutical headquarters are located in Kenilworth, New Jersey. Schering-Plough's Animal Health global headquarters is located in Boxmeer, the Netherlands. Principal U.S. research facilities are located in Kenilworth, Union and Summit, New Jersey; Palo Alto, California; and Nebraska (Animal Health). Principal research facilities outside the U.S. are located in the Netherlands and Scotland. Principal manufacturing facilities are as follows:

Location	Product Type
Belgium	Pharmaceuticals
Brazil	Pharmaceuticals, Animal Health
Cleveland, Tennessee, U.S.A.	Consumer Products
France	Pharmaceuticals
Ireland	Pharmaceuticals, Consumer Products, Animal Health
Kenilworth, New Jersey, U.S.A.	Pharmaceuticals, Consumer Products
Mexico	Pharmaceuticals
Millsboro, Delaware, U.S.A.	Animal Health
Netherlands	Pharmaceuticals, Animal Health
Omaha, Nebraska, U.S.A.	Animal Health
Puerto Rico	Pharmaceuticals
Research Triangle Park, North Carolina, U.S.A.	Pharmaceuticals
Singapore	Pharmaceuticals

Schering-Plough owns the majority of its properties. In general, the properties are adequately maintained and suitable for their purposes.

As discussed in more detail in Part II of this 10-K, certain of Schering-Plough's manufacturing sites operate below capacity. In April 2008, Schering-Plough announced as part of the Productivity Transformation Program that there would be a reduction in the number of plants worldwide, with the goal of creating a more focused and high-efficiency network of plants by 2012. Analysis of the optimal configuration of plants is ongoing.

Item 3. ***Legal Proceedings***

Material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which Schering-Plough Corporation or any of its subsidiaries or to which any of their property is subject, are disclosed below.

Additional information on legal proceedings, including important financial information, can be found in Note 21, "Legal, Environmental and Regulatory Matters," contained in Item 8, "Financial Statements and Supplementary Data."

Patent Matters

As described in "Patents, Trademarks, and Other Intellectual Property Rights" under Item 1, Business, of this 10-K, intellectual property protection is critical to Schering-Plough's ability to successfully commercialize its product innovations. The potential for litigation regarding Schering-Plough's intellectual property rights always exists and may be initiated by third parties attempting to abridge Schering-Plough's rights, as well as by Schering-Plough in protecting its rights. Patent matters described below have a potential material effect on Schering-Plough.

Patent Challenges Under the Hatch-Waxman Act

While Schering-Plough does not currently believe that any pending Paragraph IV certification proceeding under the Hatch-Waxman Act is material, because there is frequently media and investor interest in such proceedings, Schering-Plough is listing the pending proceedings each quarter. Currently, the following are pending:

- in July 2007, Schering-Plough and its licensor, Cancer Research Technologies, Limited, filed a patent infringement action against companies seeking approval of a generic version of certain strengths of TEMODAR capsules. Trial is scheduled to begin on March 20, 2009 in the U.S. District Court for the District of Delaware;
- in March 2007, Schering-Plough and an entity jointly owned with Merck filed a patent infringement action against companies seeking approval of a generic version of ZETIA;
- in September 2006 and dates thereafter, Schering-Plough filed patent infringement actions against companies seeking approval of generic versions of CLARINEX Tablets, CLARINEX Reditabs, CLARINEX D24, and CLARINEX D12. Schering-Plough has settled with the majority of companies and continues to litigate with the three remaining defendants. Under the terms of the settlements generic versions of CLARINEX Reditabs, CLARINEX D24, and CLARINEX D12 will be launched no earlier than January 2012 and a generic version of the CLARINEX tablet will be launched no earlier than July 2012, assuming certain conditions are met; and
- on February 18, 2009 Schering-Plough and its licensor filed a patent infringement action against a company seeking approval of a generic version of INTEGRILIN.

AWP Litigation and Investigations

Schering-Plough continues to respond to existing and new litigation by certain states and private payors and investigations by the Department of Health and Human Services, the Department of Justice and several states into industry and Schering-Plough practices regarding average wholesale price (AWP). Schering-Plough is cooperating with these investigations.

These litigations and investigations relate to whether the AWP used by pharmaceutical companies for certain drugs improperly exceeds the average prices paid by providers and, as a consequence, results in unlawful inflation of certain reimbursements for drugs by state programs and private payors that are based on AWP. The complaints allege violations of federal and state law, including fraud, Medicaid fraud and consumer protection violations, among other claims. In the majority of cases, the plaintiffs are seeking class certifications. In some cases, classes have been certified. The outcome of these litigations and investigations could include substantial damages, the imposition of substantial fines, penalties and injunctive or administrative remedies.

Securities and Class Action Litigation

Federal Securities Litigation

Following Schering-Plough's announcement that the FDA had been conducting inspections of Schering-Plough's manufacturing facilities in New Jersey and Puerto Rico and had issued reports citing deficiencies concerning compliance with current Good Manufacturing Practices, several lawsuits were filed against Schering-Plough and certain named officers. These lawsuits allege that the defendants violated the federal securities law by allegedly failing to disclose material information and making material misstatements. Specifically, they allege that Schering-Plough failed to disclose an alleged serious risk that a new drug application for CLARINEX would be delayed as a result of these manufacturing issues, and they allege that Schering-Plough failed to disclose the alleged depth and severity of its manufacturing issues. These complaints were consolidated into one action in the U.S. District Court for the District of New Jersey, and a consolidated amended complaint was filed on October 11, 2001, purporting to represent a class of shareholders who purchased shares of Schering-Plough stock from May 9, 2000 through February 15, 2001. The complaint seeks

compensatory damages on behalf of the class. The Court certified the shareholder class on October 10, 2003. Notice of pendency of the class action was sent to members of that class in July 2007. On February 18, 2009 the Court signed an order preliminarily approving a settlement agreement. The proposed settlement agreement is scheduled to be presented for final approval at a hearing on June 1, 2009.

ERISA Litigation

On March 31, 2003, Schering-Plough was served with a putative class action complaint filed in the U.S. District Court in New Jersey alleging that Schering-Plough, retired Chairman, CEO and President Richard Jay Kogan, Schering-Plough's Employee Savings Plan (Plan) administrator, several current and former directors, and certain former corporate officers breached their fiduciary obligations to certain participants in the Plan. The complaint seeks damages in the amount of losses allegedly suffered by the Plan. The complaint was dismissed on June 29, 2004. The plaintiffs appealed. On August 19, 2005 the U.S. Court of Appeals for the Third Circuit reversed the dismissal by the District Court and the matter has been remanded back to the District Court for further proceedings.

K-DUR Antitrust Litigation

Schering-Plough had settled patent litigation with Upsher-Smith, Inc. (Upsher-Smith) and ESI Lederle, Inc. (Lederle) relating to generic versions of K-DUR, Schering-Plough's long-acting potassium chloride product supplement used by cardiac patients, for which Lederle and Upsher Smith had filed Abbreviated New Drug Applications. Following the commencement of an FTC administrative proceeding alleging anti-competitive effects from those settlements (which has been resolved in Schering-Plough's favor), alleged class action suits were filed in federal and state courts on behalf of direct and indirect purchasers of K-DUR against Schering-Plough, Upsher-Smith and Lederle. These suits claim violations of federal and state antitrust laws, as well as other state statutory and common law causes of action. These suits seek unspecified damages. In February 2009, a special master recommended that the U.S. District Court for the District of New Jersey dismiss the class action lawsuits on summary judgment.

Third-party Payor Actions

Several purported class action litigations have been filed following the announcement of the settlement of the Massachusetts Investigation. Plaintiffs in these actions seek damages on behalf of third-party payors resulting from the allegations of off-label promotion and improper payments to physicians that were at issue in the Massachusetts Investigation.

Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture

Background. In January 2008, the Merck/Schering-Plough Cholesterol Joint Venture announced the results of the ENHANCE clinical trial (Effect of Combination Ezetimibe and High-Dose Simvastatin vs. Simvastatin Alone on the Atherosclerotic Process in Patients with Heterozygous Familial Hypercholesterolemia). In July 2008 the Merck/Schering-Plough Cholesterol Joint Venture announced the results of the SEAS clinical trial (Simvastatin and Ezetimibe in Aortic Stenosis). Litigation and investigations with respect to matters relating to these clinical trials have been disclosed in prior filings. Please refer to "Legal Proceedings" in Item 3 in Schering-Plough's 2007 10-K/A and Part II, Item 1, "Legal Proceedings," in the Forms 10-Q for the periods ending March 31, 2008, June 30, 2008 and September 30, 2008. Also see Part II, OTHER INFORMATION, "Recent Cholesterol Clinical Trials," in the Forms 10-Q for the periods ending June 30, 2008 and September 30, 2008.

Schering-Plough is cooperating fully with the various investigations and responding to the requests for information, and Schering-Plough intends to vigorously defend the lawsuits that have been filed relating to the ENHANCE study.

Investigations and Inquiries. Through the date of filing this 10-K, Schering-Plough, the Joint Venture and/or its joint venture partner, Merck, received a number of governmental inquiries and have been the subject of a number of investigations and inquiries relating to the ENHANCE clinical trial. These include several

letters from Congress, including the Subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce, and the ranking minority member of the Senate Finance Committee, collectively seeking a combination of witness interviews, documents and information on a variety of issues related to the Merck/Schering-Plough Cholesterol Joint Venture's ENHANCE clinical trial. These also include several subpoenas from state officials, including State Attorneys General, and requests for information from U.S. Attorneys and the Department of Justice seeking similar information and documents. In addition, Schering-Plough received letters from the Subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce seeking certain information and documents related to the SEAS clinical trial, and other matters. Schering-Plough, Merck and the Joint Venture are cooperating with these investigations and responding to the inquiries.

In January 2008, after the initial release of ENHANCE data, the FDA stated that it would review the results of the ENHANCE trial. On January 8, 2009 the FDA announced the results of its review. The FDA stated that following two years of treatment,

- Carotid artery thickness increased by 0.011 mm in the VYTORIN group and by 0.006 mm in the simvastatin group. The difference in the changes in carotid artery thickness between the two groups was **not** statistically significant.
- The levels of LDL cholesterol decreased by 56% in the VYTORIN group and decreased by 39% in the simvastatin group. The difference in the reductions in LDL cholesterol between the two groups **was** statistically significant.

The FDA also stated that the results from ENHANCE do not change its position that an elevated LDL cholesterol is a risk factor for cardiovascular disease and that lowering LDL cholesterol reduces the risk for cardiovascular disease. The FDA also stated that pending the results of the IMPROVE-IT clinical trial, patients should not stop taking VYTORIN or other cholesterol lowering medications and should talk to their doctors if they have any questions.

Litigation. Schering-Plough continues to respond to existing and new litigation, including civil class action lawsuits alleging common law and state consumer fraud claims in connection with Schering-Plough's sale and promotion of the Merck/Schering-Plough joint venture products' VYTORIN and ZETIA; several putative shareholder securities class action lawsuits (where several officers are also named defendants) alleging false and misleading statements and omissions by Schering-Plough and its representatives related to the timing of disclosures concerning the ENHANCE results, allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934; a putative shareholder securities class action lawsuit (where several officers and directors are also named), alleging material misstatements and omissions related to the ENHANCE results in the offering documents in connection with Schering-Plough's 2007 securities offerings, allegedly in violation of the Securities Act of 1933, including Section 11; several putative class action suits alleging that Schering-Plough and certain officers and directors breached their fiduciary duties under ERISA and seeking damages in the amount of losses allegedly suffered by the Plans; a Shareholder Derivative Action alleging that the Board of Directors breached its fiduciary obligations relating to the timing of the release of the ENHANCE results; and a letter on behalf of a single shareholder requesting that the Board of Directors investigate the allegations in the litigation described above and, if warranted, bring any appropriate legal action on behalf of Schering-Plough.

Tax Matters

In October 2001, IRS auditors asserted that two interest rate swaps that Schering-Plough entered into with an unrelated party should be recharacterized as loans from affiliated companies, resulting in additional tax liability for the 1991 and 1992 tax years. In September 2004, Schering-Plough made payments to the IRS in the amount of $194 million for income tax and $279 million for interest. Schering-Plough filed refund claims for the tax and interest with the IRS in December 2004. Following the IRS's denial of Schering-Plough's claims for a refund, Schering-Plough filed suit in May 2005 in the U.S. District Court for the District of New Jersey for refund of the full amount of the tax and interest. This refund litigation has been tried in Newark District court and a decision has not yet been rendered. Schering-Plough's tax reserves were adequate to cover the above-mentioned payments.

Pending Administrative Obligations

In connection with the settlement of an investigation with the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of Pennsylvania, Schering-Plough entered into a five-year corporate integrity agreement (CIA). The CIA was amended in August of 2006 in connection with the settlement of the Massachusetts Investigation, commencing a new five-year term. Failure to comply with the obligations under the CIA could result in financial penalties. To date, Schering-Plough believes it has complied with its obligations.

Other Matters

Products Liability

Beginning in May 2007, a number of complaints were filed in various jurisdictions asserting claims against Organon USA, Inc., Organon Pharmaceuticals USA, Inc., Organon International (Organon), and Schering-Plough Corporation arising from Organon's marketing and sale of NUVARING, a combined hormonal contraceptive vaginal ring. The plaintiffs contend that Organon and Schering-Plough failed to adequately warn of the alleged increased risk of venous thromboembolism (VTE) posed by NUVARING, and/or downplayed the risk of VTE. The plaintiffs seek damages for injuries allegedly sustained from their product use, including some alleged deaths, heart attacks and strokes. The majority of the cases are currently pending in a federal Multidistrict litigation venued in Missouri and in New Jersey state court. Other cases are pending in other states.

French Matter

Based on a complaint to the French competition authority from a competitor in France and pursuant to a court order, the French competition authority has obtained documents from a French subsidiary of Schering-Plough relating to SUBUTEX, one of the products that the subsidiary markets and sells. Any resolution of this matter adverse to the French subsidiary could result in the imposition of civil fines and injunctive or administrative remedies. On July 17, 2007, the Juge des Libertés et de la Détention ordered the annulment of the search and seizure on procedural grounds. On July 19, 2007, the French authority appealed the order to the French Supreme Court.

In April 2007, the competitor also requested interim relief, a portion of which was granted by the French competition authority in December 2007. The interim relief required Schering-Plough's French subsidiary to publish in two specialized newspapers information including that the generic has the same quantitative and qualitative composition and the same pharmaceutical form as, and is substitutable for, SUBUTEX. In February 2008, the Paris Court of Appeal confirmed the decision of the French competition authority. In January 2009, the French Supreme Court confirmed the decision of the French competition authority.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

Executive Officers of the Registrant

Listed below are the executive officers and corporate officers of Schering-Plough as of February 27, 2009. Unless otherwise indicated, each has held the position indicated for the past five years. Officers serve for one year and until their successors have been duly appointed.

Name	Title	Age
Robert J. Bertolini*	Executive Vice President and Chief Financial Officer(1)	47
John M. Carroll	Vice President, Global Internal Audits(2)	48
C. Ron Cheeley*	Senior Vice President, Global Human Resources(3)	58
Carrie S. Cox*	Executive Vice President and President, Global Pharmaceuticals(4)	51
William J. Creelman	Vice President, Tax(5)	54
Fred Hassan*	Chairman and Chief Executive Officer(6)	63
Maria Teresa Hilado	Vice President and Treasurer(7)	44
Steven H. Koehler*	Vice President and Controller(8)	58
Thomas P. Koestler, Ph.D.*	Executive Vice President and President, Schering-Plough Research Institute(9)	57
Raul E. Kohan*	Senior Vice President and President, Intervet/Schering-Plough Animal Health(10)	56
Ian A.T. McInnes, Ph.D.	Senior Vice President and President, Global Supply Chain(11)	56
Lori Queisser*	Senior Vice President, Global Compliance and Business Practices(12)	48
Thomas J. Sabatino, Jr.*	Executive Vice President and General Counsel(13)	50
Karl D. Salnoske	Vice President and Chief Information Officer(14)	55
Brent Saunders*	Senior Vice President and President, Consumer Health Care(15)	39
Susan Ellen Wolf	Corporate Secretary, Associate General Counsel and Vice President, Governance(16)	54

* Officers as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934.

(1) Mr. Bertolini joined Schering-Plough in 2003 as Executive Vice President and Chief Financial Officer. Mr. Bertolini was a partner at PricewaterhouseCoopers from 1993 to 2003.

(2) Mr. Carroll joined Schering-Plough in 2006 as Vice President, Global Internal Audits. Mr. Carroll was Vice President and General Auditor of American Standard Companies from 2005 to 2006, General Auditor of American Standard Companies from 2002 to 2005.

(3) Mr. Cheeley joined Schering-Plough in 2003 as Senior Vice President, Global Human Resources. Mr. Cheeley was Group Vice President, Global Compensation and Benefits of Pharmacia Corporation from 1998 to 2003.

(4) Ms. Cox joined Schering-Plough in 2003 as Executive Vice President and President, Global Pharmaceuticals. Ms. Cox was Executive Vice President and President, Global Prescription Business of Pharmacia Corporation from 1999 to 2003.

(5) Mr. Creelman joined Schering-Plough in 2004 as Vice President, Tax. Mr. Creelman was Senior Tax Counsel of Pfizer from 2003 to 2004. Mr. Creelman was Assistant Vice President — International Tax of CIGNA Corporation from 2002 to 2003.

(6) Mr. Hassan joined Schering-Plough in 2003 as Chairman of the Board and Chief Executive Officer. Mr. Hassan was Chairman of the Board and Chief Executive Officer of Pharmacia Corporation from 2001 to 2003.

(7) Ms. Hilado joined Schering-Plough in May 2008 as Vice President and Treasurer. Ms. Hilado was Assistant Treasurer for General Motors Corporation from January 2006 to April 2008, and Chief Financial Officer of GMAC Commercial Finance from 2001 to 2005.

(8) Mr. Koehler joined Schering-Plough in 2006 as Vice President and Controller. Mr. Koehler was Senior Vice President, Chief Financial Officer and Treasurer from 2004 to 2006, and Vice President, Chief Financial Officer, Treasurer and Corporate Secretary from 2002 to 2004 of The Medicines Company.

(9) Dr. Koestler was named Executive Vice President and President of Schering-Plough Research Institute in September 2006. Dr. Koestler was Executive Vice President, Global Development of Schering-Plough Research Institute from 2005 to September 2006; Executive Vice President of Schering-Plough Research Institute from 2003 to 2005, and Senior Vice President, Global Regulatory Affairs of Pharmacia Corporation from 2001 to 2003.

(10) Mr. Kohan was named Senior Vice President and President, Intervet/Schering-Plough Animal Health in October 2008. Mr. Kohan was Deputy Head of Animal Health and Senior Vice President, Corporate Excellence and Administrative Services of Schering-Plough Corporation from the end of 2007 to October 2008. Mr. Kohan was Senior Vice President and President Animal Health from February 2007 to October 2007 and Group Head of Global Specialty Operations and President, Animal Health from 2003 to 2007.

(11) Dr. McInnes was named Senior Vice President and President, Global Supply Chain in February 2008. Dr. McInnes joined Schering-Plough in 2004 as Senior Vice President, Global Supply Chain. Dr. McInnes was Senior Vice President, Global Supply Chain of Pharmacia Corporation from 1994 to 2003 and Executive Vice President, Supply Chain, Watson Pharmaceuticals, Inc. from 2003 to 2004.

(12) Ms. Queisser joined Schering-Plough in February 2007 as Senior Vice President, Global Compliance and Business Practices. Ms. Queisser was Vice President, Chief Compliance Officer of Eli Lilly Company from October 2002 to February 2007.

(13) Mr. Sabatino joined Schering-Plough in 2004 as Executive Vice President and General Counsel. Mr. Sabatino was Senior Vice President and General Counsel of Baxter International, Inc. from 2001 to 2004.

(14) Mr. Salnoske joined Schering-Plough in 2004 as Vice President and Chief Information Officer. Mr. Salnoske was CEO of Adaptive Trade from 2001 to 2004.

(15) Mr. Saunders joined Schering-Plough in 2003 as Senior Vice President, Global Compliance and Business Practices. Mr. Saunders was a partner at PricewaterhouseCoopers prior to joining Schering-Plough in 2003.

(16) Ms. Wolf was named Vice President, Corporate Secretary and Associate General Counsel in 2004. She held various positions in Schering-Plough's Law Department from 2002 to 2004.

Part II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

The principal market for Schering-Plough's common stock is the New York Stock Exchange. Additional information required by this Item is incorporated by reference from the table captioned "Quarterly Data" (unaudited) under Item 8, "Financial Statements and Supplementary Data."

The following table provides information with respect to purchases by Schering-Plough of its common shares during the fourth quarter of 2008.

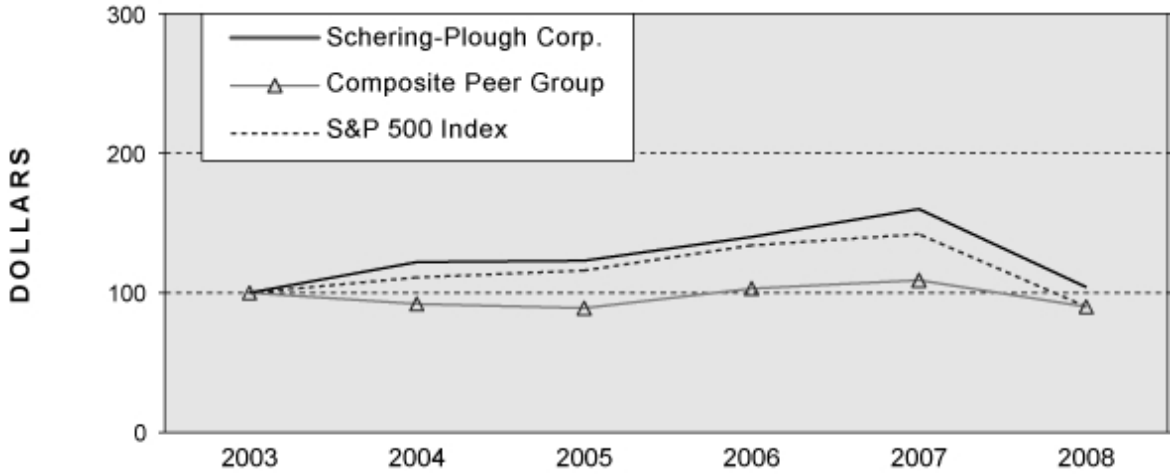
ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2008 through October 31, 2008	1,644	$ 13.08	N/A	N/A
November 1, 2008 through November 30, 2008	18,611	$ 14.49	N/A	N/A
December 1, 2008 through December 31, 2008	18,881	$ 15.45	N/A	N/A
Total October 1, 2008 through December 31, 2008	**39,136**	**$ 14.89**	**N/A**	**N/A**

(1) All of the shares included in the table above represent shares delivered to Schering-Plough by option holders for payment of the exercise price and tax withholding obligations in connection with stock options and stock awards, pursuant to Schering-Plough's stock incentive program.

Performance Graph

Comparison of Cumulative Total Return



	2003	2004	2005	2006	2007	2008
Schering-Plough Corporation	100	122	123	140	160	104
Composite Peer Group	100	92	89	103	109	90
S&P 500 Index	100	111	116	134	142	90

The graph above assumes a $100 investment on December 31, 2003, and reinvestment of all dividends, in each of Schering-Plough's Common Shares, the S&P 500 Index, and a composite peer group of the major U.S.-based pharmaceutical companies, which are: Abbott Laboratories, Bristol-Myers Squibb Company, Johnson & Johnson, Eli Lilly and Company, Merck, Pfizer Inc. and Wyeth.

Item 6. ***Selected Financial Data***

	2008(1)	2007(1)	2006	2005	2004
	(In millions, except per share figures and percentages)				
Operating Results					
Net sales	$ 18,502	$ 12,690	$ 10,594	$ 9,508	$ 8,272
Equity (income)	(1,870)	(2,049)	(1,459)	(873)	(347)
Income/(loss) before income taxes and cumulative effect of a change in accounting principle(2)	2,049	(1,215)	1,483	497	(168)
Net income/(loss)(2)	1,903	(1,473)	1,143	269	(947)
Net income/(loss) available to common shareholders(2)	1,753	(1,591)	1,057	183	(981)
Diluted earnings/(loss) per common share(2)	1.07	(1.04)	0.71	0.12	(0.67)
Basic earnings/(loss) per common share(2)	1.08	(1.04)	0.71	0.12	(0.67)
Research and development expenses	3,529	2,926	2,188	1,865	1,607
Acquired in-process research and development	—	3,754	—	—	—
Depreciation and amortization expenses	2,175	861	568	486	453
Financial Position and Cash Flows					
Property, net	$ 6,833	$ 7,016	$ 4,365	$ 4,487	$ 4,593
Total assets	28,117	29,156	16,071	15,469	15,911
Long-term debt(3)	7,931	9,019	2,414	2,399	2,392
Shareholders' equity	10,529	10,385	7,908	7,387	7,556
Capital expenditures	747	618	458	478	489
Financial Statistics					
Net income/(loss) as a percent of net sales	10.3%	(11.6)%	10.8%	2.8%	(11.4)%
Return on average shareholders' equity	18.1%	(16.1)%	14.9%	3.6%	(12.7)%
Net book value per common share(4)	$ 6.13	$ 6.07	$ 5.10	$ 4.77	$ 4.91
Other Data					
Cash dividends per common share	$ 0.26	$ 0.25	$ 0.22	$ 0.22	$ 0.22
Cash dividends paid on common shares	422	382	326	324	324
Cash dividends paid on preferred shares	150	99	86	86	30
Average shares outstanding used in calculating diluted earnings/(loss) per common share	1,635	1,536	1,491	1,484	1,472
Average shares outstanding used in calculating basic earnings/(loss) per common share	1,625	1,536	1,482	1,476	1,472
Common shares outstanding at year-end	1,626	1,621	1,487	1,479	1,474

(1) Operating results and other financial information reflects the operations of the OBS business subsequent to the acquisition on November 19, 2007, including the impacts of purchase accounting in accordance with SFAS No. 141, "Business Combinations."

(2) 2008, 2007, 2006, 2005, and 2004 include special and acquisition-related charges and manufacturing streamlining costs of $329, $84, $248, $294, and $153, respectively. See Note 3, "Special and Acquisition-Related Charges and Manufacturing Streamlining," for additional information on these charges that were incurred in 2008, 2007 and 2006. The special charges incurred in 2005 of $294 million included litigation charges of $250 million, employee termination costs of $28 million and asset

impairment and other charges of $16 million. The special charges incurred in 2004 included $119 million of employee termination costs and $34 million for asset impairment and related charges.

(3) The increase in long-term debt in 2007, as compared to 2006, primarily reflects the financing of the OBS acquisition.

(4) Assumes conversion of all 2007 mandatory convertible preferred stock into approximately 91 million common shares in 2008 and 2007. Assumes conversion of all 2004 mandatory convertible preferred stock into approximately 65 million common shares in 2006, 69 million common shares in 2005 and 65 million common shares in 2004. In 2007, the 2004 mandatory convertible preferred stock converted into common shares.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

EXECUTIVE SUMMARY

Overview of Schering-Plough

Schering-Plough is an innovation-driven science-centered global health care company. Schering-Plough discovers, develops and manufactures pharmaceuticals for three customer markets — prescription, animal health, and consumer. While most of the research and development activity is directed toward prescription products, there are important applications of this central research and development platform into the animal health products and the consumer health care products. Schering-Plough also accesses external innovation via partnering, in-licensing and acquisition for all three customer markets.

Strategy — Focused on Science

In 2003, soon after Fred Hassan was elected as Chairman of the Board and Chief Executive Officer of Schering-Plough Corporation, he initiated a six-to-eight year strategic plan, called the Action Agenda. A key component of the Action Agenda is applying science to meet unmet medical needs. A core strategy of Schering-Plough is to invest substantial funds in scientific research with the goal of creating therapies and treatments that address important unmet medical needs and also have commercial value. Consistent with this core strategy, Schering-Plough has increased its investment in research and development. Schering-Plough has been successful in advancing the pipeline and has several late-stage projects that will require sizable resources to complete. Schering-Plough continues to develop the later-phase pipeline compounds (e.g., golimumab, sugammadex in the U.S., thrombin receptor antagonist, vicriviroc, boceprevir and asenapine), and its progressing early pipeline includes drug candidates across a wide range of therapeutic areas.

Another key component of the Action Agenda is the focus on building long-term value for shareholders and for the patients who rely upon Schering-Plough's drugs. This longer-term focus includes concurrent emphasis on growing sales, disciplined cost controls and investing in research and development for the future.

Early on, Hassan, and the new management team that he recruited, applied the Action Agenda to stabilizing, repairing and turning around Schering-Plough after Schering-Plough encountered challenges earlier this decade under a prior management team.

Currently, Schering-Plough continues work in the fourth of five phases of the Action Agenda. During the fourth, or Build the Base phase, Schering-Plough continues to focus on its strategy of value creation across a broad front. Over the past five years, sales of Schering-Plough pharmaceutical products across an array of therapeutic areas showed strong growth compared to prior periods and other pharmaceutical companies. Schering-Plough's pharmaceutical sales and marketing activities were further expanded in newer markets. This geographic diversity adds to growth and makes performance less sensitive to any one geographic area. Substantial progress was made with the integration of Organon BioSciences N.V. (OBS), purchased from Akzo Nobel in late 2007. That acquisition was transformative, giving Schering-Plough:

- Key new pipeline projects (including asenapine for schizophrenia and bipolar disease and sugammadex to reverse deep anesthesia);
- Key products in two new therapeutic areas — Women's Health and Central Nervous System;
- A position as a leader in Animal Health by combining Schering-Plough Animal Health with Intervet;
- A leadership position in animal vaccines at Intervet and early-stage innovation capabilities in human vaccines at Nobilon;

- Additional state-of-the-art biologics capabilities;
- A substantial expansion to the Company's geographic footprint; and
- Significant talent, including in key research and development functions.

In April 2008, Schering-Plough announced the Productivity Transformation Program (PTP). The goal of this program, which includes the ongoing integration of OBS, is to create a leaner, stronger company to support Schering-Plough's goal of building long-term high performance despite the current challenging pharmaceutical industry environment and the particular challenges facing Schering-Plough. This program targets savings of $1.5 billion on an annualized basis by 2012 and is designed to reduce and avoid costs, while increasing productivity. Of the total targeted savings, approximately $1.25 billion are anticipated to be accomplished by the end of 2010 with the balance achieved by 2012. The targeted savings envisioned by this program include those resulting from the previously announced OBS integration synergies. Beyond this program, Schering-Plough anticipates investing in new high-priority clinical trials, the pursuit of strategic opportunities, including product launches and anticipates natural cost growth.

As part of the Action Agenda, Schering-Plough continues to work to enhance infrastructure, upgrade processes and systems and strengthen talent. While these efforts are being implemented on a companywide basis, Schering-Plough is focusing especially on research and development to support Schering-Plough's science-based business.

The pharmaceutical industry is under increasing political and regulatory pressure, particularly in the United States and Schering-Plough and the Merck/Schering-Plough Cholesterol Joint Venture have encountered specific challenges during 2008, as explained in more detail in Item 3, "Legal Proceedings," Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture.

The strength Schering-Plough built during the earlier phases of the Action Agenda, including the diversified group of products, customer segments, and geographic areas, as well as its highly experienced executive team, will be helpful in weathering current and future challenges, including those relating to the Merck/Schering-Plough Cholesterol Joint Venture.

Results and Highlights of Schering-Plough's performance in 2008 are as follows:

- Schering-Plough's net sales for 2008 were $18.5 billion, an increase of $5.8 billion, or 46 percent, as compared to 2007. This increase in net sales was primarily due to the contribution of the products from OBS during 2008.
- For 2008, net sales outside the U.S. totaled $12.9 billion. This approximated 70 percent of consolidated net sales.
- Net income available to common shareholders for 2008 was $1.8 billion which includes a gain on the divestitures of certain Animal Health products.
- Increased sales in 2008, of pharmaceutical products such as REMICADE, TEMODAR and NASONEX as well as increased sales in the Animal Health segment contributed favorably to Schering-Plough's overall operating results. Overall operating results also benefited from the increased sales of OBS products.
- Global combined net sales of Schering-Plough's cholesterol franchise products, VYTORIN and ZETIA, decreased 11 percent during 2008 as compared 2007. Combined net sales of the products VYTORIN and ZETIA in the U.S. decreased 24 percent during 2008 as compared to 2007.

Strategic Alliances

As is typical in the pharmaceutical industry, Schering-Plough licenses manufacturing, marketing and/or distribution rights to certain products to others, and also manufactures, markets and/or distributes products owned by others pursuant to licensing and joint venture arrangements. Any time that third parties are involved, there are additional factors relating to the third party and outside the control of Schering-Plough that may

create positive or negative impacts on Schering-Plough. VYTORIN, ZETIA and REMICADE are subject to such arrangements and are key to Schering-Plough's current business and financial performance.

In addition, any potential strategic alternatives may be impacted by the change of control provisions in those arrangements, which could result in VYTORIN and ZETIA being acquired by Merck or REMICADE and golimumab reverting back to Centocor. The change in control provision relating to VYTORIN and ZETIA is included in the contract with Merck, filed as Exhibit 10(r) in this 10-K, and the change of control provision relating to REMICADE and golimumab is contained in the contract with Centocor, filed as Exhibit 10(v) in this 10-K.

Cholesterol Franchise

Schering-Plough's cholesterol franchise products, VYTORIN and ZETIA, are managed through a joint venture between Schering-Plough and Merck for the treatment of elevated cholesterol levels in all markets outside of Japan. ZETIA is Schering-Plough's novel cholesterol absorption inhibitor. VYTORIN is the combination of ZETIA and Zocor (simvastatin), a statin medication developed by Merck. The financial commitment to compete in the cholesterol-reduction market is shared with Merck, and profits from the sales of VYTORIN and ZETIA are also shared with Merck. The operating results of the joint venture with Merck are recorded using the equity method of accounting.

The cholesterol-reduction market is the single largest pharmaceutical category in the world. VYTORIN and ZETIA are competing in this market. Global total combined sales of VYTORIN and ZETIA for 2008, decreased 11 percent as compared to 2007. During 2008, total combined sales of VYTORIN and ZETIA in the U.S. declined 24 percent as compared to 2007. During 2008, total combined sales of VYTORIN and ZETIA outside the U.S. increased 30 percent as compared to 2007. As of December 2008, total combined prescription share for VYTORIN and ZETIA in the U.S. was down versus December 2007 from 16.9 percent to 10.1 percent. In the past, Schering-Plough's profitability has been largely dependent upon the performance of the cholesterol franchise; while performance of the cholesterol franchise is still material to Schering-Plough, as the product diversity has become stronger (through the OBS acquisition as well as development of other Schering-Plough products) the dependence on the cholesterol franchise is lessening.

Japan is not included in the joint venture with Merck. In the Japanese market, Bayer Healthcare is co-marketing Schering-Plough's cholesterol-absorption inhibitor, ZETIA, which was approved in Japan in April 2007 as a monotherapy and co-administered with a statin for use in patients with hypercholesterolemia, familial hypercholesterolemia or homozygous sitosterolemia. ZETIA was launched in Japan during June 2007. Schering-Plough's sales of ZETIA in Japan under the co-marketing agreement with Bayer Healthcare are recognized in net sales and included in Other Pharmaceuticals.

License Arrangements with Centocor

REMICADE is prescribed for the treatment of inflammatory diseases such as rheumatoid arthritis, early rheumatoid arthritis, psoriatic arthritis, Crohn's disease, ankylosing spondylitis, plaque psoriasis and ulcerative colitis. REMICADE is Schering-Plough's second-largest marketed pharmaceutical product line (after the cholesterol franchise). REMICADE is licensed from and manufactured by Centocor, Inc., a Johnson & Johnson company. During 2005, Schering-Plough exercised an option under its contract with Centocor for license rights to develop and commercialize golimumab, a fully human monoclonal antibody which has been filed for approval in Europe. Schering-Plough has exclusive marketing rights to both products outside the U.S., Japan and certain Asian markets. In December 2007, Schering-Plough and Centocor revised their distribution agreement regarding the development, commercialization and distribution of both REMICADE and golimumab, extending Schering-Plough's rights to exclusively market REMICADE to match the duration of Schering-Plough's exclusive marketing rights for golimumab. Effective upon regulatory approval of golimumab in the EU, Schering-Plough's marketing rights for both products will extend for 15 years after the first commercial sale of golimumab within the EU. Centocor will receive a progressively increased share of profits on Schering-Plough's distribution of both products in the Schering-Plough marketing territory between 2010 and 2014, and the share of profits will remain fixed thereafter for the remainder of the term. The changes to the duration of REMICADE marketing rights and the profit sharing arrangement for the products are all

conditioned on approval of golimumab being granted prior to September 1, 2014. Schering-Plough may independently develop and market golimumab for a Crohn's disease indication in its territories, with an option for Centocor to participate. In addition, Schering-Plough and Centocor agreed to utilize an autoinjector device in the commercialization of golimumab and further agreed to share its development costs.

Manufacturing, Sales and Marketing

Schering-Plough supports commercialized products with manufacturing, sales and marketing efforts. Schering-Plough is also moving forward with additional investments to enhance its infrastructure and business, including capital expenditures for the drug development process (where products are moved from the drug discovery pipeline to markets), information technology systems, and post-marketing studies and monitoring.

Schering-Plough continually reviews the business, including manufacturing operations, to identify actions that will enhance long-term competitiveness. However, Schering-Plough's manufacturing cost base is relatively fixed, and actions to significantly reduce Schering-Plough's manufacturing infrastructure, including specific reductions in the number of Schering-Plough manufacturing facilities that will be made as part of the Productivity Transformation Program involve complex issues. As a result, shifting products between manufacturing plants can take many years due to construction and regulatory requirements, including revalidation and registration requirements. Future events and decisions may lead to asset impairments or related costs.

Regulatory and Competitive Environment

Schering-Plough is subject to the jurisdiction of various national, state and local regulatory agencies. Regulatory compliance is complex and costly, impacting the timing needed to bring new drugs to market and to market drugs for new indications.

Schering-Plough engages in clinical trial research in many countries around the world. Research activities must comply with stringent regulatory standards and are subject to inspection by the U.S., the EU, and local country regulatory authorities. Schering-Plough is subject to pharmacovigilance reporting requirements in many countries and other jurisdictions, including the U.S., the EU, and the EU member states. Clinical trials and post-marketing surveillance of certain marketed drugs of competitors within the industry have raised safety concerns that have led to recalls, withdrawals or adverse labeling of marketed products.

A number of intermediaries are involved between drug manufacturers, such as Schering-Plough, and patients who use the drugs. These intermediaries impact the patient's ability, and their prescribers' ability, to choose and pay for a particular drug. These intermediaries include health care providers, such as hospitals and clinics; payors and their representatives, such as employers, insurers, managed care organizations and governments; and others in the supply chain, such as pharmacists and wholesalers. Further, in the U.S., many of Schering-Plough's pharmaceutical products are subject to increasingly competitive pricing as certain of the intermediaries (including managed care groups, institutions and government agencies) seek price discounts. In most international markets, Schering-Plough operates in an environment of government-mandated cost-containment programs. Also, the pricing, sales and marketing programs and arrangements, and related business practices of Schering-Plough and other participants in the health care industry are under continued scrutiny from federal and state regulatory, investigative, prosecutorial and administrative entities.

The market for pharmaceutical products is competitive. Schering-Plough's operations may be affected by technological advances of competitors, industry consolidation, patents granted to competitors, loss of patent protection due to challenges by competitors, competitive combination products, new products of competitors, new information from clinical trials of marketed products or post-marketing surveillance and generic competition as Schering-Plough's products mature.

OBS Acquisition

On November 19, 2007, Schering-Plough acquired OBS for a purchase price of approximately Euro 11 billion in cash, or approximately $16.1 billion.

Commencing from the acquisition date, OBS's assets acquired and liabilities assumed, as well as the results of OBS's operations, are included in Schering-Plough's consolidated financial statements. There were approximately one and one-half months of results of operations relating to OBS included in Schering-Plough's Statement of Consolidated Operations for the year ended December 31, 2007.

The impact of purchase accounting resulted in the following non-cash charges in 2008 and 2007:

- Acquired In-Process Research and Development (IPR&D), which was a one-time charge of approximately $3.8 billion in 2007.
- Amortization of inventory adjusted to fair value of approximately $1.1 billion was charged to Cost of Sales ($889 million in 2008 and $258 million in 2007).
- Amortization of acquired intangible assets adjusted to fair value, of which $6.8 billion will be amortized over a weighted average life of 15 years to Cost of Sales ($527 million in 2008 and $65 million in 2007).
- Incremental depreciation relating to the adjustment in fair value on property, plant and equipment of approximately $900 million that will be depreciated primarily to Cost of Sales over the lives of the applicable property ($33 million in 2008 and $3 million in 2007).

DISCUSSION OF OPERATING RESULTS

The results of operations in 2008 and 2007 discussed below include OBS's product sales and expenses as well as certain non-cash charges relating to purchase accounting associated with the OBS acquisition.

Net Sales

Consolidated net sales in 2008 were $18.5 billion, an increase of $5.8 billion or 46 percent as compared to 2007. Consolidated net sales in 2008 included $5.4 billion of net sales of products from OBS. The increase was primarily due to the acquisition of OBS, on November 19, 2007. Foreign exchange had an estimated 3% favorable impact on sales in 2008. Since the acquisition of OBS, a greater proportion of Schering-Plough's sales are denominated in Euros. Net sales outside the U.S. are approximately 70 percent of consolidated net sales.

Consolidated net sales in 2007 were $12.7 billion, an increase of $2.1 billion or 20 percent compared to 2006. Consolidated net sales in 2007 included $626 million of net sales of products from OBS related to the period subsequent to the acquisition. The increase primarily reflected the growth in sales volumes of REMICADE, TEMODAR, NASONEX and AVELOX as well as contributions from Animal Health and Consumer Health Care and an estimated favorable impact of 4 percent from foreign exchange.

A significant portion of U.S. net sales are made to major pharmaceutical and health care product distributors and major retail chains. Consequently, net sales and quarterly growth comparisons may be affected by fluctuations in the buying patterns of major distributors, retail chains and other trade buyers. These fluctuations may result from seasonality, pricing, wholesaler, retail and trade buying decisions, changes in overall demand factors or other factors. In addition to these fluctuations, sales of many pharmaceutical products in the U.S. are subject to increased pricing pressure from managed care groups, institutions, government agencies, and other groups seeking discounts. Schering-Plough and other pharmaceutical manufacturers in the U.S. market are also required to provide statutorily defined rebates to various government agencies in order to participate in the Medicaid program, the veterans health care program, and other government-funded programs. The Medicare Prescription Drug Improvement and Modernization Act of 2003 contains a prescription drug benefit for individuals who are eligible for Medicare. This prescription drug benefit became effective on January 1, 2006 and is resulting in increased use of generics and increased purchasing power of those negotiating on behalf of Medicare recipients. In most international markets, Schering-Plough operates in an environment where governments may and have mandated cost-containment programs, placed restrictions on physician prescription levels and patient reimbursements, emphasized greater use of generic drugs and enacted across-the-board price cuts as methods to control costs.

Net sales for the years ended December 31, 2008, 2007, and 2006 were as follows:

	2008	2007	2006	% Increase (Decrease) 2008/2007	% Increase (Decrease) 2007/2006
	(Dollars in millions)				
PRESCRIPTION PHARMACEUTICALS	**$ 14,253**	**$ 10,173**	**$ 8,561**	**40%**	**19%**
REMICADE	2,118	1,648	1,240	28%	33%
NASONEX	1,155	1,092	944	6%	16%
TEMODAR	1,002	861	703	16%	22%
PEGINTRON	914	911	837	—	9%
CLARINEX/AERIUS	790	799	722	(1)%	11%
FOLLISTIM/PUREGON(1)	577	57	—	N/M	N/M
NUVARING(1)	440	45	—	N/M	N/M
CLARITIN Rx	425	391	356	9%	10%
AVELOX	376	384	304	(2)%	26%
INTEGRILIN	314	332	329	(5)%	1%
CAELYX	297	257	206	16%	25%
REBETOL	260	277	311	(6)%	(11)%
ZEMURON(1)	253	25	—	N/M	N/M
REMERON(1)	239	33	—	N/M	N/M
INTRON A	234	233	237	—	(2)%
SUBUTEX/SUBOXONE	230	220	203	5%	8%
ASMANEX	180	162	103	11%	57%
Other Pharmaceutical	4,449	2,446	2,066	N/M	18%
ANIMAL HEALTH	**2,973**	**1,251**	**910**	**138%**	**37%**
CONSUMER HEALTH CARE	**1,276**	**1,266**	**1,123**	**1%**	**13%**
OTC	680	682	558	—	22%
Foot Care	357	345	343	3%	1%
Sun Care	239	239	222	—	8%
CONSOLIDATED NET SALES	**$ 18,502**	**$ 12,690**	**$ 10,594**	**46%**	**20%**

(1) Products acquired in OBS acquisition on November 19, 2007

N/M — Not a meaningful percentage.

Sales of Prescription Pharmaceuticals in 2008 totaled $14.3 billion, a $4.1 billion or 40 percent increase compared to 2007. Included in 2008 and 2007 are $3.5 billion and $409 million of net sales related to Organon, the human health business of OBS. Sales of Prescription Pharmaceuticals in 2007 totaled $10.2 billion, a $1.6 billion or 19 percent increase compared to 2006.

International net sales of REMICADE, a drug for the treatment of immune-mediated inflammatory disorders such as rheumatoid arthritis, early rheumatoid arthritis, psoriatic arthritis, Crohn's disease, ankylosing spondylitis, plaque psoriasis, and ulcerative colitis, were up 28 percent to $2.1 billion in 2008 as compared to 2007 driven by continued market growth, expanded penetration in certain indications and a favorable impact from foreign exchange. International net sales increased 33 percent in 2007 to $1.6 billion as compared to 2006, due to greater demand, expanded use across indications and a favorable impact from foreign exchange. REMICADE is an anti-TNF antibody, marketed by Schering-Plough outside of the U.S., Japan and certain Asian markets. Competitive products for the indications referred to above have been introduced during 2007 and 2008.

Global net sales of NASONEX Nasal Spray, a once-daily corticosteroid nasal spray for allergies, rose 6 percent to $1.2 billion in 2008 as compared to 2007 due to increased sales in the international market and 16 percent to $1.1 billion in 2007 as compared to 2006, as the product captured greater U.S. and international market share in 2007. Competitive products have been introduced in 2007 and 2008.

Global net sales of TEMODAR, a treatment for certain types of brain tumors, increased 16 percent to $1 billion in 2008 as compared to 2007 due to increased sales across geographic regions. Global net sales increased 22 percent to $861 million in 2007 as compared to 2006 due to increased sales across geographic markets, including Japan, where the product was launched in September 2006. TEMODAR will lose patent exclusivity in the EU in 2009.

Global net sales of PEGINTRON Powder for Injection, a pegylated interferon product for treating hepatitis C, were essentially flat in 2008 as compared to 2007, including a favorable impact of foreign exchange. Global net sales increased 9 percent to $911 million in 2007 as compared to 2006 due to higher sales in Latin America and emerging markets across Europe, and tempered by lower sales in Japan due to increased competition and a decrease in the U.S. market size.

Global net sales of CLARINEX (marketed as AERIUS in many countries outside the U.S.), for the treatment of seasonal outdoor allergies and year-round indoor allergies, in 2008 decreased 1 percent to $790 million as compared to 2007 primarily due to lower sales in the United States. Global net sales in 2007 increased 11 percent to $799 million as compared to 2006 primarily due to higher sales in international markets.

Global net sales of FOLLISTIM/PUREGON, a recombinant follicle-stimulating hormone for treating infertility, were $577 million in 2008 and $57 million for 2007 (which represent sales from the date of the OBS acquisition on November 19, 2007 through December 31, 2007). FOLLISTIM/PUREGON will lose patent exclusivity in the EU in 2009.

Global net sales of NUVARING, a contraception product, were $440 million for 2008 and $45 million for 2007 (which represent sales from the date of the OBS acquisition on November 19, 2007 through December 31, 2007).

International net sales of prescription CLARITIN increased 9 percent to $425 million in 2008 as compared to 2007, primarily due to higher sales in Japan and favorable foreign exchange. Sales in 2007 increased 10 percent to $391 million as compared to 2006, reflecting growth in Latin America, Asia Pacific and Japan.

Net sales of AVELOX, a fluoroquinolone antibiotic for the treatment of certain respiratory and skin infections, marketed in the U.S. by Schering-Plough as a result of its license agreement with Bayer, decreased 2 percent to $376 million in 2008 as compared to 2007, reflecting a decline in the U.S. respiratory tract infection market. Net sales in 2007 increased 26 percent to $384 million in 2007 as compared to $304 million in 2006, primarily as a result of increased market share.

Global net sales of INTEGRILIN Injection, a glycoprotein platelet aggregation inhibitor for the treatment of patients with acute coronary syndrome, that is sold primarily in the U.S. by Schering-Plough, decreased 5 percent to $314 million in 2008 as compared to 2007. During 2007, sales increased 1 percent to $332 million as compared to 2006.

International net sales of CAELYX, for the treatment of ovarian cancer, metastatic breast cancer and Kaposi’s sarcoma, increased 16 percent to $297 million in 2008 as compared to 2007 primarily due to higher sales across Europe and favorable foreign exchange. Sales in 2007 increased 25 percent to $257 million as compared to 2006 primarily due to increased sales in Latin America and a favorable impact from foreign exchange.

Global 2008 net sales of REBETOL Capsules, for use in combination with PEGINTRON or INTRON A for treating hepatitis C, decreased 6 percent to $260 million as compared to 2007 due to lower sales in Japan and continued generic competition. Global net sales in 2007 decreased 11 percent to $277 million as compared to 2006 due to lower patient enrollment in Japan and increased generic competition.

Global net sales of ZEMURON, a muscle relaxant used in surgical procedures, were $253 million in 2008 and $25 million in 2007 (which represent sales from the date of the OBS acquisition on November 19, 2007, through December 31, 2007). ZEMURON lost patent exclusivity in the U.S. in October 2008 and will lose patent exclusivity in the EU in 2009.

Global net sales of REMERON, an antidepressant, were $239 million in 2008 and $33 million in 2007 (which represent sales from the date of the OBS acquisition on November 19, 2007, through December 31, 2007).

Global net sales of INTRON A Injection, for chronic hepatitis B and C and other antiviral and anticancer indications, were essentially flat in 2008 as compared to 2007 and decreased 2 percent in 2007 to $233 million as compared to 2006. The decrease in 2007 as compared to 2006 was due to the conversion to PEGINTRON for treating hepatitis C in Japan.

International net sales of SUBUTEX/SUBOXONE, for the treatment of opiate addiction, increased 5 percent to $230 million in 2008 as compared to 2007. Sales increased 8 percent to $220 million in 2007 as compared to 2006. The increases in 2008 and 2007 resulted primarily from the benefit of foreign exchange.

Global net sales of ASMANEX, an orally inhaled steroid for asthma, were up 11 percent to $180 million in 2008 as compared to 2007 primarily due to market share growth in the U.S. Sales increased to $162 million in 2007 as compared to 2006 due to the increase in sales in the U.S.

Other pharmaceutical net sales include a large number of lower sales volume prescription pharmaceutical products and included $2.0 billion and $249 million of net sales from OBS products for 2008 and 2007, respectively. Several of these products are sold in limited markets outside the U.S., and many are multiple-source products no longer protected by patents. These products include treatments for respiratory, cardiovascular, dermatological, infectious, oncological and other diseases.

Global net sales of Animal Health products increased 138 percent to approximately $3.0 billion in 2008 as compared to 2007. Included in global Animal Health net sales are $1.9 billion related to Intervet, the animal health business of OBS. Global net sales in 2008 benefited from solid growth in all geographic areas, led by the cattle, poultry and companion animal product lines, coupled with a positive impact from foreign currency exchange rates. Global net sales increased 37 percent in 2007 to $1.3 billion as compared to 2006, reflecting strong growth of core brands across most geographic and species areas led by higher sales of companion animal products and the inclusion of Intervet sales. The Animal Health segment’s sales are impacted by intense competition and the frequent introduction of generic products.

Global net sales of Consumer Health Care products, which include OTC, foot care and sun care products, increased 1 percent or $10 million as compared to 2007. The increase in 2008 was mainly due to higher sales of MiraLAX, which was launched in February 2007 as the first Rx-to-OTC switch in the laxative category in more than 30 years, offset by lower sales of other OTC products. OTC CLARITIN sales decreased 12 percent to $405 million in 2008 as compared to 2007 as a result of increased competition from private-label products. Global net sales in 2007 increased 13 percent or $143 million as compared to 2006 reflecting an increase in sales of sun care products and DR. SCHOLL’S products and the launch of MiraLAX. In addition, sales of OTC CLARITIN increased 18 percent to $462 million in 2007 as compared to 2006 due to sales growth across all product forms. Net sales of sun care products increased $17 million or 8 percent in 2007 as compared to 2006, primarily due to the success of COPPERTONE CONTINUOUS SPRAY products launched in 2005. The consumer health care market is highly competitive, with heavy advertising to consumers and frequent competitive product introductions, including a former prescription antihistamine that was launched for OTC sales in early 2008, and the impact of U.S. consumers’ purchasing patterns.

Costs, Expenses and Equity Income

A summary of costs, expenses and equity income for the years ended December 31, 2008, 2007 and 2006 is as follows:

	2008	2007	2006	% Increase (Decrease) 2008/2007	% Increase (Decrease) 2007/2006
		(Dollars in millions)			
Gross margin	60.5%	65.3%	65.1%	(4.8)%	0.2%
Selling, general and administrative (SG&A)	$ 6,823	$ 5,468	$ 4,718	24.8%	15.9%
Research and development (R&D)	3,529	2,926	2,188	20.6%	33.7%
Acquired in-process research and development (IPR&D)	—	3,754	—	N/M	N/M
Other expense/(income), net	335	(683)	(135)	N/M	N/M
Special and acquisition-related charges	329	84	102	N/M	N/M
Equity income	(1,870)	(2,049)	(1,459)	(9)%	40.4%

N/M — Not a meaningful percentage

Substantially all the sales of cholesterol products are not included in Schering-Plough's net sales. The results of these sales are reflected in equity income. In addition, due to the virtual nature of the joint venture, Schering-Plough incurs substantial selling, general and administrative expenses that are not captured in equity income but are included in Schering-Plough's Statements of Consolidated Operations. As a result, Schering-Plough's gross margin, and ratios of SG&A expenses and R&D expenses as a percentage of net sales do not reflect the benefit of the impact of the joint venture's operating results.

Gross margin

Gross margin was 60.5 percent in 2008 as compared to 65.3 percent in 2007. Gross margin in 2008 and 2007 was unfavorably impacted by $1.4 billion and $326 million, respectively, of purchase accounting adjustments included in cost of sales. These purchase accounting adjustments were a result of the amortization of fair values of primarily inventories and intangible assets acquired as part of the OBS acquisition. Gross margin in 2007, when compared to 2006, benefited from realized cost savings of approximately $100 million from manufacturing streamlining in 2006, the non-recurrence of $146 million of charges associated with the aforementioned manufacturing streamlining actions and favorable product mix.

Selling, general and administrative

Selling, general and administrative expenses (SG&A) increased 25 percent to $6.8 billion in 2008 as compared to 2007. The increase in SG&A is primarily due to the inclusion of expenses from OBS and the impact of foreign exchange partially offset by the Productivity Transformation Program savings.

SG&A increased 16 percent to $5.5 billion in 2007 as compared to 2006, reflecting higher promotion spending, ongoing investments in emerging markets and an unfavorable impact from foreign exchange.

Research and development

Research and development (R&D) spending increased 21 percent to $3.5 billion in 2008 as compared to 2007. Included in R&D in 2007 were upfront payments of $197 million mainly related to certain licensing transactions. The increase in R&D spending versus 2007 also reflects increased spending as a result of the OBS acquisition, as well as higher spending for clinical trials and related activities and investments to build greater breadth and capacity to support Schering-Plough's expanding global R&D pipeline. In 2007, R&D spending increased 34 percent to $2.9 billion as compared to 2006. The 2007 increase was due to higher costs associated with clinical trials, as well as building greater breadth and capacity to support Schering-Plough's pipeline. Changes in R&D spending also reflect the timing of Schering-Plough's funding of both internal

research efforts and research collaborations with various partners to discover and develop a steady flow of innovative products.

To maximize its chances for the successful development of new products, Schering-Plough began a Development Excellence initiative in 2005 to build talent and critical mass, create a uniform level of excellence and deliver on high-priority programs within R&D. In 2006, Schering-Plough began a Global Clinical Harmonization Program to maximize and globalize the quality of clinical trial execution, pharmacovigilance and regulatory processes. Beginning in 2007, certain aspects of the Global Clinical Harmonization Program have been implemented and continue to be integrated into the processes of OBS.

Other expense/(income), net

Other expense/(income), net is comprised of the following for the years ended December 31:

	2008	2007	2006
	(Dollars in millions)		
Interest cost incurred	$ 555	$ 263	$ 184
Less: amount capitalized on construction	(19)	(18)	(12)
Interest expense	536	245	172
Interest income	(71)	(395)	(297)
Foreign exchange losses/(gains), net	47	(37)	2
Gain on sale of divested products	(160)	—	—
Realized gain on foreign currency options, net	—	(510)	—
Ineffective portion of interest rate swaps	—	7	—
Other, net	(17)	7	(12)
Total other expense/(income), net	$ 335	$ (683)	$ (135)

Schering-Plough had $335 million of other expense, net, for 2008 and $683 million of other income, net, for 2007. Interest expense was higher in 2008 due to the issuance of new debt in connection with the acquisition of OBS in the second half of 2007. Other expense, net, for 2008 includes $160 million ($149 million after tax) of gain on sale of the divestitures of certain Animal Health products as required by regulatory agencies in U.S. and Europe in connection with the acquisition of OBS. In addition, during 2008, Schering-Plough recognized a gain of $17 million ($12 million after tax) on the sale of a manufacturing site. Other income, net, for 2007 included net realized gains on foreign currency options of $510 million related to the OBS acquisition. The increase in Other income, net, in 2007 compared to 2006 also reflected higher interest income due to higher balances of cash equivalents and short-term investments partially offset by higher interest expense due to the issuance of new debt.

Special and acquisition-related charges and manufacturing streamlining

2008 Special and acquisition-related charges

Special and acquisition-related charges relate to the Productivity Transformation Program activities which include the ongoing integration of the OBS business. Special and acquisition-related charges for 2008 were $329 million. The costs for 2008 included $275 million of employee termination costs. The remaining charges of $54 million related to integration activities.

The following table summarizes the charges, cash payments and liabilities related to the Productivity Transformation Program, which includes the ongoing integration of OBS, through December 31, 2008:

	Employee Termination Costs	Acquisition-Related Liabilities: Employee Termination Costs	Acquisition-Related Liabilities: Other Exit Costs
		(Dollars in millions)	
Accrued liability at December 31, 2007	$ 23	$ 151	$ —
Charges(a)	254	21	—
Purchase price allocation items(b)	—	(3)	50
Cash payments	(154)	(169)	(18)
Accrued liability at December 31, 2008	$ 123	$ —	$ 32

(a) Recorded to special and acquisition-related charges.

(b) Recorded as part of purchase accounting. Included in acquisition-related liabilities at December 31, 2008 are costs to exit certain activities of OBS.

2007 Special and acquisition-related charges

During the year ended December 31, 2007, Schering-Plough incurred $84 million of special and acquisition-related charges, comprised of $61 million of integration-related costs for the OBS acquisition and $23 million of employee termination costs as part of integration activities.

2006 manufacturing streamlining

During 2006, Schering-Plough implemented changes to its manufacturing operations in Puerto Rico and New Jersey that have streamlined its global supply chain and further enhanced Schering-Plough's long-term competitiveness. These changes resulted in the phase-out and closure of Schering-Plough's manufacturing operations in Manati, Puerto Rico, and additional workforce reductions in Las Piedras, Puerto Rico, and New Jersey.

Special charges: Special charges in 2006 related to the changes in Schering-Plough's manufacturing operations totaled $102 million. These charges consisted of approximately $47 million of severance and $55 million of fixed asset impairments.

Cost of Sales: Included in 2006 cost of sales was approximately $146 million consisting of $93 million of accelerated depreciation, $46 million of inventory write-offs, and $7 million of other charges related to the closure of Schering-Plough's manufacturing facilities in Manati, Puerto Rico.

The following table summarizes activities reflected in the consolidated financial statements related to changes to Schering-Plough's manufacturing operations which were completed in 2006:

	Charges included in Cost of sales	Special charges	Total charges	Cash payments	Non-cash charges	Accrued Liability
			(Dollars in millions)			
Accrued liability at January 1, 2006						$ —
Severance	$ —	$ 47	$ 47	$ (35)	$ —	12
Asset impairments	—	55	55	—	(55)	—
Accelerated depreciation	93	—	93	—	(93)	—
Inventory write-offs	46	—	46	—	(46)	—
Other	7	—	7	(2)	(5)	—
Total	$ 146	$ 102	$ 248	$ (37)	$ (199)	
Accrued liability at December 31, 2006						$ 12
Severance				$ (12)		(12)
Accrued liability at December 31, 2007						$ —

Equity income

Sales of the Merck/Schering-Plough Cholesterol Joint Venture totaled $4.6 billion, $5.2 billion and $3.9 billion in 2008, 2007 and 2006, respectively. The sales decrease in 2008 was due primarily to lower market share in the U.S. partially offset by continued growth in international markets. The sales growth in 2007, as compared to 2006, was due primarily to an increase in market share.

The companies bear the costs of their own general sales forces and commercial overhead in marketing joint venture products around the world. In the U.S., Canada and Puerto Rico, the cholesterol agreements provide for a reimbursement to each company for physician details that are set on an annual basis, and in Italy, a contractual amount is included in the profit sharing calculation that is not reimbursed. In the U.S., Canada and Puerto Rico, this amount is equal to each company's agreed physician details multiplied by a contractual fixed fee. Schering-Plough reports these amounts as part of equity income. These amounts do not represent a reimbursement of specific, incremental and identifiable costs for Schering-Plough's detailing of the cholesterol products in these markets. In addition, these amounts are not reflective of Schering-Plough's sales effort related to the joint venture, as Schering-Plough's sales force and related costs associated with the joint venture are generally estimated to be higher.

In the U.S. market, Schering-Plough receives a greater share of profits on the first $300 million of annual ZETIA sales. Above $300 million of annual ZETIA sales, Merck and Schering-Plough generally share profits equally.

Costs of the joint venture that the companies contractually share are a portion of manufacturing costs, specifically identified promotion costs (including direct-to-consumer advertising and direct and identifiable out-of-pocket promotion) and other agreed upon costs for specific services such as market support, market research, market expansion, a specialty sales force and physician education programs.

Certain specified research and development expenses are generally shared equally by Schering-Plough and Merck.

The allergy/asthma agreements provided for the joint development and marketing by the companies of a once-daily, fixed-combination tablet containing loratadine/montelukast. In April 2008, the Merck/Schering-Plough joint venture received a not-approvable letter from the FDA for the proposed fixed combination of loratadine/montelukast. During the second quarter of 2008 the respiratory joint venture was terminated in accordance with the agreements. This action has no impact on the cholesterol joint venture. As a result of the

termination of the respiratory joint venture, Schering-Plough received payments totaling $105 million, which Schering-Plough recognized during 2008 in equity income.

Equity income from the Merck/Schering-Plough joint venture totaled $1.9 billion, $2.0 billion and $1.5 billion in 2008, 2007, and 2006, respectively. The decrease in 2008 equity income amounts compared to 2007 reflects sales declines of VYTORIN and ZETIA in the U.S. partially offset by sales growth internationally and receipt of $105 million from the termination of the respiratory joint venture. The increase in 2007 equity income as compared to 2006 reflected increased sales of VYTORIN and ZETIA during 2007 as compared to 2006.

It should be noted that Schering-Plough incurs substantial selling, general and administrative and other costs, which are not reflected in equity income and instead are included in the overall cost structure of Schering-Plough.

Provision for income taxes

Tax expense was $146 million, $258 million and $362 million in 2008, 2007 and 2006, respectively. The 2008 and 2007 tax provision amounts included tax benefits of $344 million and $89 million, respectively, related to the amortization of fair values of certain assets acquired as part of the OBS acquisition and other purchase-accounting related items. The tax provisions in 2008, 2007 and 2006 do not include any benefit related to U.S. operating losses. During 2004, Schering-Plough established a valuation allowance on its net U.S. deferred tax assets, including the benefit of U.S. operating losses, as management concluded that it is not more likely than not that the benefit of the U.S. net deferred tax assets can be realized. At December 31, 2008, Schering-Plough continues to maintain a valuation allowance against its U.S. net deferred tax assets. Schering-Plough expects to report a U.S. Net Operating Loss (NOL) carryforward of $1.3 billion on its tax return for the year ended December 31, 2008. This U.S. NOL carryforward could be materially reduced after examination of Schering-Plough's income tax returns by the Internal Revenue Service (IRS).

Schering-Plough implemented the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48) as of January 1, 2007. As required by FIN 48, the cumulative effect of applying the provisions of the interpretation was reported as an adjustment to Schering-Plough's retained earnings balance as of January 1, 2007. Schering-Plough reduced its January 1, 2007 retained earnings by $259 million as a result of the adoption of FIN 48.

Schering-Plough's unrecognized tax benefits result primarily from the varying application of statutes, regulations and interpretations and include exposures on intercompany terms of cross border arrangements and utilization of cash held by foreign subsidiaries (investment in U.S. property) as well as Schering-Plough's tax matters litigation (see Note 21, "Legal, Environmental and Regulatory Matters", under Item 8, "Financial Statements and Supplementary Data"). At December 31, 2008 and 2007, the total amount of unrecognized tax benefits was $994 million and $859 million, respectively, which includes tax liabilities as well as reductions to deferred tax assets carrying a full valuation allowance. At December 31, 2008 and 2007, approximately $596 million and $535 million, respectively, of total unrecognized tax benefits, if recognized, would affect the effective tax rate. Management believes it is reasonably possible that total unrecognized tax benefits could decrease over the next twelve-month period up to approximately $625 million. This would be primarily attributable to a decision in the tax matter currently being litigated in Newark District Court for which a decision has not yet been rendered, possible final resolution of Schering-Plough's 1997 through 2002 examination by the IRS and appeals and possible resolutions of various other matters. However, the timing of the ultimate resolution of Schering-Plough's tax matters and the payment and receipt of related cash is dependent on a number of factors, many of which are outside Schering-Plough's control.

Schering-Plough includes interest expense or income as well as potential penalties on uncertain tax positions as a component of income tax expense in the Statement of Consolidated Operations. The total amount of interest expense related to uncertain tax positions for the years ended December 31, 2008 and 2007 was $63 million and $50 million, respectively. The total amount of accrued interest related to uncertain tax positions at December 31, 2008 and 2007 was $245 million and $197 million, respectively, and is included in other accrued liabilities.

During the second quarter of 2007, the IRS completed its examination of Schering-Plough's 1997-2002 federal income tax returns. Schering-Plough is seeking resolution of an issue raised during this examination through the IRS administrative appeals process. In July 2007, Schering-Plough made a payment of $98 million to the IRS pertaining to the 1997-2002 examination. Schering-Plough's tax returns are open for examination with the IRS for the 1997 through 2008 tax years. During 2008, the IRS commenced its examination of the 2003 — 2006 federal income tax returns. This examination is expected to be completed in 2010. For most of its other significant tax jurisdictions (U.S., state and foreign), Schering-Plough's income tax returns are open for examination for the period 2000 through 2008.

Net income/(loss) available to common shareholders

Schering-Plough had a net income/(loss) available to common shareholders of $1.8 billion, $(1.6) billion and $1.1 billion for 2008, 2007 and 2006, respectively. Net income/(loss) available to common shareholders for 2008 and 2007 included approximately $1.1 billion and $4.0 billion, respectively, of charges related to purchase accounting for the OBS acquisition, Net income/(loss) available to common shareholders for 2008, 2007 and 2006 included the deduction of preferred stock dividends of $150 million, $118 million and $86 million, respectively, related to the 2004 and 2007 mandatory convertible preferred shares. The loss in 2007 was due to the impact of purchase accounting items from the OBS acquisition and increased interest expense as a result of the issuance of debt in the second half of 2007. These amounts were partially offset by the impacts of a gain on currency options in the 2007 period and a gain on the divestitures of certain Animal Health products in the 2008 period.

Net income/(loss) available to common shareholders for 2008, 2007 and 2006 also included special and acquisition-related charges and manufacturing streamlining costs of approximately $329 million, $84 million and $248 million, respectively. See Note 3, "Special and Acquisition-Related Charges and Manufacturing Streamlining," under Item 8, "Financial Statements and Supplementary Data," for additional information.

LIQUIDITY AND FINANCIAL RESOURCES

Discussion of Cash Flow

	For the Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Cash flow provided by operating activities	$ 3,364	$ 2,630	$ 2,161
Cash flow used for investing activities	(532)	(13,156)	(2,908)
Cash flow (used for)/provided by financing activities	(1,660)	10,089	(1,361)

Operating Activities

In 2008, operating activities provided $3.4 billion of cash, compared with net cash provided by operations of $2.6 billion in 2007. The increase is primarily due to the inclusion of the OBS business and the absence of special and acquisition-related payments in 2007 associated with the settlement of an investigation by the U.S. Attorney's Office for the District of Massachusetts involving certain of Schering-Plough's sales, marketing and clinical trial practices and programs (the Massachusetts Investigation).

In 2007, net cash provided by operating activities was $2.6 billion, an increase of $0.4 billion as compared to 2006. The increase was primarily due to a net realized gain of $510 million from foreign currency options relating to the OBS acquisition, higher net sales and equity income, partially offset by payments of $435 million for the settlement of the Massachusetts Investigation and $98 million for tax and interest due in connection with an examination by the IRS of Schering-Plough's 1997-2002 federal income tax returns.

During 2007, as part of an overall risk management strategy and in consideration of various preliminary financing scenarios associated with the acquisition of OBS, Schering-Plough purchased euro-denominated currency options (derivatives) for aggregate premiums of approximately $165 million and received proceeds of

$675 million upon the termination of these options, resulting in a net realized gain of $510 million. These derivatives were short-term (trading) in nature and did not hedge a specific financing or investment transaction. Accordingly, the cash impacts of these derivatives were classified as operating cash flows in the Statement of Consolidated Cash Flows.

Investing Activities

Net cash used for investing activities during 2008 was $532 million and primarily relates to capital expenditures of $747 million partially offset by the proceeds from divested products of $241 million.

Net cash used for investing activities in 2007 was $13.2 billion, primarily consisting of $15.8 billion of net cash used to purchase OBS. In addition, the source of cash for investing activities in 2007 included a net reduction of short-term investments of $3.3 billion partially offset by $618 million of capital expenditures. Net cash used for investing activities during 2006 was $2.9 billion primarily related to the net purchases of short-term investments of $2.4 billion previously invested in cash equivalents and $458 million of capital expenditures.

Financing Activities

Net cash used for financing activities was $1.7 billion for 2008, compared to $10.1 billion of cash provided by financing activities for 2007. Uses of cash for financing activities for 2008 included the pay down of euro-denominated long-term debt of Euro 600 million and other debt payments (total payments $929 million), payment of dividends on common and preferred shares of $572 million and pay down of commercial paper and other short-term debt outstanding of $169 million.

Net cash provided by financing activities for 2007 included net proceeds on the issuance of common and preferred shares of approximately $1.5 billion and $2.4 billion, respectively, and net proceeds of approximately $6.4 billion on the issuance of long-term debt. Net cash provided by financing activities in 2007 also included $225 million of proceeds from stock option exercises offset by the payment of dividends on common and preferred shares of $481 million. Net cash used for financing activities during 2006 was $1.4 billion, which included the payment of dividends on common and preferred shares of $412 million and the repayment of $1.0 billion of bank debt and short-term commercial paper borrowings.

Other Discussion of Cash Flows

Schering-Plough expects to contribute approximately $350 million to its retirement plans during 2009, including approximately $200 million to the U.S. Schering-Plough Retirement Plan.

At December 31, 2008 and 2007, Schering-Plough had net debt (total debt less cash, cash equivalents, short-term investments and marketable securities) of $4.8 billion and $7.1 billion, respectively. Cash generated from operations, available cash and short-term investments and available credit facilities are expected to provide Schering-Plough with the ability to fund cash needs for the intermediate term.

Borrowings and Credit Facilities

On September 17, 2007, Schering-Plough issued $1.0 billion aggregate principal amount of 6.00 percent senior unsecured notes due 2017 and $1.0 billion aggregate principal amount of 6.55 percent senior unsecured notes due 2037. The net proceeds from this offering were approximately $2.0 billion. Interest on the notes is payable semi-annually. The effective interest rate on the 6.00 percent senior unsecured notes and the 6.55 percent senior unsecured notes, which incorporates the initial discount and debt issuance fees, is 6.13 percent and 6.67 percent, respectively. The interest rate payable on these notes is not subject to adjustment. The notes generally restrict Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 10 percent of consolidated net tangible assets. These notes are redeemable in whole or in part, at Schering-Plough's option at any time, at a redemption price equal to the greater of (1) 100 percent of the principal amount of such notes and (2) the sum of the present values of the

remaining scheduled payments of principal and interest discounted to the redemption date on a semiannual basis using the rate of Treasury Notes with comparable remaining terms plus 25 basis points for the 2017 notes or 30 basis points for the 2037 notes. If a change of control triggering event occurs, under certain circumstances, as defined in the prospectus, holders of the notes will have the right to require Schering-Plough to repurchase all or any part of the notes for a cash payment equal to 101 percent of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest, if any, to the date of purchase.

On October 1, 2007, Schering-Plough issued Euro 500 million aggregate principal amount of 5.00 percent senior unsecured euro-denominated notes due 2010 and Euro 1.5 billion aggregate principal amount of 5.375 percent senior unsecured euro-denominated notes due 2014. The net proceeds from this offering were approximately $2.8 billion. Interest on the notes is payable annually. The effective interest rate on the 5.00 percent senior unsecured euro-denominated notes and the 5.375 percent senior unsecured euro-denominated notes, which incorporates the initial discount, debt issuance fees and the impact of interest rate hedges, is 5.10 percent and 5.46 percent, respectively. The interest rate payable on these notes is not subject to adjustment. The notes generally restrict Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 10 percent of consolidated net tangible assets. These notes are redeemable in whole or in part, at Schering-Plough's option at any time, at a redemption price specified in the prospectus. If a change of control triggering event occurs, under certain circumstances, as defined in the prospectus, holders of the notes will have the right to require Schering-Plough to repurchase all or any part of the notes for a cash payment equal to 101 percent of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest, if any, to the date of purchase. Schering-Plough used the net proceeds from these notes to fund a portion of the purchase price for the OBS acquisition.

On October 24, 2007, Schering-Plough entered into a five-year senior unsecured euro-denominated term loan facility with a syndicate of banks. On October 31, 2007, Schering-Plough drew Euro 1.1 billion ($1.6 billion) on this term loan to fund a portion of the purchase price for the OBS acquisition. This term loan has a floating interest rate and requires Schering-Plough to maintain a net debt to total capital ratio of no more than 65 percent through 2009 and 60 percent thereafter, in which net debt equals total debt less cash, cash equivalents, short-term investments and marketable securities and total capital equals the sum of total debt and total shareholders' equity excluding the cumulative effect of acquired in-process research and development in connection with any acquisition consummated after the closing of the term loan. The term loan also generally restricts Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 12 percent of consolidated net tangible assets. At February 27, 2009, the outstanding balance on the euro-denominated term loan was Euro 450 million.

The reported U.S. dollar amounts of the outstanding debt balance and interest expense on the euro-denominated notes and euro-denominated term loan will fluctuate due to the impact of foreign currency translation.

On November 26, 2003, Schering-Plough issued $1.25 billion aggregate principal amount of 5.3 percent senior unsecured notes due 2013 and $1.15 billion aggregate principal amount of 6.5 percent senior unsecured notes due 2033. The interest rates payable on the notes are subject to adjustment. In connection with ratings downgrades in 2004, on December 1, 2004, the interest rate payable on the notes due 2013 increased from 5.3 percent to 5.55 percent, and the interest rate payable on the notes due 2033 increased from 6.5 percent to 6.75 percent. The interest rate payable on a particular series of notes will return to 5.3 percent and 6.5 percent, respectively, and the rate adjustment provisions will permanently cease to apply if, the notes are subsequently rated above Baa1 by Moody's and BBB+ by S&P. If the rating assigned to the notes by either Moody's or S&P is downgraded below A3 or A-, respectively, the interest rate payable on that series of notes would increase. See Note 15, "Borrowings and Other Commitments," under Item 8, "Financial Statements and Supplementary Data," for additional information.

On August 9, 2007, Schering-Plough entered into a $2.0 billion revolving credit agreement with a syndicate of banks and terminated its $1.5 billion credit facility that was due to mature in May 2009. This credit facility has a floating interest rate, matures in August 2012 and requires Schering-Plough to maintain a

net debt to total capital ratio of no more than 65 percent through 2009 and 60 percent thereafter, in which net debt equals total debt less cash, cash equivalents, short-term investments and marketable securities and total capital equals the sum of total debt and total shareholders' equity excluding the cumulative effect of acquired in-process research and development in connection with any acquisition consummated after the closing of the credit facility. The credit facility also generally restricts Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 12 percent of consolidated net tangible assets. This credit line is available for general corporate purposes and is considered primarily as support to Schering-Plough's commercial paper borrowings. Borrowings under this credit facility may be drawn by the U.S. parent company or by its wholly-owned international subsidiaries when accompanied by a parent guarantee. This facility does not require compensating balances; however, a nominal commitment fee is paid. At December 31, 2008 and 2007, no borrowings were outstanding under this facility.

At December 31, 2008 and 2007, short-term borrowings, including the credit facilities mentioned above, totaled $245 million and $461 million, respectively. There was no outstanding commercial paper at December 31, 2008. The weighted-average interest rate for short-term borrowings at December 31, 2008 and 2007 was 7.1 percent and 7.9 percent, respectively.

Schering-Plough's senior unsecured euro-denominated notes and euro-denominated term loan have been designated as, and are effective as, economic hedges of the net investment in a foreign operation. In accordance with SFAS No. 52, "Foreign Currency Translation" (SFAS 52), the foreign currency transaction gains or losses on these euro-denominated debt instruments are included in foreign currency translation adjustment within other comprehensive income.

Credit Ratings

Schering-Plough's current unsecured senior credit ratings and outlook are as follows:

Senior Unsecured Credit Ratings	Long-term	Short-term	Long-Term Review Status
Moody's Investors Service	Baa1	P-2	Stable
Standard and Poor's	A−	A-2	Stable
Fitch Ratings	BBB+	F-2	Stable

In February 2009, Moody's Investors Service changed its Long Term Review Status on Schering-Plough's credit ratings from negative outlook to stable. In August 2008, Standard and Poor's and Fitch Ratings changed their Long Term Review Status from negative watch to stable. In April 2008, Moody's Investor Service had changed its Long Term Review Status from stable to negative outlook, and Fitch Ratings changed its Long Term Review Status from stable to negative watch. In March 2008, Standard and Poor's had changed its Long Term Review Status from stable to negative watch.

Schering-Plough paid down its entire commercial paper borrowings of $149 million during 2008. From a cash perspective, Schering-Plough remains invested in highly-liquid and highly-rated securities. Schering-Plough remains focused on the credit markets and continues to closely monitor the broader financial and economic situation. Schering-Plough believes the ability of commercial paper issuers, such as Schering-Plough, with one or more short-term credit ratings of P-2 from Moody's, A-2 from S&P and/or F-2 from Fitch to issue or rollover outstanding commercial paper can, at times, be less than that of companies with higher short-term credit ratings. Further, the total amount of commercial paper capacity available to these issuers, such as Schering-Plough, is typically less than that of higher-rated companies. In addition, Schering-Plough's ability to issue commercial paper in the future is dependent on capital market conditions at that time. Schering-Plough's sizable lines of credit with commercial banks as well as cash and short-term investments held by U.S. and international subsidiaries serve as alternative sources of liquidity.

Schering-Plough's credit ratings could decline below their current levels. The impact of such decline could reduce the availability of commercial paper borrowing and would increase the interest rate on a portion of Schering-Plough's short and long-term debt. As discussed above, Schering-Plough believes that existing

cash and short-term investments, available credit facilities and cash generated from operations will allow Schering-Plough to fund its cash needs for the intermediate term.

Mandatory Convertible Preferred Stock

On August 15, 2007, Schering-Plough issued 10,000,000 shares of 6 percent Mandatory Convertible Preferred Stock (the 2007 Preferred Stock) with a face value of $2.5 billion. Net proceeds to Schering-Plough were approximately $2.4 billion after deducting commissions, discounts and other underwriting expenses. Schering-Plough used the net proceeds from the sale of the 2007 Preferred Stock to fund a portion of the purchase price for the OBS acquisition.

Each share of the 2007 Preferred Stock will automatically convert into between 7.4206 and 9.0909 common shares of Schering-Plough depending on the average closing price of Schering-Plough's common shares over the 20 trading day period ending on the third trading day prior to the mandatory conversion date of August 13, 2010, as defined in the prospectus. The preferred shareholders may elect to convert at any time prior to August 13, 2010, at the minimum conversion ratio of 7.4206 common shares per share of the 2007 Preferred Stock. Additionally, if at any time prior to the mandatory conversion date the closing price of Schering-Plough's common shares exceeds $50.53 (for at least 20 trading days within a period of 30 consecutive trading days), Schering-Plough may elect to cause the conversion of all, but not less than all, of the 2007 Preferred Stock then outstanding at the same minimum conversion ratio of 7.4206 common shares for each share of 2007 Preferred Stock.

The 2007 Preferred Stock accrues dividends at an annual rate of 6 percent on shares outstanding. The dividends are cumulative from the date of issuance and, to the extent Schering-Plough is legally permitted to pay dividends and the Board of Directors declares a dividend payable, Schering-Plough will pay dividends on each dividend payment date. The dividend payment dates are February 15, May 15, August 15 and November 15 of each year.

During the year ended December 31, 2007, all shares of 6 percent Mandatory Convertible Preferred Stock issued on August 10, 2004 (the 2004 Preferred Stock) were converted into 64,584,929 shares of Schering-Plough common stock.

Equity Issuance and Treasury Shares

On August 15, 2007, Schering-Plough issued 57,500,000 common shares from treasury shares at $27.50 per share. Net proceeds to Schering-Plough were approximately $1.5 billion after deducting commissions, discounts and other underwriting expenses. Schering-Plough used the net proceeds from the sale of the common shares to fund a portion of the purchase price for the OBS acquisition. See Note 2, "Acquisition," under Item 8, "Financial Statements and Supplementary Data."

Contractual Obligations and Off-Balance Sheet Arrangements

Schering-Plough has various contractual obligations that are reported as liabilities in the Consolidated Balance Sheets and others that are not required to be recognized as liabilities such as certain purchase

commitments and other executory contracts. The following table summarizes payments due by period under Schering-Plough's known contractual obligations at December 31, 2008.

	Payments Due by Period				
	Total	2009	2010-2011	2012-2013	2014 and Thereafter
	(Dollars in millions)				
Short-term borrowings and current portion of long-term debt	$ 245	$ 245	$ —	$ —	$ —
Long-term debt obligations	7,931	—	722	1,973	5,236
Interest related to debt obligations	5,568	479	853	794	3,442
Operating lease obligations	558	165	218	99	76
Purchase obligations(1)	2,780	2,601	125	38	16
Deferred compensation plan obligations	153	74	20	25	34
Other obligations(2)	1,506	846	258	200	202
Total	$ 18,741	$ 4,410	$ 2,196	$ 3,129	$ 9,006

(1) Purchase obligations include advertising and research contracts, capital expenditure commitments and other inventory and expense items. Potential milestone payments of approximately $2 billion were not included in the contractual obligations table as they are contingent on the achievement of various research and development (approximately $370 million), regulatory approval (approximately $630 million) or sales-based (approximately $1 billion) milestones. Research, development and regulatory milestones depend upon future clinical developments as well as regulatory agency actions which may never occur. Sales-based milestones are contingent on generating levels of sales of current or future products that have not yet been achieved.

(2) This caption includes obligations, based on undiscounted amounts, for estimated payments under certain of Schering-Plough's pension plans, preferred stock dividends, management's estimate of the current portion of unrecognized tax benefits and other contractual obligations.

REGULATORY AND COMPETITIVE ENVIRONMENT IN WHICH SCHERING-PLOUGH OPERATES

Schering-Plough is subject to the jurisdiction of various national, state and local regulatory agencies. The regulations to which Schering-Plough is subject are described in more detail in Part I, Item I, "Business," of this 10-K. Regulatory compliance is complex, as regulatory standards (including Good Clinical Practices, Good Laboratory Practices and Good Manufacturing Practices) vary by jurisdiction and are constantly evolving. Regulatory compliance is also costly. Regulatory compliance also impacts the timing needed to bring new drugs to market and to market drugs for new indications. Further, failure to comply with regulations can result in delays in the approval of drugs, seizure or recall of drugs, suspension or revocation of the authority necessary for the production and sale of drugs, fines and other civil or criminal sanctions.

Regulatory compliance, and the cost of compliance failures, can have a material impact on Schering-Plough's results of operations, its cash flows or financial condition.

Much is still unknown about the science of human health and with every drug there are benefits and risks. Societal and governmental pressures are constantly shifting between the demand for innovation to meet urgent unmet medical needs and adversity to risk. These pressures impact the regulatory environment and the market for Schering-Plough's products.

Regulatory Compliance and Pharmacovigilance

Regulatory Inspections

Schering-Plough is subject to pharmacovigilance reporting requirements in many countries and other jurisdictions, including the U.S., the EU, and the EU member states. The requirements differ from jurisdiction

to jurisdiction, but all include requirements for reporting adverse events that occur while a patient is using a particular drug in order to alert the drug's manufacturer and the governmental agency to potential problems.

In February 2006, Schering-Plough began the Global Clinical Harmonization Program for building clinical excellence (in trial design, execution and tracking), which is strengthening Schering-Plough's scientific and compliance rigor on a global basis. In 2007, certain aspects of the Global Clinical Harmonization Program were implemented, and significant work continued in 2008 and is expected to continue for several years. Schering-Plough intends to continue upgrading skills, processes and systems in clinical practices and pharmacovigilance. Schering-Plough remains committed to accomplish this work and to invest significant resources in this area.

Like other pharmaceutical companies, Schering-Plough is subject to inspections by the FDA, the EMEA and other regulatory authorities. Possible actions include demands for improvements in reporting systems, criminal sanctions against Schering-Plough and/or responsible individuals and changes in the conditions of marketing authorizations for Schering-Plough's products.

Regulatory Compliance and Post-Marketing Surveillance

Schering-Plough engages in clinical trial research in many countries around the world. These clinical trial research activities must comply with stringent regulatory standards and are subject to inspection by U.S., EU and local country regulatory authorities. Failure to comply with current Good Clinical Practices or other applicable laws or regulations can result in delays in approval of clinical trials, suspension of ongoing clinical trials, delays in approval of marketing authorizations, criminal sanctions against Schering-Plough and/or responsible individuals, financial penalties, and changes in the conditions of marketing authorizations for Schering-Plough's products.

Clinical trials and post-marketing surveillance of certain marketed drugs of competitors within the industry have raised safety concerns that have led to recalls, withdrawals or adverse labeling of marketed products. In addition, these situations have raised concerns among some prescribers and patients relating to the safety and efficacy of pharmaceutical products in general. For the past several years, these occurrences have increased. In 2008, the intense media attention to the results of the ENHANCE clinical trial led to some concerns among patients and prescribers about ZETIA and VYTORIN (see discussion under Item 3, "Legal Proceedings," "Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture").

Following this wave of product withdrawals by other companies and other significant safety issues, health authorities such as the FDA, the EMEA and the PMDA have continued to increase their focus on safety when assessing the benefit/risk balance of drugs. The FDA, in particular, was granted new legislative authority in 2007 which included several provisions focused on drug safety and pharmacovigilance, including the ability to mandate labeling changes and require post-approval evaluations and studies. In addition, some health authorities appear to have become more cautious when making decisions about approvability of new products or indications and are re-reviewing select products that are already marketed, adding further to the uncertainties and potential delays in the regulatory approval processes. There also continues to be significant regulatory and legislative scrutiny, especially in the U.S., on advertising and promotion and in particular direct-to-consumer advertising.

Similarly, major health authorities, including the FDA, EMEA and PMDA, have also increased collaboration amongst themselves, especially with regard to the evaluation of safety and benefit/risk information. Media attention has also increased. In the current environment, a health authority regulatory action in one market, such as a safety labeling change, may have regulatory, prescribing and marketing implications in other markets to an extent not previously seen.

Some health authorities, such as the PMDA in Japan, have publicly acknowledged a significant backlog in workload due to resource constraints within their agency. This backlog has caused long regulatory review times for new indications and products and has added to the uncertainty in predicting approval timelines in these markets. While the PMDA has committed to correcting the backlog and has made some progress over the last two years, it is expected to continue for the foreseeable future.

In the U.S., the new Presidential Administration has announced that health care reform, including regulation of pharmaceutical companies and their products, is a priority. The Administration has not yet named a Health and Human Services Secretary or the FDA Commissioner, who may initiate further change. The impact of such actions, as well as budget pressures on governments in the U.S. and other nations, cannot be predicted at this time.

These and other uncertainties inherent in government regulatory approval processes, including, among other things, delays in approval of new products, formulations or indications, may also affect Schering-Plough's operations. The effect of regulatory approval processes on operations cannot be predicted.

Schering-Plough has nevertheless achieved a significant number of important regulatory approvals since 2004, including approvals for VYTORIN, BRIDION (in Europe), NOXAFIL, CLARINEX D-24, CLARINEX REDITABS, CLARINEX D-12, SUBOXONE and new indications for TEMODAR and NASONEX. Other significant approvals since 2004 include ASMANEX DPI (Dry Powder for Inhalation) in the U.S., PEGINTRON, ZETIA, TEMODAR, ESMERON/ESLAX, NASONEX and GANIREST in Japan, and new indications for REMICADE. Schering-Plough also has a number of significant regulatory submissions filed in major markets awaiting approval, including golimumab in Europe, sugammadex in the U.S. and SAPHRIS (asenapine) in the U.S.

Schering-Plough's personnel have regular, open dialogue with the FDA, EMEA and other regulators and review product labels and other materials on a regular basis and as new information becomes known.

Pricing Pressures

As described more specifically in Note 21, "Legal, Environmental and Regulatory Matters," under Item 8, "Financial Statements and Supplementary Data," the pricing, sales and marketing programs and arrangements, and related business practices of Schering-Plough and other participants in the health care industry are under increasing scrutiny from federal and state regulatory, investigative, prosecutorial and administrative entities. These entities include the Department of Justice and its U.S. Attorney's Offices, the Office of Inspector General of the Department of Health and Human Services, the FDA, the FTC and various state Attorneys' General offices. Many of the health care laws under which certain of these governmental entities operate, including the federal and state anti-kickback statutes and statutory and common law false claims laws, have been construed broadly by the courts and permit the government entities to exercise significant discretion. In the event that any of those governmental entities believes that wrongdoing has occurred, one or more of them could institute civil or criminal proceedings, which, if instituted and resolved unfavorably, could subject Schering-Plough to substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs. Schering-Plough also cannot predict whether any investigations will affect its marketing practices or sales. Any such result could have a material adverse impact on Schering-Plough's results of operations, cash flows, financial condition, or its business.

In the U.S., many of Schering-Plough's pharmaceutical products are subject to increasingly competitive pricing as managed care groups, institutions, government agencies and other groups seek price discounts. For instance, third party payors use formulary restrictions to control costs by negotiating discounted prices in exchange for inclusion in the formulary. A change in the formulary status of a product may impact the sales of that product. In the U.S. market, Schering-Plough and other pharmaceutical manufacturers are required to provide statutorily defined rebates to various government agencies in order to participate in Medicaid, the veterans health care program and other government-funded programs. The Medicare Prescription Drug Improvement and Modernization Act of 2003 contains a prescription drug benefit for individuals who are eligible for Medicare and has resulted in increased use of generics and increased purchasing power of those negotiating on behalf of Medicare recipients.

In most international markets, Schering-Plough operates in an environment of government mandated cost-containment programs. Several governments have placed restrictions on physician prescription levels and patient reimbursements; emphasized greater use of generic drugs; and enacted across-the-board price cuts as methods to control costs.

Since Schering-Plough is unable to predict the final form and timing of any future domestic or international governmental or other health care initiatives, including the passage of laws permitting the importation of pharmaceuticals into the U.S., their effect on operations and cash flows cannot be reasonably estimated. Similarly, the effect on operations and cash flows of future decisions of government entities, managed care groups and other groups concerning formularies and pharmaceutical reimbursement policies cannot be reasonably estimated.

Competition

The market for pharmaceutical products is competitive. Schering-Plough's operations may be affected by technological advances of competitors, industry consolidation, patents granted to competitors, competitive combination products, new products of competitors, new information from clinical trials of marketed products or post-marketing surveillance and generic competition as Schering-Plough's products mature. In addition, patent positions are increasingly being challenged by competitors, and the outcome can be highly uncertain. An adverse result in a patent dispute can preclude commercialization of products or negatively affect sales of existing products. The effect on operations of competitive factors and patent disputes cannot be predicted.

2009 OUTLOOK

Schering-Plough does not provide numeric guidance. However, the following outlook may be helpful to readers in assessing future prospects.

Uncertainties in the financial and credit markets, along with generally difficult business conditions, have contributed recently to pressures on companies in the U.S., including pharmaceutical companies. While further development of these economic effects, along with potential for healthcare reforms at the federal or state level in the U.S. are difficult to predict, Schering-Plough plans to remain flexible in managing its business in the face of these challenges.

Given the current uncertainties in the cholesterol markets, it remains difficult to predict the long-term performance of the cholesterol franchise. Currently, Schering-Plough believes that 2009 U.S. sales of VYTORIN and ZETIA are expected to be lower than in 2008 while international sales, excluding the impact of foreign exchange, should continue to grow.

For the full year 2009, Schering-Plough currently expects R&D spending to grow in the mid single-digit range.

The risks set forth in Item 1A. "Risk Factors" of this 10-K could cause actual results to differ materially from the expectation provided in this section.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." The standard defines fair value, establishes a framework for measuring fair value in accordance with U.S. Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. The standard codifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. For calendar-year companies, the standard became effective January 1, 2008 (see Note 17, "Fair Value Measurements" in Item 8, "Financial Statements and Supplementary Data") except for non-financial items measured on a non-recurring basis for which it is effective beginning January 1, 2009. The implementation of this standard did not have a material impact on Schering-Plough's financial statements. Based on Schering-Plough's current financial position, the impact of the provisions of this standard that are effective January 1, 2009 is not expected to be material.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115" (SFAS 159), which permits

entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 also includes an amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which applies to all entities with available-for-sale and trading securities. For calendar-year companies, the standard became effective January 1, 2008. Schering-Plough chose not to elect the fair value option prescribed by SFAS 159. As a result, the implementation of this standard did not have a material impact on Schering-Plough's financial statements.

In December 2007, the FASB issued EITF Issue No. 07-1, "Accounting for Collaborative Arrangements," which is effective for calendar-year companies beginning January 1, 2009. The Task Force clarified the manner in which costs, revenues and sharing payments made to, or received by, a partner in a collaborative arrangement should be presented in the income statement and set forth certain disclosures that should be required in the partners' financial statements. The impact of this standard on the consolidated financial statements is not expected to be material.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," (SFAS 141R). For calendar-year companies, the standard is applicable to new business combinations occurring on or after January 1, 2009. SFAS 141R requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Most significantly, SFAS 141R will require that acquisition costs generally be expensed as incurred, certain acquired contingent liabilities be recorded at fair value, and acquired in-process research and development be recorded at fair value as an indefinite-lived intangible asset at the acquisition date. The standard will also impact certain unresolved matters related to purchase transactions consummated prior to the effective date of the standard. The impact of this standard on the consolidated financial statements is not expected to be material, but this standard may have an effect on accounting for future business combinations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51," which is effective for calendar-year companies beginning January 1, 2009. The standard establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The impact of this standard on the consolidated financial statements is not expected to be material.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133," which is effective for calendar-year companies beginning January 1, 2009. The standard enhances required disclosures regarding derivatives and hedging activities. The impact of this standard on the consolidated financial statements is not expected to be material.

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). FSP 142-3 is effective for calendar-year companies beginning January 1, 2009. The requirement for determining useful lives must be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The impact of this standard on the consolidated financial statements is not expected to be material.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS No. 162 became effective on November 15, 2008. The implementation of this standard did not have a material impact on Schering-Plough's financial statements.

In June 2008, the FASB issued FSP EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described

in SFAS No. 128, "Earnings per Share." The FSP requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. The FSP is effective for calendar-year companies beginning January 1, 2009. The impact of this standard on the consolidated financial statements is not expected to be material.

In October 2008, the FASB issued FSP 157-3 "Determining Fair Value of a Financial Asset in a Market That Is Not Active" (FSP 157-3). FSP 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have a material impact on Schering-Plough's financial statements.

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interest in Variable Interest Entities." FSP No. FAS 140-4 and FIN 46(R)-8 requires enhanced disclosures about transfers of financial assets and interests in variable interest entities. The FSP is effective for interim and annual periods ending after December 15, 2008. Since the FSP requires only additional disclosures concerning transfers of financial assets and interest in variable interest entities, adoption of this FSP did not affect Schering-Plough's disclosures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following accounting policies and estimates are considered significant because changes to certain judgments and assumptions inherent in these policies could affect Schering-Plough's financial statements:

- Revenue Recognition
- Rebates, Discounts and Returns
- Provision for Income Taxes
- Acquisitions and Impairment of Goodwill, Intangible Assets and Property
- Accounting for Pensions and Post-retirement Benefit Plans
- Accounting for Legal and Regulatory Matters

Revenue Recognition

Schering-Plough's pharmaceutical products are sold to direct purchasers, which include wholesalers, retailers and certain health maintenance organizations. Price discounts and rebates on such sales are paid to federal and state agencies, other indirect purchasers and other market participants such as managed care organizations that indemnify beneficiaries of health plans for their pharmaceutical costs and pharmacy benefit managers.

Schering-Plough recognizes revenue when title and risk of loss pass to the purchaser and when reliable estimates of the following can be determined:

i. commercial discount and rebate arrangements;

ii. rebate obligations under certain federal and state governmental programs; and

iii. sales returns in the normal course of business.

Revenue recognition also requires that there is reasonable assurance of collection of sales proceeds.

When recognizing revenue, Schering-Plough estimates and records the applicable commercial and governmental discounts and rebates as well as sales returns that have been or are expected to be granted or made for products sold during the period. These amounts are deducted from sales for that period. If reliable estimates of these items cannot be made, Schering-Plough defers the recognition of revenue. Estimates recorded in prior periods are re-evaluated as part of this process.

Revenue recognition for new products is based on specific facts and circumstances including estimated acceptance rates from established products with similar marketing characteristics. Absent the ability to make reliable estimates of rebates, discounts and returns, Schering-Plough would defer revenue recognition.

Product discounts granted are based on the terms of arrangements with wholesalers, managed care organizations and government purchasers and certain other market conditions. Rebates are estimated based on sales and contract terms, historical experience, trend analysis and projected market conditions in the various markets served. Schering-Plough evaluates market conditions for products or groups of products primarily through the analysis of third party demand and market research data, as well as internally generated information. Data and information provided by purchasers and obtained from third parties are subject to inherent limitations as to their accuracy and validity.

Sales returns are estimated and recorded based on historical sales and returns information, analysis of recent wholesale purchase information, consideration of stocking levels at wholesalers and forecasted demand amounts. Products that exhibit unusual sales or return patterns due to dating, competition including expected generic introductions, or other marketing matters are specifically investigated and analyzed as part of the formulation of return reserves.

Schering-Plough's agreements with the major U.S. pharmaceutical wholesalers address a number of commercial issues, such as product returns, timing of payment, processing of chargebacks and the quantity of inventory held by these wholesalers. With respect to the quantity of inventory held by these wholesalers, these agreements provide a financial disincentive for these wholesalers to acquire quantities of product in excess of what is necessary to meet current patient demand. Through the use of these agreements, Schering-Plough expects to avoid situations where Schering-Plough's shipments of product are not reflective of current demand.

Rebates, Discounts and Returns

Schering-Plough's rebate accruals for Federal and State governmental programs, including Medicaid and Medicare Part D, at December 31, 2008 and 2007, were $162 million and $114 million, respectively. Commercial discounts, returns and other rebate accruals at December 31, 2008 and 2007, were $373 million and $412 million, respectively. These accruals are established in the period the related revenue was recognized, resulting in a reduction to sales and the establishment of liabilities, which are included in total current liabilities, or in the case of returns and other receivable adjustments, an allowance provided against accounts receivable.

In the case of the governmental rebate programs, Schering-Plough's payments involve interpretations of relevant statutes and regulations. These interpretations are subject to challenges and changes in interpretive guidance by governmental authorities. The result of such a challenge or change could affect whether the estimated governmental rebate amounts are ultimately sufficient to satisfy Schering-Plough's obligations. Additional information on governmental inquiries focused in part on the calculation of rebates is contained in Note 21, "Legal, Environmental and Regulatory Matters," under Item 8, "Financial Statements and Supplementary Data." In addition, it is possible that, as a result of governmental challenges or changes in interpretive guidance, actual rebates could materially differ from amounts accrued.

The following summarizes the activity in the accounts related to accrued rebates, sales returns and discounts:

	Year Ended December 31, 2008	Year Ended December 31, 2007
	(Dollars in millions)	
Accrued Rebates/Returns/Discounts, Beginning of Period	$ 526	$ 486
OBS's accruals acquired November 19, 2007	—	63
Provision for Rebates	759	609
Adjustment to prior-year estimates	(7)	(31)
Payments	(720)	(569)
	32	9
Provision for Returns	143	142
Purchase-accounting adjustments(1)	(9)	—
Adjustment to prior-year estimates	(4)	(24)
Returns	(146)	(137)
	(16)	(19)
Provision for Discounts	897	752
Adjustment to prior-year estimates	(6)	(2)
Discounts granted	(898)	(763)
	(7)	(13)
Accrued Rebates/Returns/Discounts, End of Period	$ 535	$ 526

(1) For the year ended December 31, 2008, purchase accounting adjustments reflect $9 million related to the reversal of return reserves recorded as part of the purchase accounting for OBS. This reversal was recorded as a reduction to goodwill.

In formulating and recording the above accruals, management utilizes assumptions and estimates that include historical experience, wholesaler data, the projection of market conditions, the estimated lag time between sale and payment of a rebate, utilization estimates, and forecasted product demand amounts as discussed under the critical accounting policy entitled "Revenue Recognition."

As part of its review of these accruals, management performs a sensitivity analysis that considers differing assumptions, which are most subject to judgment in its rebate accrual calculation. Based upon Schering-Plough's sensitivity analysis, reasonably possible changes to assumptions related to rebate accruals could favorably or unfavorably impact 2009 net sales and income before taxes in an annual amount consistent with prior years. This sensitivity analysis excludes the potential impacts of a specific matter that involves interpretations of statutes and could have a favorable impact on net sales and income before taxes in future periods.

Provision for Income Taxes

Schering-Plough implemented the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48) as of January 1, 2007. As required by FIN 48, the cumulative effect of applying the provisions of the interpretation was reported as an adjustment to Schering-Plough's retained earnings balance as of January 1, 2007. Schering-Plough reduced its January 1, 2007, retained earnings by $259 million as a result of the adoption of FIN 48.

Schering-Plough's unrecognized tax benefits result primarily from the varying application of statutes, regulations and interpretations and include exposures on intercompany terms of cross border arrangements and utilization of cash held by foreign subsidiaries (investment in U.S. property) as well as Schering-Plough's tax

matters litigation (see Note 21, "Legal, Environmental and Regulatory Matters" under Item 8, "Financial Statements and Supplementary Data"). At December 31, 2008 and 2007, the total amount of unrecognized tax benefits was $994 million and $859 million, respectively, which includes tax liabilities as well as reductions to deferred tax assets carrying a full valuation allowance. At December 31, 2008 and 2007, approximately $596 million and $535 million, respectively, of total unrecognized tax benefits, if recognized, would affect the effective tax rate. Management believes it is reasonably possible that total unrecognized tax benefits could decrease over the next twelve-month period up to approximately $625 million. This would be primarily attributable to a decision in the tax matter currently being litigated in Newark District Court for which a decision has not yet been rendered, possible final resolution of Schering-Plough's 1997 through 2002 examination by the IRS and appeals and possible resolutions of various other matters. However, the timing of the ultimate resolution of Schering-Plough's tax matters and the payment and receipt of related cash is dependent on a number of factors, many of which are outside Schering-Plough's control.

Schering-Plough includes interest expense or income as well as potential penalties on uncertain tax positions as a component of income tax expense in the Statement of Consolidated Operations. The total amount of interest expense related to uncertain tax positions for the years ended December 31, 2008 and 2007 was $63 million and $50 million, respectively. The total amount of accrued interest related to uncertain tax positions at December 31, 2008 and 2007 was $245 million and $197 million, respectively, and is included in other accrued liabilities.

Acquisitions and Impairment of Goodwill, Intangible Assets and Property

Schering-Plough accounts for acquired businesses using the purchase method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The consolidated financial statements and results of operations reflect an acquired business after the completion of the acquisition. The cost to acquire a business, including transaction costs, is allocated to the underlying net assets of the acquired business based on their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Amounts allocated to acquired in-process research and development are expensed at the date of acquisition. Intangible assets are amortized on a straight-line basis over the expected life of the asset. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact results of operations. Useful lives are determined based on the expected future period of benefit of the asset, which considers various characteristics of the asset, including projected cash flows.

Recoverability of goodwill is measured at the reporting unit level based on a two-step approach. First, the carrying amount of the reporting unit is compared to the fair value as estimated by the future net discounted cash flows expected to be generated by the reporting unit. To the extent that the carrying value of the reporting unit exceeds the fair value of the reporting unit, a second step would be performed, whereby the reporting unit's assets and liabilities are fair valued. To the extent that the reporting unit's carrying value of goodwill exceeds its implied fair value of goodwill, an impairment exists and would be recognized.

Intangible assets representing the capitalized costs of purchased goodwill, patents, licenses and other forms of intellectual property totaled $8.9 billion and $9.9 billion at December 31, 2008 and December 31, 2007, respectively. Intangible assets and goodwill increased significantly during 2007 due to the acquisition of OBS. Annual amortization expense in each of the next five years is estimated to be approximately $570 million per year based on the intangible assets recorded as of December 31, 2008. The value of these assets is subject to continuing scientific, medical and marketplace uncertainty. For example, if a marketed pharmaceutical product were to be withdrawn from the market for safety reasons or if marketing of a product could only occur with pronounced warnings, amounts capitalized for such a product may need to be reduced due to impairment. Events giving rise to impairment are an inherent risk in the pharmaceutical industry and cannot be predicted. Management regularly reviews intangible assets for possible impairment.

Certain of Schering-Plough's manufacturing sites operate below capacity. Overall costs of operating manufacturing sites have significantly increased over the past several years due to compliance activities. Schering-Plough's manufacturing cost base is relatively fixed. Actions on the part of management to

significantly reduce Schering-Plough's manufacturing infrastructure involve complex issues. As a result, shifting products between manufacturing plants can take many years due to construction and regulatory requirements, including revalidation and registration requirements. Management continues to review the carrying value of certain manufacturing assets for indications of impairment. Future events and decisions may lead to additional asset impairments and/or related costs.

Accounting for Pension and Post-retirement Benefit Plans

Pension and other post-retirement benefit plan information for financial reporting purposes is calculated using actuarial assumptions. Schering-Plough assesses its pension and other post-retirement benefit plan assumptions on a regular basis. In evaluating these assumptions, Schering-Plough considers many factors, including evaluation of the discount rate, expected rate of return on plan assets, healthcare cost trend rate, retirement age assumption, Schering-Plough's historical assumptions compared with actual results and analysis of current market conditions and asset allocations (see Note 9, "Retirement Plans and Other Post-retirement Benefits," under Item 8, "Financial Statements and Supplementary Data," for additional information).

Discount rates used for pension and other post-retirement benefit plan calculations are evaluated annually and modified to reflect the prevailing market rates at the measurement date of a high-quality fixed income debt instrument portfolio that would provide the future cash flows needed to pay the benefits included in the benefit obligations as they come due. In countries where debt instruments are thinly traded, estimates are based on available market rates.

Actuarial assumptions are based upon management's best estimates and judgment. With other assumptions held constant, an increase of 50 basis points in the discount rate would have an estimated favorable impact of $52 million on net pension and post-retirement benefit cost and an increase of 50 basis points in the expected rate of return assumption would have an estimated favorable impact of $17 million on net pension and post-retirement benefit cost. With other assumptions held constant, a decrease of 50 basis points in the discount rate would have an estimated unfavorable impact of $52 million on net pension and post-retirement benefit cost, and a decrease of 50 basis points in the expected rate of return assumption would have an estimated unfavorable impact of $17 million on net pension and post-retirement benefit cost. These sensitivities are based on estimated net pension and post-retirement benefit cost in 2008 which includes the annual impact of OBS's plans.

The expected rates of return for the pension and other post-retirement benefit plans represent the average rates of return to be earned on plan assets over the period during which the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, Schering-Plough determines expected returns for each of the major asset classes, principally equities, fixed income and real estate. The return expectations for these asset classes are based on assumptions for economic growth and inflation, which are supported by long-term historical data as well as Schering-Plough's actual experience of return on plan assets. The expected portfolio performance also reflects active management as appropriate. During 2008, conditions in the worldwide debt and equity markets deteriorated significantly. These conditions have had a negative effect on the fair value of plan assets.

Unrecognized net loss amounts reflect experience differentials primarily relating to differences between expected and actual returns on plan assets as well as the effects of changes in actuarial assumptions. Expected returns are based primarily on a calculated market-related value of assets. Under this methodology, asset gains/losses resulting from actual returns that differ from Schering-Plough's expected returns for the majority of the assets are realized in the market-related value of assets ratably over a five-year period. Total unrecognized net loss amounts in excess of certain thresholds are amortized into net pension and other post-retirement benefit cost over the average remaining service life of employees.

Schering-Plough's practice is to fund qualified pension plans at least at sufficient amounts to meet the minimum requirements set forth in applicable laws. Schering-Plough expects to contribute approximately $350 million to its retirement plans during 2009, including approximately $200 million to the U.S. Schering-Plough Retirement Plan.

The targeted investment portfolio of Schering-Plough's U.S. Retirement Plan is allocated 65 percent to equities; 29 percent to fixed income investments; and 6 percent to real estate. The targeted investment portfolio of Schering-Plough's U.S. other post-retirement benefit plan is allocated 70 percent to equities and 30 percent to fixed income investments. The portfolios' equity weightings are consistent with the long-term nature of the plans' benefit obligations. For non-U.S. pension plans, the targeted investment portfolio varies based on the duration of pension liabilities and local governmental rules and regulations.

Substantially all investments in equities and fixed income are valued based on quoted public market values. All investments in real estate are valued based on periodic appraisals.

Accounting for Legal and Regulatory Matters

Management judgments and estimates are required in the accounting for legal and regulatory matters on an ongoing basis including insurance coverages. Schering-Plough reviews the status of all claims, investigations and legal proceedings on an ongoing basis. From time to time, Schering-Plough may settle or otherwise resolve these matters on terms and conditions management believes are in the best interests of Schering-Plough. Resolution of any or all claims, investigations and legal proceedings, individually or in the aggregate, could have a material adverse effect on Schering-Plough's results of operations, cash flows or financial condition.

MARKET RISK DISCLOSURE

Schering-Plough is exposed to market risk primarily from changes in foreign currency exchange rates and, to a lesser extent, from interest rates and equity prices. The following describes the nature of these risks.

Foreign Currency Exchange Risk

Schering-Plough has subsidiaries in more than 55 countries. In 2008, sales outside the U.S. accounted for approximately 70 percent of global sales. Virtually all these sales were denominated in currencies of the local country. As such, Schering-Plough's reported sales, profits and cash flows are exposed to changing exchange rates.

To date, management has not deemed it cost effective to engage in a formula-based program of hedging the profits and cash flows of international operations using derivative financial instruments. Because Schering-Plough's international subsidiaries purchase significant quantities of inventory payable in U.S. dollars, managing the level of inventory and related payables and the rate of inventory turnover can provide a level of protection against adverse changes in exchange rates. The risk of adverse exchange rate change is also mitigated by the fact that Schering-Plough's international operations are widespread.

The net assets of most of Schering-Plough's international subsidiaries are translated into U.S. dollars using current exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation account as a separate component of Shareholders' Equity. For the remaining international subsidiaries, non-monetary assets and liabilities are translated using historical rates, while monetary assets and liabilities are translated at current rates, with the U.S. dollar effects of rate changes included in the Statements of Consolidated Operations.

On occasion, Schering-Plough has used derivatives to hedge specific foreign currency exposures. During 2007, as part of an overall risk management strategy and in consideration of various preliminary financing scenarios associated with the acquisition of OBS, Schering-Plough purchased euro-denominated currency options to mitigate its exposure in the event there was a significant strengthening in the Euro as compared to the U.S. dollar. Schering-Plough purchased the options for aggregate premiums of approximately $165 million and received proceeds of $675 million upon the termination of these options, resulting in a net realized gain of $510 million. These derivatives did not qualify for hedge accounting in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS 133). Accordingly, the gain on these derivatives were recognized in the Statement of Consolidated Operations. As of December 31, 2008 and 2007, there were no open foreign currency option contracts.

Schering-Plough's senior unsecured euro-denominated notes and euro-denominated term loan have been designated as, and are effective as, economic hedges of the net investment in a foreign operation. In accordance with SFAS 52, the foreign currency transaction gains or losses on these euro-denominated debt instruments are included in foreign currency translation adjustment within other comprehensive income.

Interest Rate and Equity Price Risk

Financial assets exposed to changes in interest rates and/or equity prices are primarily cash equivalents, short-term investments and the debt and equity securities held in non-qualified trusts for employee benefits. These assets totaled more than $3.4 billion at December 31, 2008. For cash equivalents and short-term investments, a 10 percent decrease in interest rates would have decreased interest income by approximately $6 million in 2008. For securities held in qualified and non-qualified trusts, due to the long-term nature of the liabilities that these trust assets will fund, Schering-Plough's exposure to market risk is deemed to be low.

Financial obligations exposed to variability in interest rates are primarily short-term borrowings and the long-term floating-rate euro-denominated term loan.

Schering-Plough has long-term fixed rate debt outstanding, on which a 10 percent decrease in interest rates would increase the fair value of the debt at December 31, 2008, by approximately $135 million.

During 2007, Schering-Plough executed a series of interest rate swaps in anticipation of financing the acquisition of OBS. The objective of the swaps was to hedge the interest rate payments to be made on future issuances of debt. As such, the swaps were designated as cash flow hedges of future interest payments, and in accordance with SFAS 133, the effective portion of the gains or losses on the hedges are reported in other comprehensive income and any ineffective portion was reported in operations. In connection with the euro-denominated debt issuances as described in Note 15, "Borrowings and Other Commitments," under Item 8, "Financial Statements and Supplementary Data," portions of the swaps were deemed ineffective, and Schering-Plough recognized a $7 million loss in the Statement of Consolidated Operations. The effective portion of the swaps of $12 million was recorded in other comprehensive income in 2007 and is being recognized as interest expense over the life of the related debt. As of December 31, 2008 and 2007, there were no open interest rate swaps.

Disclosure Notice

Cautionary Statements Under the Private Securities Litigation Reform Act of 1995

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report and other written reports and oral statements made from time to time by Schering-Plough may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not relate strictly to historical or current facts and are based on current expectations or forecasts of future events. You can identify these forward-looking statements by their use of words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "project," "intend," "plan," "potential," "will," and other similar words and terms. In particular, forward-looking statements include statements relating to future actions, ability to access the capital markets, pending acquisitions, prospective products or product approvals, timing and conditions of regulatory approvals, patent and other intellectual property protection, future performance or effectiveness of marketed products and pipeline drugs, trends in performance including trends in the cholesterol market, sales efforts, research and development programs and anticipated spending, estimates of rebates, discounts and returns, expenses and programs to reduce expenses, the outcome of contingencies such as litigation and investigations, growth strategy, expected synergies and financial results.

Any or all forward-looking statements here or in other publications may turn out to be wrong. There are no guarantees about Schering-Plough's financial and operational performance or the performance of Schering-Plough's stock. Schering-Plough does not assume the obligation to update any forward-looking statement. Many factors could cause actual results to differ from Schering-Plough's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that

are known and some that are not. Although it is not possible to predict or identify all such factors, Schering-Plough refers you to Item 1A, "Risk Factors," of this report, which Schering-Plough incorporates herein by reference, for identification of important factors with respect to risks and uncertainties.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

See the Market Risk Disclosures as set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 8. ***Financial Statements and Supplementary Data***

Index to Financial Statements

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED OPERATIONS
(Amounts in millions, except per share figures)

	for The Years Ended December 31,		
	2008	2007	2006
Net sales	$ 18,502	$ 12,690	$ 10,594
Cost of sales	7,307	4,405	3,697
Selling, general and administrative	6,823	5,468	4,718
Research and development	3,529	2,926	2,188
Acquired in-process research and development	—	3,754	—
Other expense/(income), net	335	(683)	(135)
Special and acquisition-related charges	329	84	102
Equity income	(1,870)	(2,049)	(1,459)
Income/(loss) before income taxes and cumulative effect of a change in accounting principle	2,049	(1,215)	1,483
Income tax expense	146	258	362
Net income/(loss) before cumulative effect of a change in accounting principle	1,903	(1,473)	1,121
Cumulative effect of a change in accounting principle, net of tax	—	—	(22)
Net income/(loss)	1,903	(1,473)	1,143
Preferred stock dividends	150	118	86
Net income/(loss) available to common shareholders	$ 1,753	$ (1,591)	$ 1,057
Diluted earnings/(loss) per common share:			
Earnings/(loss) available to common shareholders before cumulative effect of a change in accounting principle	$ 1.07	$ (1.04)	$ 0.69
Cumulative effect of a change in accounting principle, net of tax	—	—	0.02
Diluted earnings/(loss) per common share	$ 1.07	$ (1.04)	$ 0.71
Basic earnings/(loss) per common share:			
Earnings/(loss) available to common shareholders before cumulative effect of a change in accounting principle	$ 1.08	$ (1.04)	$ 0.69
Cumulative effect of a change in accounting principle	—	—	0.02
Basic earnings/(loss) per common share	$ 1.08	$ (1.04)	$ 0.71
Dividends per common share	$ 0.26	$ 0.26	$ 0.22

The accompanying notes are an integral part of these Consolidated Financial Statements.

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CASH FLOWS
(Amounts in millions)

	For the Years Ended December 31,		
	2008	2007	2006
Operating Activities:			
Net income/(loss)	$ 1,903	$ (1,473)	$ 1,143
Cumulative effect of a change in accounting principle, net of tax	—	—	22
Net income/(loss) before cumulative effect of a change in accounting principle, net of tax	$ 1,903	$ (1,473)	$ 1,121
Adjustments to reconcile net income/(loss) before cumulative effect of change in accounting principle, net of tax to net cash provided by operating activities:			
Depreciation and amortization	2,175	861	568
Accrued share-based compensation	219	211	168
Special and acquisition-related charges and payments	127	(430)	65
Gain on sale of divested products	(160)	—	—
Purchases of derivative currency options	—	(165)	—
Change in fair value of currency options	—	(510)	—
Proceeds from derivative instruments	—	675	—
Acquired in-process research and development	—	3,754	—
Payment to U.S. taxing authorities	—	(98)	—
Changes in assets and liabilities:			
Accounts receivable	(83)	21	(241)
Inventories	(262)	(132)	(25)
Prepaid expenses and other assets	(74)	(1)	16
Accounts payable	170	(141)	138
Other liabilities	(569)	(118)	257
Income taxes payable	(82)	94	94
Foreign currency transaction exchange loss	—	101	—
Other, net	—	(19)	—
Net cash provided by operating activities	3,364	2,630	2,161
Investing Activities:			
Capital expenditures	(747)	(618)	(458)
Dispositions of property and equipment	44	2	9
Proceeds from divested products, net	241	—	—
Acquisition, net of cash acquired	—	(15,789)	—
Purchases of short-term investments	—	(1,136)	(6,648)
Maturities of short-term investments	27	4,444	4,199
Other, net	(97)	(59)	(10)
Net cash used for investing activities	(532)	(13,156)	(2,908)
Financing Activities:			
Cash dividends paid to common shareholders	(422)	(382)	(326)
Cash dividends paid to preferred shareholders	(150)	(99)	(86)
Proceeds from preferred stock issuance, net	—	2,438	—
Proceeds from common stock issuance, net	—	1,537	—
(Payments)/Issuance of long-term debt, net of issuance costs in 2007	(929)	6,430	—
Payments of short-term borrowings	(169)	(29)	(1,035)
Stock option exercises	15	225	83
Other, net	(5)	(31)	(3)
Net cash (used for)/provided by financing activities	(1,660)	10,089	(1,361)
Effect of exchange rates on cash and cash equivalents	(78)	50	7
Net increase/(decrease) in cash and cash equivalents	1,094	(387)	(2,101)
Cash and cash equivalents, beginning of year	2,279	2,666	4,767
Cash and cash equivalents, end of year	$ 3,373	$ 2,279	$ 2,666
Supplemental Disclosure:			
Cash paid for interest, net of amounts capitalized	$ 552	$ 157	$ 170
Cash paid for income taxes (see Note 8)	444	389	234

The accompanying notes are an integral part of these Consolidated Financial Statements.

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except per share figures)

	At December 31, 2008	At December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,373	$ 2,279
Short-term investments	5	32
Accounts receivable, less allowances: 2008, $296; 2007, $261	2,816	2,841
Inventories	3,114	4,073
Deferred income taxes	435	349
Prepaid expenses and other current assets	1,228	1,272
Total current assets	10,971	10,846
Property, at cost:		
Land	377	326
Buildings and improvements	4,551	4,634
Equipment	4,504	4,503
Construction in progress	1,008	891
Total	10,440	10,354
Less accumulated depreciation	3,607	3,338
Property, net	6,833	7,016
Goodwill	2,778	2,937
Other intangible assets, net	6,154	7,004
Other assets	1,381	1,353
Total assets	$ 28,117	$ 29,156
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,677	$ 1,762
Short-term borrowings and current portion of long-term debt	245	461
Income taxes	183	617
Accrued compensation	1,010	995
Other accrued liabilities	2,078	2,208
Total current liabilities	5,193	6,043
Long-term Liabilities:		
Long-term debt, net of current portion	7,931	9,019
Deferred income taxes	1,551	1,701
Other long-term liabilities	2,913	2,008
Total long-term liabilities	12,395	12,728
Commitments and contingent liabilities (Note 21)		
Shareholders' Equity:		
2007 mandatory convertible preferred shares — $1 par value; $250 per share face value issued 10 at December 31, 2008 and December 31, 2007	2,500	2,500
Common shares — authorized shares: 2,400, $.50 par value; issued: 2,118 at December 31, 2008 and 2,111 at December 31, 2007	1,059	1,055
Paid-in capital	5,045	4,815
Retained earnings	9,181	7,856
Accumulated other comprehensive loss	(1,913)	(534)
Total	15,872	15,692
Less treasury shares: 2008, 492; 2007, 490; at cost	5,343	5,307
Total shareholders' equity	10,529	10,385
Total liabilities and shareholders' equity	$ 28,117	$ 29,156

The accompanying notes are an integral part of these Consolidated Financial Statements.

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
(Amounts in millions)

	2004 Mandatory Convertible Preferred Shares	2007 Mandatory Convertible Preferred Shares	Common Shares	Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Compre-hensive Loss	Total Share-holders' Equity
Balance January 1, 2006	$ 1,438	$ —	$ 1,015	$ 1,416	$ 9,472	$ (5,438)	$ (516)	$ 7,387
Comprehensive income:								
Net income					1,143			1,143
Foreign currency translation							94	94
Minimum pension liability, net of tax, per SFAS No. 87/88							67	67
Unrealized gain on investments available for sale, net of tax							4	4
Total comprehensive income								1,308
Cash dividends on common shares					(326)			(326)
Dividends on preferred shares					(86)			(86)
Accrued dividends on common shares					(81)			(81)
Adjustment of pension and other post-retirement liabilities upon the adoption of SFAS No. 158, net of tax of $25							(521)	(521)
Stock incentive plans and other			2	245	(3)	(17)		227
Balance December 31, 2006	$ 1,438	$ —	$ 1,017	$ 1,661	$ 10,119	$ (5,455)	$ (872)	$ 7,908
Adoption of FIN 48					(259)			(259)
Net loss					(1,473)			(1,473)
Foreign currency translation							210	210
Pension and other-post retirement liabilities, net of tax							138	138
Derivative interest rate instruments							(12)	(12)
Unrealized gain on investments available for sale, net of tax							1	1
Total comprehensive loss								(1,136)
Issuance of preferred stock		2,500		(62)				2,438
Issuance of common stock				1,380		157		1,537
Conversion of preferred stock	(1,438)		32	1,406				—
SFAS No. 158 measurement date provisions, net of tax					(2)		1	(1)
Cash dividends on common shares					(382)			(382)
Dividends on preferred shares					(118)			(118)
Accrued dividends on common shares					(20)			(20)
Stock incentive plans and other			6	430	(9)	(9)		418
Balance December 31, 2007	$ —	$ 2,500	$ 1,055	$ 4,815	$ 7,856	$ (5,307)	$ (534)	$ 10,385
Net income					1,903			1,903
Foreign currency translation							(576)	(576)
Pension and other post-retirement liabilities, net of tax							(768)	(768)
Derivative interest rate instruments							2	2
Unrealized loss on investments available for sale							(37)	(37)
Total comprehensive income								524
Dividends on common shares					(423)			(423)
Dividends on preferred shares					(150)			(150)
Stock incentive plans and other			4	230	(5)	(36)		193
Balance December 31, 2008	$ —	$ 2,500	$ 1,059	$ 5,045	$ 9,181	$ (5,343)	$ (1,913)	$ 10,529

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

Schering-Plough is an innovation-driven, science-centered global health care company. Through its own biopharmaceutical research and collaborations with partners, Schering-Plough creates therapies that help save and improve lives around the world. Schering-Plough applies its research and development platform to prescription pharmaceutical and consumer health care products as well as to animal health products.

In November 2007, Schering-Plough acquired Organon BioSciences N.V. (OBS), a company that discovers, develops and manufactures human prescription and animal health products. See Note 2, "Acquisitions," for additional information.

Principles of Consolidation

The consolidated financial statements include Schering-Plough Corporation and its subsidiaries (Schering-Plough). Intercompany balances and transactions are eliminated. The accounts of OBS have been included as part of Schering-Plough's results from the date of acquisition (November 19, 2007). See Note 2, "Acquisition," for additional information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, Schering-Plough evaluates its estimates which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Equity Method of Accounting

Schering-Plough accounts for its share of activity from the Merck/Schering-Plough joint venture (the joint venture) with Merck & Co., Inc. (Merck) using the equity method of accounting as Schering-Plough has significant influence over the joint venture's operating and financial policies. Accordingly, Schering-Plough's net sales do not include sales from the joint venture, and Schering-Plough's share of earnings in the joint venture is included in equity income in determining consolidated net income/(loss). Equity income from the joint venture is included in the Prescription Pharmaceuticals segment.

Revenue from the sales of VYTORIN and ZETIA are recognized by the joint venture when title and risk of loss has passed to the customer and there is reasonable assurance of collection of sales proceeds. Equity income from the joint venture excludes any profit arising from transactions between Schering-Plough and the joint venture until such time as there is an underlying profit realized by the joint venture in a transaction with a party other than Schering-Plough or Merck. See Note 5, "Equity Income," for additional information regarding this joint venture.

Cash and Cash Equivalents

Cash and cash equivalents include operating cash and highly liquid investments with original maturities of three months or less, including highly rated money market accounts.

Short-term Investments

Short-term investments are carried at their fair value and are classified as available-for-sale. These investments consist of certificates of deposit and commercial paper with maturities of less than a year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by using the last-in, first-out (LIFO) method for a substantial portion of inventories located in the U.S. The cost of all other inventories is determined by the first-in, first-out method (FIFO).

Depreciation of Property and Equipment

Depreciation is provided over the estimated useful lives of the properties, generally by use of the straight-line method.

Useful lives of property acquisitions are generally as follows:

Asset Category	Years
Buildings	40
Building Improvements	25
Equipment	3-15

Schering-Plough reviews the carrying value of property and equipment for indications of impairment in accordance with Statement of Financial Accounting Standard (SFAS) 144, "Accounting for the Impairment and Disposal of Long-Lived Assets."

Depreciation expense was $603 million in 2008, $404 million in 2007 and $443 million in 2006. Depreciation expense in 2006 included accelerated depreciation related to the manufacturing streamlining of $93 million.

Foreign Currency Translation

The net assets of most of Schering-Plough's international subsidiaries are translated into U.S. dollars using current exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation account, which is included in other comprehensive income/(loss) and reflected as a separate component of Shareholders' Equity. For the remaining international subsidiaries, non-monetary assets and liabilities are translated using historical rates, while monetary assets and liabilities are translated at current rates, with the U.S. dollar effects of rate changes included in the statements of consolidated operations.

Exchange gains and losses arising from translating intercompany balances of a long-term investment nature are recorded in the foreign currency translation account. Transactional exchange gains and losses are included in other expense/(income), net.

Revenue Recognition

Schering-Plough's pharmaceutical products are sold to direct purchasers which include wholesalers, retailers and certain health maintenance organizations. Price discounts and rebates on such sales are paid to federal and state agencies, other indirect purchasers and other market participants such as managed care organizations that indemnify beneficiaries of health plans for their pharmaceutical costs and pharmacy benefit managers.

Schering-Plough recognizes revenue when title and risk of loss pass to the purchaser and when reliable estimates of the following can be determined:

i. commercial discount and rebate arrangements;

ii. rebate obligations under certain federal and state governmental programs; and

iii. sales returns in the normal course of business.

Revenue recognition also requires that there is reasonable assurance of collection of sales process.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

When recognizing revenue, Schering-Plough estimates and records the applicable commercial and governmental discounts and rebates as well as sales returns that have been or are expected to be granted or made for products sold during the period. These amounts are deducted from sales for that period. If reliable estimates of these items cannot be made, Schering-Plough defers the recognition of revenue. Estimates recorded in prior periods are re-evaluated as part of this process.

Earnings Per Common Share

Diluted earnings/(loss) per common share is computed by dividing net income/(loss) available to common shareholders plus preferred stock dividends for the dilutive effect of any mandatory convertible preferred stock by the sum of the weighted average number of common shares outstanding plus the dilutive effect of shares issuable through deferred stock units and the exercise of stock options and any dilutive effect of shares issuable upon conversion of Schering-Plough's mandatory convertible preferred stock. Basic earnings/(loss) per common share is computed by dividing net income/(loss) available to common shareholders by the weighted average number of common shares outstanding.

Goodwill and Other Intangible Assets

Financial Accounting Standards Board (FASB) SFAS No. 142, "Goodwill and Other Intangible Assets," requires that intangible assets acquired either individually or with a group of other assets be initially recognized and measured based on fair value. An intangible with a finite life is amortized over its useful life, while an intangible with an indefinite life, including goodwill, is not amortized.

The Company assesses the recoverability of the carrying value of its goodwill and other intangible assets with indefinite useful lives annually or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. Recoverability of goodwill is measured at the reporting unit level based on a two-step approach. First, the carrying amount of the reporting unit is compared to the fair value as estimated by the future net discounted cash flows expected to be generated by the reporting unit. To the extent that the carrying value of the reporting unit exceeds the fair value of the reporting unit, a second step would be performed, whereby the reporting unit's assets and liabilities are fair valued. To the extent that the reporting unit's carrying value of goodwill exceeds its implied fair value of goodwill, an impairment exists and would be recognized.

Recoverability of other intangible assets with indefinite useful lives is measured by a comparison of the carrying amount of the intangible assets to the fair value of the respective intangible assets. Any excess of the carrying value of the intangible assets over the fair value of the intangible assets would be recognized as an impairment loss.

Schering-Plough conducts its annual impairment testing of goodwill at October 1 each year. Based on the impairment tests performed, there was no impairment of goodwill in 2008, 2007 or 2006.

In 2007, Schering-Plough's goodwill and other intangible asset balances increased significantly due to the acquisition of OBS. See Note 2, "Acquisition," and Note 13, "Goodwill and Other Intangible Assets," for additional information.

Other Assets

Included in other assets is capitalized software of $246 million and $278 million at December 31, 2008 and 2007, respectively. Amortization expense were $101 million, $89 million and $76 million in 2008, 2007 and 2006, respectively. Other Assets at December 31, 2008 included $80 million of restricted cash primarily for a letter of credit related to certain international tax matters.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

Schering-Plough implemented the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48) as of January 1, 2007. Under FIN 48, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the position. Schering-Plough includes interest expense or income as well as potential penalties on uncertain tax positions as a component of income tax expense in the Statement of Consolidated Operations.

Deferred income taxes are recognized for the future tax effects of temporary differences between the financial and income tax reporting basis of Schering-Plough's assets and liabilities based on enacted tax laws and rates.

Accounting for Share-Based Compensation

Prior to January 1, 2006, Schering-Plough accounted for its stock-based compensation arrangements using the intrinsic value method. No share-based employee compensation cost was reflected in the statements of consolidated operations, other than for Schering-Plough's deferred stock units and performance plans, as stock options granted under all other plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Effective January 1, 2006, Schering-Plough accounts for all share-based compensation in accordance with SFAS No. 123 (Revised 2004) "Share-Based Payment" (SFAS 123R). See Note 6, "Share-Based Compensation," for additional information.

Shipping and Handling Expenses

Shipping expenses are classified as selling, general and administrative expenses in the Consolidated Statement of Operations.

Impact of Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." The standard defines fair value, establishes a framework for measuring fair value in accordance with U.S. Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. The standard codifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. For calendar-year companies, the standard became effective January 1, 2008 (see Note 17, "Fair Value Measurements") except for non-financial items measured on a non-recurring basis for which it is effective beginning January 1, 2009. The implementation of this standard did not have a material impact on Schering-Plough's financial statements. Based on Schering-Plough's current financial position, the impact of the provisions of this standard that was effective January 1, 2009 is not expected to be material.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115" (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 also includes an amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which applies to all entities with available-for-sale and trading securities. For calendar-year companies, the standard became effective January 1, 2008. Schering-Plough chose not to elect the fair value option prescribed by SFAS 159. As a result, the implementation of this standard did not have a material impact on Schering-Plough's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In December 2007, the FASB issued EITF Issue No. 07-1, "Accounting for Collaborative Arrangements," which is effective for calendar-year companies beginning January 1, 2009. The Task Force clarified the manner in which costs, revenues and sharing payments made to, or received by, a partner in a collaborative arrangement should be presented in the income statement and set forth certain disclosures that should be required in the partners' financial statements. The impact of this standard on the consolidated financial statements is not expected to be material.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," (SFAS 141R). For calendar-year companies, the standard is applicable to new business combinations occurring on or after January 1, 2009. SFAS 141R requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Most significantly, SFAS 141R will require that acquisition costs generally be expensed as incurred, certain acquired contingent liabilities be recorded at fair value, and acquired in-process research and development be recorded at fair value as an indefinite-lived intangible asset at the acquisition date. The standard will also impact certain unresolved matters related to purchase transactions consummated prior to the effective date of the standard. The impact of this standard on the consolidated financial statements is not expected to be material, but this standard may have an effect on accounting for future business combinations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51," which is effective for calendar-year companies beginning January 1, 2009. The standard establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The impact of this standard on the consolidated financial statements is not expected to be material.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133," which is effective for calendar-year companies beginning January 1, 2009. The standard enhances required disclosures regarding derivatives and hedging activities. The impact of this standard on the consolidated financial statements is not expected to be material.

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. FSP 142-3 is effective for calendar-year companies beginning January 1, 2009. The requirement for determining useful lives must be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements must be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. The impact of this standard on the consolidated financial statements is not expected to be material.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). SFAS No. 162 became effective on November 15, 2008. The implementation of this standard did not have a material impact on Schering-Plough's consolidated financial statements.

In June 2008, the FASB issued FSP EITF No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in SFAS No. 128, "Earnings per Share." The FSP requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. The FSP is effective for calendar-year companies beginning January 1, 2009. The impact of this standard on the consolidated financial statements is not expected to be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In October 2008, the FASB issued FSP 157-3 "Determining Fair Value of a Financial Asset in a Market That Is Not Active" (FSP 157-3). FSP 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have a material impact on Schering-Plough's consolidated financial statements.

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interest in Variable Interest Entities." FSP No. FAS 140-4 and FIN 46(R)-8 requires enhanced disclosures about transfers of financial assets and interests in variable interest entities. The FSP is effective for interim and annual periods ending after December 15, 2008. Since the FSP requires only additional disclosures concerning transfers of financial assets and interest in variable interest entities, adoption of this FSP did not affect Schering-Plough's disclosures.

2. ACQUISITION

Schering-Plough acquired OBS for a purchase price of approximately Euro 11 billion in cash, or approximately $16.1 billion (including legal and professional fees) on November 19, 2007 (the Acquisition Date). This acquisition added further diversification of marketed products, including two new therapeutic areas (Women's Health and Central Nervous System), as well as significant strength in Animal Health products and the R&D pipeline. The purchase method of accounting was used to account for the transaction in accordance with SFAS No. 141, "Business Combinations." The operating results of OBS are included in Schering-Plough's consolidated financial statements for the period subsequent to the Acquisition Date.

The following table provides unaudited pro forma financial information for the years ended December 31, 2007 and 2006 as if the acquisition had occurred as of the beginning of each period presented:

	2007	2006
	(Dollars in millions except per share data) (unaudited)	
Net sales	$ 16,853	$ 15,079
Net loss before cumulative effect of a change in accounting principle	(2,500)	(3,987)
Net loss available to common shareholders	(2,712)	(4,201)
Diluted loss per common share	(1.72)	(2.73)
Basic loss per common share	(1.72)	(2.73)

The unaudited pro forma financial information for both periods presented includes amortization of the step-up of inventory of $1.1 billion and acquired in-process research and development charge of $3.8 billion, which are non-recurring charges directly attributable to the accounting for the acquisition. The unaudited pro forma financial information also includes the effect of purchase accounting adjustments such as additional amortization expense from the acquired identifiable intangible assets and depreciation from the step-up of property. No effect has been given in the unaudited pro forma financial information for synergistic benefits that may be realized or costs related to the integration of OBS. The unaudited pro forma financial information should not be considered indicative of actual results that would have been achieved had this acquisition been consummated on the dates indicated and does not purport to indicate results of operations as of any future date or for any future period.

A preliminary allocation of the purchase price of OBS was made as of the Acquisition Date. The final allocation of the purchase price has resulted in a net decrease to goodwill of $44 million as compared to the preliminary allocation as of the Acquisition Date. This adjustment to the preliminary purchase price allocation was primarily related to updated valuations of identifiable intangible assets, property and inventories as well as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

updates to acquired liabilities and deferred taxes. The final allocation of the purchase price of OBS is as follows:

	(Dollars in millions)
Cash	$ 330
Current assets (excluding inventories)	1,307
Inventories	2,434
Property	2,508
Identifiable intangible assets(1)	6,839
Goodwill(2)	2,667
Other-non current assets	750
Acquired in-process research and development (IPR&D)(3)	3,754
Total assets acquired	$ 20,589
Acquisition related liabilities(4)	198
Other current liabilities	1,513
Deferred tax liabilities	2,215
Other-non current liabilities	544
Total liabilities assumed	$ 4,470
Net assets acquired	$ 16,119

(1) The final purchase price allocation to identifiable intangible assets is as follows:

	Amount (Dollars in millions)	Weighted-Average Amortization Period (years)
Patents:		
Women's Health — Contraception	$ 1,659	11
Women's Health — Fertility	1,013	11
Women's Health — Other	440	13
Central Nervous System	527	12
Other Human Prescription Pharmaceuticals	382	8
Total patents	$ 4,021	
Trademarks:		
Animal Health	$ 2,608	20
Prescription Pharmaceuticals	210	20
Total trademarks	$ 2,818	
Total intangible assets acquired	$ 6,839	

The weighted-average life of total acquired intangible assets is approximately 15 years. The intangible assets have no significant residual value. There were no acquired intangible assets that were determined to have an indefinite life.

(2) $1.8 billion of the goodwill has been assigned to the Prescription Pharmaceuticals segment and $873 million has been assigned to the Animal health segment. None of the goodwill is deductible for income tax purposes.

(3) $3.8 billion assigned to acquired IPR&D was charged to operations in the fourth quarter of 2007. This charge was associated with research projects in animal health and research projects in the women's health, central nervous system and anesthesia therapeutic areas of human health. The amount was determined by using discounted cash flow projections of identified research projects for which technological feasibility had not been established and for which there was no alternative future use. The discount rates used ranged from 14 percent to 18 percent. The projected launch dates following the U.S. Food and Drug Administration (FDA) or other regulatory approval are years 2008 through 2013, at which time Schering-Plough expects these projects to begin to generate cash flows. The cost to complete the research projects will depend on whether the projects are brought to their final stages of development and are ultimately submitted to the FDA or other regulatory agencies for approval. As of December 31, 2007, the estimated cost to complete projects near the final stages of development was in excess of $700 million. All of the research and development projects considered in the valuation are subject to the normal risks and uncertainties associated with demonstrating the safety and efficacy required to obtain FDA or other regulatory approvals.

(4) Included in acquisition related liabilities are costs to exit certain activities of OBS.

In conjunction with the OBS acquisition, Schering-Plough agreed to divest certain assets as part of regulatory reviews in the U.S. and Europe. See Note 7, Other Expense/(Income), net.

3. SPECIAL AND ACQUISITION RELATED CHARGES AND MANUFACTURING STREAMLINING

2008 Special and acquisition-related charges

Special and acquisition-related charges relate to the Productivity Transformation Program (PTP) activities which include the ongoing integration of the OBS business (See Note 4, "OBS Integration and Productivity Transformation Program for additional information). Special and acquisition-related charges for 2008 were $329 million. The costs for 2008 included $275 million of employee termination costs. The remaining charges related to integration activities.

2007 Special and acquisition-related charges

During the year ended December 31, 2007, Schering-Plough incurred $84 million of special and acquisition-related charges, comprised of $61 million of integration-related costs for the OBS acquisition and $23 million of employee termination costs as part of integration activities.

2006 Manufacturing Streamlining

During 2006, Schering-Plough implemented changes to its manufacturing operations in Puerto Rico and New Jersey that have streamlined its global supply chain and further enhanced Schering-Plough's long-term competitiveness. These changes resulted in the phase-out and closure of Schering-Plough's manufacturing operations in Manati, Puerto Rico, and additional workforce reductions in Las Piedras, Puerto Rico, and New Jersey.

Special charges

Special charges in 2006 related to the changes in Schering-Plough's manufacturing operations totaled $102 million. These charges consisted of approximately $47 million of severance and $55 million of fixed asset impairments.

Cost of sales

Included in 2006 cost of sales was approximately $146 million consisting of $93 million of accelerated depreciation, $46 million of inventory write-offs, and $7 million of other charges related to the closure of Schering-Plough's manufacturing facilities in Manati, Puerto Rico.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes activities reflected in the consolidated financial statements related to changes to Schering-Plough's manufacturing operations which were completed in 2006:

	Charges Included in Cost of Sales	Special Charges	Total Charges	Cash Payments	Non-cash Charges	Accrued Liability
			(Dollars in millions)			
Accrued liability at January 1, 2006						$ —
Severance	$ —	$ 47	$ 47	$ (35)	$ —	12
Asset impairments	—	55	55	—	(55)	—
Accelerated depreciation	93	—	93	—	(93)	—
Inventory write-offs	46	—	46	—	(46)	—
Other	7	—	7	(2)	(5)	—
Total	$ 146	$ 102	$ 248	$ (37)	$ (199)	
Accrued liability at December 31, 2006						$ 12
Severance				(12)		(12)
Accrued liability at December 31, 2007						$ —

4. OBS INTEGRATION AND PRODUCTIVITY TRANSFORMATION PROGRAM

As part of the purchase price allocation of the OBS acquisition as of the Acquisition Date, Schering-Plough recorded acquisition-related liabilities of $151 million related to involuntary termination benefits.

In April 2008, Schering-Plough announced a major new program, the Productivity Transformation Program (PTP), which includes the ongoing integration of OBS, and is designed to reduce and avoid costs, and increase productivity. The targeted savings envisioned by this program include those resulting from the previously announced OBS integration synergies.

The following table summarizes the charges, cash payments and liabilities related to the Productivity Transformation Program, which includes the ongoing integration of OBS, through December 31, 2008:

		Acquisition-Related Liabilities	
	Employee Termination Costs	Employee Termination Costs	Other Exit Costs
		(Dollars in millions)	
Accrued liability at December 31, 2007	$ 23	$ 151	—
Charges(a)	254	21	—
Purchase price allocation items(b)	—	(3)	50
Cash payments	(154)	(169)	(18)
Accrued liability at December 31, 2008	$ 123	$ —	$ 32

(a) Recorded to special and acquisition-related charges.

(b) Recorded as part of purchase accounting. Included in acquisition-related liabilities at December 31, 2008 are costs to exit certain activities of OBS.

5. EQUITY INCOME

In May 2000, Schering-Plough and Merck entered into two separate sets of agreements to jointly develop and market certain products in the U.S. including (1) two cholesterol-lowering drugs and (2) an allergy/asthma

drug. In December 2001, the cholesterol agreements were expanded to include all countries of the world except Japan. In general, the companies agreed that the collaborative activities under these agreements would operate in a virtual joint venture to the maximum degree possible by relying on the respective infrastructures of the two companies. These agreements generally provide for equal sharing of development costs and for co-promotion of approved products by each company.

The cholesterol agreements provide for Schering-Plough and Merck to jointly develop and commercialize ezetimibe in the cholesterol management field:

i. as a once-daily monotherapy (managed as ZETIA in the U.S. and Asia and EZETROL in Europe);

ii. in co-administration with various approved statin drugs; and

iii. as a fixed-combination tablet of ezetimibe and simvastatin (Zocor), Merck's cholesterol-modifying medicine. This combination medication (ezetimibe/simvastatin) is managed as VYTORIN in the U.S. and as INEGY in many international countries.

ZETIA/EZETROL (ezetimibe) and VYTORIN/INEGY (the combination of ezetimibe/simvastatin) are approved for use in the U.S. and have been launched in many international markets.

Schering-Plough utilizes the equity method of accounting in recording its share of activity from the Merck/Schering-Plough cholesterol joint venture. As such, Schering-Plough's net sales do not include the sales of the joint venture. The cholesterol joint venture agreements provide for the sharing of operating income generated by the joint venture 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 million of annual ZETIA sales. Above $300 million of annual ZETIA sales, Merck and Schering-Plough generally share profits equally. Schering-Plough's allocation of the joint venture income is increased by milestones recognized. Further, either company's share of the joint venture's income from operations is subject to a reduction if that company fails to perform a specified minimum number of physician details in a particular country. The companies agree annually to the minimum number of physician details by country.

The companies bear the costs of their own general sales forces and commercial overhead in marketing joint venture products around the world. In the U.S., Canada and Puerto Rico, the cholesterol agreements provide for a reimbursement to each company for physician details that are set on an annual basis, and in Italy, a contractual amount is included in the profit sharing calculation that is not reimbursed. In the U.S., Canada and Puerto Rico this amount is equal to each company's agreed physician details multiplied by a contractual fixed fee. Schering-Plough reports these amounts as part of equity income from the cholesterol joint venture. These amounts do not represent a reimbursement of specific, incremental and identifiable costs for Schering- Plough's detailing of the cholesterol products in these markets. In addition, these amounts are not reflective of Schering-Plough's sales effort related to the joint venture as Schering-Plough's sales force and related costs associated with the joint venture are generally estimated to be higher.

Costs of the joint venture that the companies contractually share are a portion of manufacturing costs, specifically identified promotion costs (including direct-to-consumer advertising and direct and identifiable out-of-pocket promotion) and other agreed upon costs for specific services such as market support, market research, market expansion, a specialty sales force and physician education programs.

Certain specified research and development expenses are generally shared equally by Schering-Plough and Merck.

The allergy/asthma agreements provided for the joint development and marketing by the companies of a once-daily, fixed-combination tablet containing loratadine/montelukast. In April 2008, the Merck/Schering-Plough joint venture received a not-approvable letter from the FDA for the proposed fixed combination of loratadine/montelukast. During the second quarter of 2008 the respiratory joint venture was terminated in accordance with the agreements. This action has no impact on the cholesterol joint venture. As a result of the

termination of the respiratory joint venture, Schering- Plough received payments totaling $105 million which Schering-Plough recognized during 2008, in equity income.

The following information provides a summary of the components of Schering-Plough's equity income from the cholesterol joint venture for the years ended December 31:

	2008	2007	2006
		(Dollars in millions)	
Schering-Plough's share of net income (including milestones of $105 million in 2008)	$ 1,665	$ 1,831	$ 1,273
Contractual amounts for physician details	223	242	204
Elimination of intercompany profit and other, net	(18)	(24)	(18)
Total equity income from Merck/Schering-Plough joint venture	$ 1,870	$ 2,049	$ 1,459

At December 31, 2008 and 2007, Schering-Plough had net receivables (including undistributed income) from the Merck/Schering-Plough Joint Venture of $130 million and $287 million, respectively.

Equity income from the joint venture excludes any profit arising from transactions between Schering-Plough and the joint venture until such time as there is an underlying profit realized by the joint venture in a transaction with a party other than Schering-Plough or Merck.

Due to the virtual nature of the cholesterol joint venture, Schering-Plough incurs substantial costs, such as selling, general and administrative costs, that are not reflected in equity income and are borne by the overall cost structure of Schering-Plough. These costs are reported on their respective line items in the Statements of Consolidated Operations and are not separately identifiable. The cholesterol agreements do not provide for any jointly owned facilities and, as such, products resulting from the joint venture are manufactured in facilities owned by either Schering-Plough or Merck.

Schering-Plough and Merck are developing a single-tablet combination of ezetimibe and atorvastatin as a treatment for elevated cholesterol levels.

See Note 21, "Legal, Environmental and Regulatory Matters," — "Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture."

6. SHARE-BASED COMPENSATION

Prior to January 1, 2006, Schering-Plough accounted for its stock compensation arrangements using the intrinsic value method, which followed the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and the related Interpretations. Prior to 2006, no stock-based employee compensation cost was reflected in the Statement of Consolidated Operations, other than for Schering-Plough's deferred stock units, as stock options granted under all other plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Schering-Plough adopted SFAS 123R effective January 1, 2006. SFAS 123R requires companies to recognize compensation expense in an amount equal to the fair value of all share-based payments granted to employees. Schering-Plough elected the modified prospective transition method, and therefore, adjustments to prior periods were not required as a result of adopting SFAS 123R. Under this method, the provisions of SFAS 123R apply to all awards granted after the date of adoption and to any unrecognized expense of awards unvested at the date of adoption based on the grant date fair value. SFAS 123R also amended SFAS No. 95, "Statement of Cash Flows," to require that excess tax benefits that had been reflected as operating cash flows be reflected as financing cash flows.

For grants issued to retirement-eligible employees prior to the adoption of SFAS 123R, Schering-Plough recognized compensation costs over the stated vesting period of the stock option or deferred stock unit with acceleration of any unrecognized compensation costs upon the retirement of the employee. Upon adoption of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

SFAS 123R, Schering-Plough recognizes compensation costs on all share-based grants made on or after January 1, 2006, over the service period, which is the earlier of: i) one year if the employee is or becomes retirement-eligible during the first year of the grant; ii) the employee's retirement eligibility date if after the first year of the grant; and iii) the service period of the award.

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123R-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards." Schering-Plough has elected to adopt the transition method provided in this FASB Staff Position for purposes of calculating the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R.

During 2006, the 2006 Stock Incentive Plan (the 2006 Plan) was approved by Schering-Plough's shareholders. Under the terms of the 2006 Plan, 92 million of Schering-Plough's authorized common shares may be granted as stock options or awarded as deferred stock units to officers and certain employees of Schering-Plough through December 2011.

Schering-Plough intends to utilize unissued authorized shares to satisfy stock option exercises and for the issuance of deferred stock units. Expenses related to share-based compensation are classified in the line item associated with the employee's function.

During 2008 and 2007, Schering-Plough granted performance-based deferred stock units under the 2006 Stock Incentive Plan, which provide certain senior managers the opportunity to earn shares of Schering-Plough common stock. These units will only be earned if specific pre-established levels of performance and service are achieved during the applicable three-year performance period.

Implementation of SFAS 123R

In the first quarter of 2006, Schering-Plough recognized a benefit to income of $22 million for the cumulative effect of a change in accounting principle related to two long-term compensation plans required to be accounted for as liability plans under SFAS 123R.

Tax benefits recognized related to stock-based compensation and related cash flow impacts were not material during 2008, 2007 and 2006, as Schering-Plough is in a U.S. Net Operating Loss position.

Stock Options

Stock options are granted to employees at exercise prices equal to the fair market value of Schering-Plough's stock at the dates of grant. Stock options under the 2006 Plan generally vest over three years and have a term of seven years. Certain options granted under previous plans vest over longer periods ranging from three to nine years and have a term of 10 years. Compensation costs for all stock options are recognized over the requisite service period for each separately vesting portion of the stock option award. Expense is recognized, net of estimated forfeitures, over the vesting period of the options using an accelerated method. Expense recognized in 2008, 2007, and 2006 was approximately $65 million, $72 million and $56 million, respectively.

The weighted-average assumptions used in the Black-Scholes option-pricing model in 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Dividend yield	1.1%	1.1%	1.1%
Volatility	31.4%	24.8%	25.7%
Risk-free interest rate	2.8%	4.6%	5.0%
Expected term of options (in years)	4.5	4.5	4.5

Dividend yields are based on historical dividend yields. Expected volatilities are based on historical volatilities of Schering-Plough's common stock which is not expected to differ materially from future

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the options. The expected term of options represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules. Schering-Plough utilizes the simplified method of calculating the expected term of stock options as allowed under Staff Accounting Bulletin (SAB) 107 as amended by SAB 110 as historical experience is not expected to be a reasonable basis for estimated expected term due to various changes in the business.

The amount of cash received from the exercise of stock options in 2008, 2007 and 2006 was $15 million, $225 million and $83 million, respectively.

Summarized information about stock options outstanding and exercisable at December 31, 2008, is as follows:

	Outstanding			Exercisable	
Exercise Price Range	Number of Options (In thousands)	Weighted-Average Remaining Term in Years	Weighted-Average Exercise Price	Number of Options (In thousands)	Weighted-Average Exercise Price
Under $20	38,069	5.0	$ 18.35	27,671	$ 18.13
$20 to $30	13,086	6.1	20.81	8,350	20.92
$30 to $40	17,839	3.8	33.78	11,986	34.86
Over $40	13,574	1.3	46.20	13,564	46.21
	82,568			61,571	

The weighted-average fair value of stock options granted in 2008, 2007 and 2006 was $5.35, $8.06 and $5.22, respectively. The intrinsic value of stock options exercised in 2008, 2007 and 2006 was $2 million, $132 million and $21 million, respectively. The total fair value of options vested in 2008, 2007 and 2006 was $67 million, $80 million and $73 million, respectively.

As of December 31, 2008, the total remaining unrecognized compensation cost related to non-vested stock options amounted to $48 million, which will be amortized over the weighted-average remaining requisite service period of 2.3 years.

The following table summarizes stock option activity as of December 31, 2008, and changes during the year then ended under the current and prior plans:

	Number of Options (In thousands)	Weighted-Average Exercise Price
Outstanding at January 1, 2008	79,840	$ 28.47
Granted	13,605	19.51
Exercised	(833)	18.11
Canceled or expired	(10,044)	32.13
Outstanding at December 31, 2008	82,568	$ 26.65
Exercisable at December 31, 2008	61,571	$ 27.95

The aggregate intrinsic value of stock options outstanding at December 31, 2008, was $2 million. The aggregate intrinsic value of stock options currently exercisable at December 31, 2008, was $2 million. Intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the quoted price of Schering-Plough's common stock as of the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes nonvested stock option activity as of December 31, 2008, and changes during the year then ended under the current and prior plans:

	Number of Options	Weighted-Average Fair Value
	(In thousands)	
Nonvested at January 1, 2008	20,135	$ 6.99
Granted	13,605	5.35
Vested	(9,794)	6.84
Forfeited	(2,949)	5.62
Nonvested at December 31, 2008	20,997	$ 6.19

Deferred Stock Units

The fair value of deferred stock units is determined based on the number of shares granted and the quoted price of Schering-Plough's common stock at the date of grant. Deferred stock units generally vest at the end of three years provided the employee remains in the service of Schering-Plough. Expense is recognized on a straight-line basis over the vesting period. Deferred stock units are payable in an equivalent number of common shares. Expense recognized in 2008, 2007 and 2006 was $134 million, $125 million and $112 million, respectively.

Summarized information about deferred stock units outstanding at December 31, 2008, is as follows:

	Outstanding		
Deferred Stock Unit Price Range	Number of Deferred Stock Units	Weighted-Average Remaining Term in Years	Weighted-Average Fair Value
	(In thousands)		
$14 to $20	9,961	1.2	$ 19.05
Over $20	5,381	1.4	30.70
	15,342		

The weighted-average fair value of deferred stock units granted in 2008, 2007 and 2006 was $18.89, $31.19 and $19.27, respectively. The total fair value of deferred stock units vested during 2008, 2007 and 2006 was $127 million, $17 million and $68 million, respectively.

As of December 31, 2008, the total remaining unrecognized compensation cost related to deferred stock units amounted to $124 million, which will be amortized over the weighted-average remaining requisite service period of 1.8 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes deferred stock unit activity as of December 31, 2008, and changes during the year then ended under the current and prior plans:

	Number of Nonvested Deferred Stock Units (In thousands)	Weighted-Average Fair Value
Nonvested at January 1, 2008	17,953	$ 23.55
Granted	5,084	18.89
Vested	(6,141)	20.67
Forfeited	(1,554)	23.71
Nonvested at December 31, 2008	15,342	$ 23.14

Performance-Based Deferred Stock Units

The distribution of the performance-based deferred stock units is contingent on Schering-Plough meeting either performance and/or market conditions. One half of each performance-based stock unit grant has a performance condition and the fair value of these units is based on the closing stock price on the date of grant. The other half of each grant has a market condition and the fair value of these units is determined by using a lattice valuation model with expected volatility assumptions and other assumptions appropriate for determining fair value. Compensation expense for the performance-based stock units, which excludes dividend equivalents, is based on the fair values of the awards expected to vest based on performance measures and is recognized over the performance period. The total compensation expense recognized for the years ended 2008 and 2007 is $20 million and $14 million, respectively.

The weighted average grant-date fair value of performance-based deferred stock units granted during 2008 and 2007 was $19.35 and $23.47, respectively, and represented approximately 1,063,036 and 1,397,000 underlying shares, respectively. As of December 31, 2008, none of these units have vested.

As of December 31, 2008, unrecognized compensation cost related to these deferred stock units was $31 million, which will be amortized over the remaining weighted average requisite service period of 1.5 years. The remaining unrecognized compensation cost for the performance-based deferred stock units may vary each reporting period based on changes in the expected achievement of performance measures.

The following table summarizes performance-based deferred stock unit activity as of December 31, 2008 and changes during the year then ended:

	Number of Nonvested Performance-based Deferred Stock Units (In thousands)	Weighted-Average Fair Value
Nonvested at January 1, 2008	1,397	$ 23.47
Granted	1,063	19.35
Vested	—	—
Forfeited	(24)	23.23
Nonvested at December 31, 2008	2,436	$ 21.68

Liability Plans

Schering-Plough had two compensation plans for which the performance and vesting periods ended December 31, 2008. These plans were classified as liability plans under SFAS 123R, as the ultimate cash payout of these plans had been based on Schering-Plough's stock performance as compared to the stock

performance of a peer group. Upon adoption of SFAS 123R on January 1, 2006, Schering-Plough recognized a cumulative income effect of a change in accounting principle of $22 million in order to recognize the liability plans at fair value. During the service period, income or expense amounts related to these liability plans was based on the change in fair value at each reporting date. Fair value for the plans prior to the end of the service period was estimated using a lattice valuation model using expected volatility assumptions and other assumptions appropriate for determining fair value. For the first of these liability plans, the service period concluded as of December 31, 2006 and the value of the plan became fixed. For the second of these liability plans the service period concluded as of December 31, 2008. The income or expense recognized for these liability plans in the Statements of Consolidated Operations, exclusive of the impact of the cumulative effect of a change in accounting principle, was income of $30 million in 2008 and expense of $22 million and $24 million for 2007 and 2006, respectively.

As of December 31, 2008 there was no remaining unrecognized compensation cost related to the liability plans.

7. OTHER EXPENSE/(INCOME), NET

The components of other expense/(income), net, are as follows:

	2008	2007	2006
	(Dollars in millions)		
Interest cost incurred	$ 555	$ 263	$ 184
Less: amount capitalized on construction	(19)	(18)	(12)
Interest expense	536	245	172
Interest income	(71)	(395)	(297)
Foreign exchange losses/(gains), net	47	(37)	2
Gain on sale of divested products	(160)	—	—
Realized gain on foreign currency options, net	—	(510)	—
Ineffective portion of interest rate swaps	—	7	—
Other, net	(17)	7	(12)
Total other expense/(income), net	$ 335	$ (683)	$ (135)

In September 2008, Schering-Plough completed its previously announced divestitures of certain Animal Health products as required by regulatory agencies in the U.S. and Europe in connection with the acquisition of OBS. As a result of these divestitures, Schering-Plough recognized a gain of $160 million ($149 million after tax). In addition, during 2008, Schering-Plough recognized a gain of $17 million ($12 million after tax) on the sale of a manufacturing site. Net cash proceeds from the divested Animal Health products were $210 million.

During 2008 and 2007, Schering-Plough participated in health care refinancing programs adopted by local government fiscal authorities in a major European market. During 2008 and 2007, Schering-Plough transferred $47 million and $173 million, respectively, of its trade accounts receivables owned by a foreign subsidiary to third-party financial institutions without recourse. The transfer of trade accounts receivable qualified as sales of accounts receivable under SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” For 2008 and 2007, the transfer of these trade accounts receivable did not have a material impact on Schering-Plough’s Statements of Consolidated Operations. Cash flows from these transactions are included in the change in accounts receivable in operating activities.

Net foreign exchange gains of $37 million in 2007 includes $101 million of foreign currency transaction exchange losses related to euro-denominated debt instruments prior to being accounted for as economic hedges of the net investment in a foreign operation. These currency exchange losses were non-cash items and are

included as adjustments to reconcile net loss to net cash provided by operating activities in the Statement of Consolidated Cash Flows.

During 2007, as part of an overall risk management strategy and in consideration of various preliminary financing scenarios associated with the acquisition of OBS, Schering-Plough purchased euro-denominated currency options (derivatives) for aggregate premiums of approximately $165 million and received proceeds of $675 million upon the termination of these options, resulting in a net realized gain of $510 million. These derivatives did not qualify for hedge accounting in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (SFAS 133). Accordingly, the gain on these derivatives was recognized in the Statement of Consolidated Operations. These derivatives were short-term (trading) in nature and did not hedge a specific financing or investing transaction. Accordingly, the cash impacts of these derivatives were classified as operating cash flows in the Statement of Consolidated Cash Flows. These derivatives were terminated during the fourth quarter of 2007.

During 2007, Schering-Plough executed a series of interest rate swaps in anticipation of financing the acquisition of OBS. The objective of the swaps was to hedge the interest rate payments to be made on future issuances of debt. As such, the swaps were designated as cash flow hedges of future interest rate payments, and in accordance with SFAS 133, the effective portion of the gains or losses on the hedges are reported in other comprehensive income and any ineffective portion is reported in operations. In connection with the euro-denominated debt issuances as described in Note 15, "Borrowings and Other Commitments," portions of the swaps were deemed ineffective and Schering-Plough recognized a $7 million loss in the Statement of Consolidated Operations during 2007. The effective portion of the swaps of $12 million was recorded in other comprehensive income during 2007 and is being recognized as interest expense over the life of the related debt. The cash flow impacts of these interest rate swaps were classified as operating cash flows in the Statement of Consolidated Cash Flows.

8. INCOME TAXES

The components of consolidated income/(loss) before income taxes for the years ended December 31 are as follows:

	2008	2007	2006
		(Dollars in millions)	
United States	$ (207)	$ (982)	$ (593)
Foreign	2,256	(233)	2,098
Net income/(loss) before income taxes and including cumulative effect of a change in accounting principle	$ 2,049	$ (1,215)	$ 1,505

Net income/(loss) in 2008 and 2007 include the amortization of fair values of certain assets acquired as part of the OBS acquisition. Net loss in 2007 includes a charge for acquired in-process research and development of $3.8 billion in connection with the acquisition of OBS.

Income from the cholesterol joint venture is included in the above table based on the jurisdiction in which the income is earned.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of income tax expense for the years ended December 31 are as follows:

	Federal	State	Foreign	Total
	(Dollars in millions)			
2008				
Current	$ 23	$ 24	$ 498	$ 545
Deferred	—	—	(399)	(399)
Total	$ 23	$ 24	$ 99	$ 146
2007				
Current	$ 36	$ 20	$ 265	$ 321
Deferred	—	—	(63)	(63)
Total	$ 36	$ 20	$ 202	$ 258
2006				
Current	$ 42	$ 25	$ 251	$ 318
Deferred	(3)	—	47	44
Total	$ 39	$ 25	$ 298	$ 362

During 2004, Schering-Plough established a valuation allowance on its net U.S. deferred tax assets, including the benefit of U.S. operating losses, as management concluded that it is not more likely than not that the benefit of the U.S. net deferred tax assets can be realized. At December 31, 2008, Schering-Plough continues to maintain a valuation allowance against its U.S. net deferred tax assets.

Schering-Plough maintains its intent to indefinitely reinvest earnings of its international subsidiaries. Schering-Plough has not provided deferred taxes on approximately $7.5 billion of undistributed foreign earnings as of December 31, 2008. Determining the tax liability that would arise if these earnings were remitted is not practicable. That liability would depend on a number of factors, including the amount of the earnings distributed and whether the U.S. operations were generating taxable profits or losses.

Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of Schering-Plough's assets and liabilities. Schering-Plough's deferred tax assets result principally from the recording of certain items that currently are not deductible for tax purposes and net operating loss and other tax credit carryforwards. Schering-Plough's deferred tax liabilities principally result from book over tax basis differences resulting from the OBS acquisition and the use of accelerated depreciation for tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of Schering-Plough's deferred tax assets and liabilities at December 31 are as follows:

	2008	2007
	(Dollars in millions)	
Deferred tax assets:		
NOL carryforwards	$ 348	$ 401
Other tax credit carryforwards	500	418
Post-retirement and other employee benefits	1,037	632
Inventory related	315	272
Sales return reserves	143	144
Litigation accruals	110	88
Intangible Assets	84	132
Other	235	343
Total deferred tax assets:	$ 2,772	$ 2,430
Deferred tax liabilities:		
Depreciation	$ (496)	$ (454)
Inventory valuation	(40)	(191)
OBS Intangible Assets	(1,503)	(1,669)
Other	(53)	(111)
Total deferred tax liabilities:	$ (2,092)	$ (2,425)
Deferred tax valuation allowance	$ (1,400)	$ (1,219)
Net deferred tax (liabilities)	$ (720)	$ (1,214)

The deferred tax assets for net operating losses and other tax credit carryforwards principally relate to U.S. NOLs, Research and Development (R&D) tax credits, U.S. foreign tax credits and Federal Alternative Minimum Tax (AMT) credit carryforwards. At December 31, 2008, Schering-Plough had approximately $1.3 billion of U.S. NOLs for income tax purposes that are available to offset future U.S. taxable income. U.S. NOLs are U.S. operating losses adjusted for the differences between financial and tax reporting. These U.S. NOLs will expire in varying amounts between 2024 and 2028, if unused. State NOLs related to these U.S. NOLs, expire in varying amounts between 2009 and 2028. At December 31, 2008, Schering-Plough had approximately $215 million of R&D tax credits carryforwards that will expire between 2022 and 2028; $227 million of foreign tax credit carryforwards that will expire between 2011 and 2018; and $46 million of AMT tax credit carryforwards that have an indefinite life. The U.S. NOL carryforward could be materially reduced after examination of Schering-Plough's income tax returns by the Internal Revenue Service (IRS). Schering-Plough has reduced the deferred tax assets and related valuation allowance recorded for its U.S. NOLs and tax credit carryforwards to reflect the estimated resolution of these examinations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The difference between income taxes based on the U.S. statutory tax rate and Schering-Plough's income tax expense for the years ended December 31 was due to the following:

	2008	2007	2006
	(Dollars in millions)		
Income tax expense/(benefit) at U.S. statutory rate	$ 717	$ (425)	$ 527
Increase/(decrease) in taxes resulting from:			
Lower rates in other jurisdictions, net	(691)	(883)	(436)
U.S. operating losses for which no tax benefit was recorded	65	165	215
Permanent differences	7	1,346	(7)
State income tax	24	20	25
Provision for other tax matters	24	35	38
Income tax at effective tax rate	$ 146	$ 258	$ 362

The permanent differences in 2007 are largely attributable to the acquired in-process research and development charge of $3.8 billion related to the acquisition of OBS for which no tax benefit was recorded.

The lower tax rates in other jurisdictions in 2008, 2007 and 2006, net, are primarily attributable to Schering-Plough's manufacturing subsidiaries in Singapore, Ireland and Puerto Rico, which operate under various incentive tax grants that begin to expire in 2011. Additionally, most major countries in which Schering Plough conducts its operations have statutory tax rates less than the U.S. tax rate. Overall, income taxes primarily relate to foreign taxes and do not include any benefit related to U.S. operating losses.

Schering-Plough implemented the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48) as of January 1, 2007. As required by FIN 48, the cumulative effect of applying the provisions of the Interpretation was reported as an adjustment to Schering-Plough's retained earnings balance as of January 1, 2007. Schering-Plough reduced its January 1, 2007 retained earnings by $259 million as a result of the adoption of FIN 48.

Schering-Plough's unrecognized tax benefits result primarily from the varying application of statutes, regulations and interpretations and include exposures on intercompany terms of cross border arrangements and utilization of cash held by foreign subsidiaries (investment in U.S. property) as well as Schering-Plough's tax matters litigation (see Note 21, "Legal, Environmental and Regulatory Matters"). At December 31, 2008 and 2007, the total amount of unrecognized tax benefits was $994 million and $859 million, respectively, which includes tax liabilities as well as reductions to deferred tax assets carrying a full valuation allowance. At December 31, 2008 and 2007, approximately $596 million and $535 million, respectively, of total unrecognized tax benefits, if recognized, would affect the effective tax rate. Management believes it is reasonably possible that total unrecognized tax benefits could decrease over the next twelve-month period up to approximately $625 million. This would be primarily attributable to a decision in the tax matter currently being litigated in Newark District Court for which a decision has not yet been rendered, possible final resolution of Schering-Plough's 1997 through 2002 examination by the IRS and appeals and possible resolutions of various other matters. However, the timing of the ultimate resolution of Schering-Plough's tax matters and the payment and receipt of related cash is dependent on a number of factors, many of which are outside Schering-Plough's control.

Schering-Plough includes interest expense or income as well as potential penalties on uncertain tax positions as a component of income tax expense in the Statement of Consolidated Operations. The total amount of interest expense related to uncertain tax positions for the years ended December 31, 2008 and 2007 was $63 million and $50 million, respectively. The total amount of accrued interest related to uncertain tax positions at December 31, 2008 and 2007 was $245 million and $197 million, respectively, and are included in other accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tabular reconciliation of Schering-Plough's FIN 48 unrecognized tax benefits for the years ended December 31 is as follows:

	2008	2007
	(Dollars in millions)	
At January 1	$ 859	$ 924
Additions for tax positions related to current year	115	74
Additions for tax positions related to prior years	45	46
Additions for tax positions related to acquired entities	2	37
Reductions related to amounts settled with taxing authorities	(27)	(77)
Reductions for tax positions related to prior years	—	(25)
Reductions for potential refund claims(1)	—	(120)
At December 31	$ 994	$ 859

(1) Schering-Plough had been considering the filing of refund claims based on court decisions involving the claim of right doctrine. Two courts of appeal decisions, clarifying the law in this area made it clear that Schering-Plough would not prevail on these claims. The amount of unrecognized tax benefits has been reduced accordingly and had no impact on the net loss in 2007.

Net consolidated income tax payments, exclusive of payments related to the tax examinations and litigation discussed below, during 2008, 2007 and 2006 were $444 million, $389 million and $234 million, respectively.

During the second quarter of 2007, the IRS completed its examination of Schering-Plough's 1997-2002 federal income tax returns. Schering-Plough is seeking resolution of an issue raised during this examination through the IRS administrative appeals process. In July 2007, Schering-Plough made a payment of $98 million to the IRS pertaining to the 1997-2002 examination. Schering-Plough remains open with the IRS for the 1997 through 2008 tax years. During 2008, the IRS commenced its examination of the 2003 — 2006 federal income tax returns. This examination is expected to be completed in 2010. For most of its other significant tax jurisdictions (both U.S. state and foreign), Schering-Plough's income tax returns are open for examination for the period 2000 through 2008.

In October 2001, IRS auditors asserted that two interest rate swaps that Schering-Plough entered into with an unrelated party should be recharacterized as loans from affiliated companies, resulting in additional tax liability for the 1991 and 1992 tax years. In September 2004, Schering-Plough made payments to the IRS in the amount of $194 million for income tax and $279 million for interest. Schering-Plough filed refund claims for the tax and interest with the IRS in December 2004. Following the IRS's denial of Schering-Plough's claims for a refund, Schering-Plough filed suit in May 2005 in the U.S. District Court for the District of New Jersey for refund of the full amount of the tax and interest. This refund litigation has been tried in Newark District court and a decision has not yet been rendered. Schering-Plough's tax reserves were adequate to cover the above-mentioned payments.

9. RETIREMENT PLANS AND OTHER POST-RETIREMENT BENEFITS

Plan Descriptions

Schering-Plough has defined benefit pension plans covering eligible employees in the U.S. and certain foreign countries. For the largest U.S. plan (the Schering-Plough Retirement Plan), benefits for normal retirement are primarily based upon the participant's average final earnings, years of service and Social Security income, and are modified for early retirement. Death and disability benefits are also available under the plan. Benefits become fully vested after five years of service. The plan provides for the continued accrual

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of credited service for employees who opt to postpone retirement and remain employed with Schering-Plough after reaching the normal retirement age.

The largest international defined-benefit plan is a Dutch plan (the Schering-Plough Pension Fund), which provides benefits for normal retirement at the age of 65 based primarily on the participant's average earnings and years of service. The benefit takes into account a social security (equivalent) income. A postponement of retirement is not an option under local Dutch regulation, and benefits are modified for early retirement. Death and disability benefits are also available under the plan. Non-U.S. pension plans offer benefits that are competitive with local market conditions.

The defined benefit plans that were assumed by Schering-Plough as part of the OBS acquisition have been included in Schering-Plough's consolidated results of operations and consolidated financial position after the Acquisition Date and financial position as of December 31, 2007. See Note 2, "Acquisition."

In addition, Schering-Plough provides post-retirement medical and life insurance benefits primarily to its eligible U.S. retirees and their dependents through its post-retirement benefit plans. Certain other countries also provide post-retirement benefit plans.

Effective December 31, 2006, Schering-Plough accounts for its retirement plans and other post-retirement benefit plans (the plans) in accordance with SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," (SFAS 158). SFAS 158 requires the recognition of an asset for the overfunded plans and a liability for the underfunded plans in Schering-Plough's consolidated balance sheets. This Statement also requires the recognition of changes in the funded status of the plans in the year in which the changes occur. As of 2007, all of Schering-Plough's defined-benefit pension and other postretirement plans have December 31 as the measurement date.

Included in Schering-Plough's accumulated other comprehensive loss at December 31, 2008 and 2007, was $1.6 billion ($1.3 billion, net of tax effects) and $689 million ($553 million, net of tax effects), respectively, of costs that were not recognized as components of net periodic benefit costs pursuant to SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The components of these costs at December 31, 2008 and 2007, were as follows:

	Retirement Plans		Other Post-Retirement Benefits	
	2008	2007	2008	2007
	(Dollars in millions)			
Actuarial loss	$ 1,374	$ 447	$ 267	$ 223
Prior service cost/(credit)	48	58	(122)	(39)
Total	$ 1,422	$ 505	$ 145	$ 184

The actuarial losses primarily represent the cumulative difference between the actuarial assumptions and the actual returns from plan assets, changes in discount rates and plans' experience. Total loss amounts, net in excess of certain thresholds, are amortized into net pension and other post-retirement benefit cost over the average remaining service life of employees. The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic costs during 2009 are as follows:

	Retirement Plans	Other Post-Retirement Benefits
	(Dollars in millions)	
Actuarial loss recognition	$ 44	$ 10
Prior service cost/(credit) recognition	7	(15)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Actuarial Assumptions

The consolidated weighted average assumptions used to determine benefit obligations at December 31 were:

	Retirement Plans		Other Post-Retirement Benefits	
	2008	2007	2008	2007
U.S. Benefit Plans				
Discount rate	6.25%	6.4%	6.25%	6.5%
Rate of increase in future compensation	4.0%	4.0%	N/A	N/A
International Benefit Plans				
Discount rate	5.3%	5.3%	10.25%(1)	7.4%
Rate of increase in future compensation	3.3%	3.4%	N/A	N/A

(1) Schering-Plough's International Other Post-Retirement Benefit Plans are in Argentina, Brazil, Canada and South Africa.

The assumptions above were used to develop the benefit obligations at year-end.

The consolidated weighted average assumptions used to determine net benefit costs for the years ended December 31 were:

	Retirement Plans			Other Post-Retirement Benefits		
	2008	2007	2006	2008	2007	2006
U.S. Benefit Plans						
Discount rate	6.4%	6.0%	5.7%	6.5%	6.0%	5.8%
Long-term expected rate of return on plan assets	8.5%	8.5%	8.5%	7.5%	7.5%	7.5%
Rate of increase in future compensation	4.0%	4.0%	4.0%	N/A	N/A	N/A
International Benefit Plans						
Discount rate	5.3%	4.1%	4.1%	7.4%	6.1%	5.5%
Long-term expected rate of return on plan assets	6.2%	5.7%	5.6%	N/A	N/A	N/A
Rate of increase in future compensation	3.4%	3.5%	3.6%	N/A	N/A	N/A

The assumptions used to determine net periodic benefit costs for each year are established at the end of each previous year while the assumptions used to determine benefit obligations are established at each year-end. The net periodic benefit costs and the actuarial present value of the benefit obligations are based on actuarial assumptions that are determined annually based on an evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

The long-term expected rates of return on plan assets are derived from return assumptions determined for each of the major asset classes: equities, fixed income and real estate, on a proportional basis. The return expectations for each of these asset classes are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data.

The weighted average assumed healthcare cost trend rate used for post-retirement measurement purposes is 10.6 percent for 2009, trending down to 5.2 percent by 2018. A 1 percent increase in the assumed healthcare cost trend rate would increase combined post-retirement service and interest cost by $11 million and the post-retirement benefit obligation by $90 million. A 1 percent decrease in the assumed health care cost trend rate would decrease combined post-retirement service and interest cost by $9 million and the post-retirement benefit obligation by $73 million.

Average retirement age is assumed based on the annual rates of retirement experienced by Schering-Plough.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Components of Net Periodic Benefit Costs

The net pension and other post-retirement periodic benefit costs totaled $304 million, $223 million and $204 million in 2008, 2007 and 2006, respectively.

The components of net pension and other post-retirement periodic benefit costs were as follows:

	Retirement Plans			Other Post-Retirement Benefits		
	2008	2007	2006	2008	2007	2006
	(Dollars in millions)					
Service cost	$ 213	$ 137	$ 119	$ 27	$ 21	$ 18
Interest cost	231	135	113	39	29	26
Expected return on plan assets	(234)	(135)	(113)	(12)	(13)	(13)
Amortization, net	26	43	44	5	4	6
Termination benefits	3	—	—	2	—	—
Settlements	7	2	4	(3)	—	—
Net pension and other post-retirement periodic benefit costs	$ 246	$ 182	$ 167	$ 58	$ 41	$ 37

The net pension and other post-retirement periodic benefit cost attributable to U.S. retirement and other post-employment benefit plans was $180 million in 2008, $157 million in 2007 and $153 million in 2006.

Benefit Obligations

The components of the changes in the benefit obligations were as follows:

	Retirement Plans		Other Post-Retirement Benefits	
	2008	2007	2008	2007
	(Dollars in millions)			
Benefit obligations at beginning of year	$ 4,025	$ 2,369	$ 630	$ 509
Service cost	213	137	27	21
Interest cost	231	135	39	29
Medicare drug subsidy received	—	—	3	2
Participant contributions	23	10	5	4
Effects of exchange rate changes	(198)	51	(3)	1
Benefits paid	(161)	(108)	(30)	(27)
Acquisitions/plan transfers	8	1,597	9	75
Actuarial(gains)/losses (including assumption change)	173	(165)	(2)	17
Change in measurement date	(88)	4	—	—
Plan amendments	1	3	(91)	(1)
Termination benefits	3	—	2	—
Curtailment	(21)	—	(5)	—
Settlement	(5)	(8)	—	—
Benefit obligations at end of year	$ 4,204	$ 4,025	$ 584	$ 630
Benefit obligations of overfunded plans	$ 23	$ 250	$ —	$ —
Benefit obligations of underfunded plans	4,181	3,775	584	630

The benefit obligations of U.S. plans for retirement benefits and other post-retirement benefits was $2.6 billion in 2008 and $2.5 billion in 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Funded Status and Balance Sheet Presentation

The components of the changes in plan assets were as follows:

	Retirement Plans		Other Post-Retirement Benefits	
	2008	2007	2008	2007
	(Dollars in millions)			
Fair value of plan assets, primarily stocks and bonds, at beginning of year	$ 3,293	$ 1,673	$ 181	$ 189
Actual (loss)/gain on plan assets	(610)	101	(49)	13
Employer contributions	247	196	3	2
Participant contributions	23	10	5	4
Acquisitions/plan transfers	3	1,388	—	—
Change in measurement date	(73)	—		
Effects of exchange rate changes	(150)	41	—	—
Settlements	(11)	(8)	—	—
Benefits paid	(161)	(108)	(29)	(27)
Fair value of plan assets at end of year	$ 2,561	$ 3,293	$ 111	$ 181
Plan assets of overfunded plans	$ 26	$ 292	$ —	$ —
Plan assets of underfunded plans	2,535	3,001	111	181

The fair value of U.S. pension and other post-retirement benefits plan assets were $1.1 billion in 2008 and $1.6 billion in 2007.

The reduction in the fair value of plan assets at December 31, 2008, as compared to December 31, 2007, is due to conditions in the worldwide debt and equity markets, which deteriorated significantly during 2008. These conditions have had a negative effect on the fair value of plan assets.

In addition to the plan assets indicated above, at December 31, 2008 and 2007, securities investments of $42 million and $75 million, respectively, were held in a non-qualified trust designated to provide pension benefits for certain underfunded plans.

In accordance with SFAS No. 158, at December 31, 2008 and 2007, the net asset of the overfunded plans was $3 million and $42 million, respectively, all of which related to Schering-Plough's retirement plans, and is included in other long-term assets in the accompanying consolidated balance sheets. The net liability from the underfunded plans at December 31, 2008 and 2007, totaled $2.1 billion and $1.2 billion, respectively, as follows:

	Retirement Plan		Other Post-Retirement Benefits	
	2008	2007	2008	2007
	(Dollars in millions)			
Accrued compensation (current)	$ 28	$ 18	$ 1	$ 4
Other long-term liabilities	1,618	756	472	445
Total	$ 1,646	$ 774	$ 473	$ 449

At December 31, 2008 and 2007, the accumulated benefit obligations (ABO) for the retirement plans were $3.7 billion and $3.6 billion, respectively. The aggregated accumulated benefit obligations and fair values of plan assets for retirement plans with accumulated benefit obligations in excess of plan assets were

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

$3.4 billion and $2.2 billion, respectively, at December 31, 2008, and $2.7 billion and $2.2 billion, respectively, at December 31, 2007.

Plan Assets at Fair Value

The asset allocation for the consolidated retirement plans at December 31, 2008 and 2007, and the target allocation for 2009 are as follows:

Asset Category	Target Allocation 2009	Percentage of Plan Assets at December 31, 2008	2007
Equity securities	54%	49%	54%
Debt securities	39	44	39
Real estate	7	7	7
Total	100%	100%	100%

The asset allocation for the post-retirement benefit trusts at December 31, 2008 and 2007, and the target allocation for 2009 are as follows:

Asset Category	Target Allocation 2009	Percentage of Plan Assets at December 31, 2008	2007
Equity securities	70%	69%	75%
Debt securities	30	31	25
Total	100%	100%	100%

Schering-Plough's investments related to these plans are broadly diversified, consisting primarily of equities and fixed income securities, with an objective of generating long-term investment returns that are consistent with an acceptable level of overall portfolio market value risk. The assets are periodically rebalanced back to the target allocations.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Retirement Plans	Other Post-retirement Benefits
	(Dollars in millions)	
2009	165	34
2010	149	34
2011	160	36
2012	172	37
2013	197	39
Years 2014-2018	1,084	224

Schering-Plough's practice is to fund qualified pension plans at least at sufficient amounts to meet the minimum requirements set forth in applicable laws. Schering-Plough expects to contribute approximately $350 million to its retirement plans during 2009, including approximately $200 million to the U.S. Schering-Plough Retirement Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Defined Contribution Plans

Schering-Plough maintains defined contribution savings plans in the U.S., including a plan acquired as part of the OBS acquisition. For the largest U.S. plan, Schering-Plough makes contributions to the plan equal to 3 percent of eligible employee earnings, plus a matching contribution of up to 2 percent of eligible employee earnings based on employee contributions. The total Schering-Plough contributions to these plans in 2008, 2007 and 2006 were $96 million, $77 million, and $70 million respectively.

Schering-Plough also maintains defined contribution retirement plans in various other jurisdictions. Schering-Plough's contributions to these plans in 2008 and 2007 were not material.

10. EARNINGS/(LOSS) PER COMMON SHARE

The following table reconciles the components of the basic and diluted earnings/(loss) per share computations:

	2008	2007	2006
	(Dollars and shares in millions)		
EPS numerator:			
Net income/(loss) available to common shareholders	$ 1,753	$ (1,591)	$ 1,057
EPS Denominator:			
Weighted average shares outstanding for basic EPS	1,625	1,536	1,482
Dilutive effect of options and deferred stock units	10	—	9
Average shares outstanding for diluted EPS	1,635	1,536	1,491

For the years ended December 31, 2008 and 2007, approximately 91 million common shares obtainable upon conversion of the 2007 mandatory convertible preferred stock were excluded from the computation of diluted earnings/(loss) per common share because their effect would have been antidilutive.

During the third quarter of 2007, Schering-Plough's 2004 mandatory convertible preferred stock converted into 65 million common shares. These common shares are included in the weighted average shares calculation for the period after conversion.

For the years ended December 31, 2007 and 2006, 45 million and 65 million common shares, respectively, obtainable upon conversion of the 2004 mandatory convertible preferred stock were excluded from the computation of diluted earnings/(loss) per common share because their effect would have been antidilutive on a weighted average basis for the period prior to conversion.

The common shares issuable under Schering-Plough's stock incentive plans that were excluded from the computation of diluted earnings/(loss) per common share because of their antidilutive effect would have been 61 million, 100 million and 48 million, respectively, for the years ended December 31, 2008, 2007 and 2006, respectively.

Schering-Plough issued 57,500,000 of common shares on August 15, 2007. These common shares are included in the weighted-average shares calculation for the period after issuance. See Note 18 "Shareholders' Equity," for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss at December 31, 2008 and 2007, were as follows:

	2008	2007
	(Dollars in millions)	
Foreign currency translation adjustment	$ (563)	$ 13
Pension and other post-retirement liabilities, net of tax effects, in accordance with SFAS No. 158 provisions	(1,321)	(553)
Accumulated derivative loss	(10)	(12)
Unrealized (loss)/gain on investments available for sale, net of tax	(19)	18
Total	$ (1,913)	$ (534)

Included in the foreign currency translation adjustment during 2008 and 2007 are gains of $161 million and a loss of $23 million, respectively, from Schering-Plough's euro-denominated debt instruments which have been designated as, and are effective as, economic hedges of the net investment in a foreign operation.

During 2007, Schering-Plough executed a series of interest rate swaps in anticipation of financing the acquisition of OBS. The objective of the swaps was to hedge the interest rate payments to be made on future issuances of debt. As such, the swaps were designated as cash flow hedges of future interest rate payments, and in accordance with SFAS 133, the effective portion of the gains or losses on the hedges are reported in other comprehensive income, and any ineffective portion is reported in operations. The effective portion of the swaps of $12 million was recorded in other comprehensive income and is being recognized as interest expense over the life of the related debt. During the years ended December 31, 2008 and 2007, $2 million and $1 million, respectively of the effective portion of the interest rate swaps was recognized as interest expense. $2 million is expected to be recognized as interest expense during 2009.

Gross unrealized pre-tax loss on investments in 2008 were $37 million, and in 2007, a gain of $1 million.

12. INVENTORIES

Inventories consisted of the following at December 31:

	2008	2007
	(Dollars in millions)	
Finished products	$ 1,212	$ 1,823
Goods in process	1,428	1,729
Raw materials and supplies	679	617
Total inventories and inventory classified in other non-current assets	$ 3,319	$ 4,169

The overall decrease in total inventories was primarily due to the amortization of the fair value step-up recorded as part of the OBS acquisition of which $889 million and $258 million for 2008 and 2007 respectively, are included in Depreciation and amortization in the consolidated statements of cash flows.

Included in other assets at December 31, 2008 and 2007, is $205 million and $96 million, respectively, of inventory not expected to be sold within one year.

Inventories valued on a last-in, first-out (LIFO) basis comprised approximately 13 percent and 9 percent of total inventories at December 31, 2008 and 2007, respectively. The estimated replacement cost of total inventories at December 31, 2008 and 2007, was $3.4 billion and $4.2 billion, respectively. The cost of all other inventories is determined by the first-in, first-out method (FIFO).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. GOODWILL AND OTHER INTANGIBLE ASSETS

As part of the purchase accounting for the acquisition of OBS, Schering-Plough recorded $2.7 billion of goodwill, of which $1.8 billion has been assigned to the Prescription Pharmaceuticals segment, and $873 million has been assigned to the Animal Health segment. None of the goodwill related to the OBS acquisition is deductible for income tax purposes.

The following table summarizes goodwill activity during the years ending December 31,

	2008				2007			
	Prescription Pharmaceuticals	Animal Health	Consumer Health Care	Total	Prescription Pharmaceuticals	Animal Health	Consumer Health Care	Total
	(Dollars in millions)							
Goodwill balance January 1	$ 1,867	$ 1,063	$ 7	$ 2,937	$ 28	$ 171	$ 7	$ 206
Acquisitions	—	—	—	—	1,828	888	—	2,716
Foreign exchange	(89)	(26)	—	(115)	11	4	—	15
Adjustments to OBS purchase accounting	(29)	(15)	—	(44)	—	—	—	—
Goodwill balance December 31	$ 1,749	$ 1,022	$ 7	$ 2,778	$ 1,867	$ 1,063	$ 7	$ 2,937

The components of other intangible assets, net, are as follows at December 31:

	2008			2007		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
	(Dollars in millions)					
Patents	$ 3,803	$ 418	$ 3,385	$ 4,050	$ 55	$ 3,995
Trademarks	2,756	180	2,576	2,851	67	2,784
Licenses and other	796	603	193	740	515	225
Total other intangible assets	$ 7,355	$ 1,201	$ 6,154	$ 7,641	$ 637	$ 7,004

Patents, trademarks and licenses are amortized on the straight-line method over their respective useful lives. The residual value of intangible assets is estimated to be zero.

During 2007, as part of the purchase accounting for the acquisition of OBS, Schering-Plough recorded $6.8 billion of other intangible assets. See Note 2, “Acquisition,” for additional information.

Amortization expense related to other intangible assets in 2008, 2007 and 2006 was $570 million, $107 million and $47 million, respectively, and is included in cost of sales in the Statement of Consolidated Operations. All intangible assets are reviewed to determine their recoverability by comparing their carrying values to their expected undiscounted future cash flows when events or circumstances warrant such a review. Annual amortization expenses related to these intangible assets for the years 2009 to 2013 is expected to be approximately $570 million.

14. PRODUCT LICENSES

In December 2007, Schering-Plough and Centocor revised their distribution agreement regarding the development, commercialization and distribution of both REMICADE and golimumab, extending Schering-Plough’s rights to exclusively market REMICADE to match the duration of Schering-Plough’s exclusive marketing rights for golimumab. Effective upon regulatory approval of golimumab in the EU, Schering-Plough’s marketing rights for both products will now extend for 15 years after the first commercial sale of golimumab within the EU. Centocor will receive a progressively increased share of profits on Schering-Plough’s distribution of both products in the Schering-Plough marketing territory between 2010 and 2014, and

the share of profits will remain fixed thereafter for the remainder of the term. The changes to the duration of REMICADE marketing rights and the profit sharing arrangement for the products are all conditioned on approval of golimumab being granted prior to September 1, 2014. Schering-Plough may independently develop and market golimumab for a Crohn's disease indication in its territories, with an option for Centocor to participate. In addition, Schering-Plough and Centocor agreed to utilize an autoinjector device in the commercialization of golimumab and further agreed to share its development costs. For the rights to this device, Schering-Plough made an upfront payment of $21 million, which is included in research and development expenses in the accompanying statement of consolidated operations for the year ended December 31, 2007.

15. BORROWINGS AND OTHER COMMITMENTS

Short and Long-Term Borrowings

Schering-Plough's outstanding borrowings at December 31, 2008 and 2007, are as follows:

	2008	2007
	(Dollars in millions)	
Short-term		
Commercial paper	$ —	$ 149
Other short-term borrowings and current portion of long-term debt	244	310
Current portion of capital leases	1	2
Total short-term borrowings	$ 245	$ 461
Long-term		
5.00% senior unsecured euro-denominated notes due 2010	$ 698	$ 736
Floating rate unsecured euro-denominated term loan due 2012	698	1,619
5.30% senior unsecured notes due 2013	1,247	1,247
5.375% senior unsecured euro-denominated notes due 2014	2,090	2,205
6.00% senior unsecured notes due 2017	995	995
6.50% senior unsecured notes due 2033	1,143	1,143
6.55% senior unsecured notes due 2037	994	994
Capital leases	19	24
Other long-term borrowings	47	56
Total long-term borrowings	$ 7,931	$ 9,019

Schering-Plough's short-term borrowings consist primarily of bank loans and commercial paper issued in the U.S. The weighted average interest rate on short-term borrowings was 7.1 percent and 7.9 percent at December 31, 2008 and 2007, respectively.

Senior unsecured notes

On October 1, 2007, Schering-Plough issued Euro 500 million aggregate principal amount of 5.00 percent senior unsecured euro-denominated notes due 2010 and Euro 1.5 billion aggregate principal amount of 5.375 percent senior unsecured euro-denominated notes due 2014. The net proceeds from this offering were approximately $2.8 billion. Interest on the notes is payable annually. The effective interest rate on the 5.00 percent senior unsecured euro-denominated notes and the 5.375 percent senior unsecured euro-denominated notes, which incorporates the initial discount, debt issuance fees and the impact of interest rate hedges, is 5.10 percent and 5.46 percent, respectively. The interest rate payable on these notes is not subject to adjustment. The notes generally restrict Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related

to any such sale and leaseback transactions does not exceed 10 percent of consolidated net tangible assets. These notes are redeemable in whole or in part, at Schering-Plough's option at any time, at a redemption price specified in the prospectus. If a change of control triggering event occurs, under certain circumstances, as defined in the prospectus, holders of the notes will have the right to require Schering-Plough to repurchase all or any part of the notes for a cash payment equal to 101 percent of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest, if any, to the date of purchase.

On September 17, 2007, Schering-Plough issued $1.0 billion aggregate principal amount of 6.00 percent senior unsecured notes due 2017 and $1.0 billion aggregate principal amount of 6.55 percent senior unsecured notes due 2037. The net proceeds from this offering were approximately $2.0 billion. Interest on the notes is payable semi-annually. The effective interest rate on the 6.00 percent senior unsecured notes and the 6.55 percent senior unsecured notes, which incorporates the initial discount and debt issuance fees, is 6.13 percent and 6.67 percent, respectively. The interest rate payable on these notes is not subject to adjustment. The notes generally restrict Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 10 percent of consolidated net tangible assets. These notes are redeemable in whole or in part, at Schering-Plough's option at any time, at a redemption price equal to the greater of (1) 100 percent of the principal amount of such notes and (2) the sum of the present values of the remaining scheduled payments of principal and interest discounted to the redemption date on a semiannual basis using the rate of Treasury Notes with comparable remaining terms plus 25 basis points for the 2017 notes or 30 basis points for the 2037 notes. If a change of control triggering event occurs, under certain circumstances, as defined in the prospectus, holders of the notes will have the right to require Schering-Plough to repurchase all or any part of the notes for a cash payment equal to 101 percent of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest, if any, to the date of purchase.

Schering-Plough used the net proceeds from the issuance of these senior unsecured notes to fund a portion of the purchase price for the OBS acquisition. See Note 2, "Acquisition."

On November 26, 2003, Schering-Plough issued $1.25 billion aggregate principal amount of 5.3 percent senior unsecured notes due 2013 and $1.15 billion aggregate principal amount of 6.5 percent senior unsecured notes due 2033. The net proceeds from this offering were $2.37 billion. Interest on the notes is payable semi-annually and subject to rate adjustment as follows: If the rating assigned to a particular series of notes by either Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Rating Services (S&P) changes to a rating set forth below, the interest rate payable on that series of notes will be the initial interest rate (5.3 percent for the notes due 2013 and 6.5 percent for the notes due 2033) plus the additional interest rate set forth below by Moody's and S&P:

Additional Interest Rate	Moody's Rating	S&P Rating
0.25%	Baa1	BBB+
0.50%	Baa2	BBB
0.75%	Baa3	BBB−
1.00%	Ba1 or below	BB+ or below

In no event will the interest rate for any of the notes increase by more than 2 percent above the initial coupon rates of 5.3 percent and 6.5 percent, respectively. If either Moody's or S&P subsequently upgrades its ratings, the interest rates will be correspondingly reduced, but not below 5.3 percent or 6.5 percent, respectively. Furthermore, the interest rate payable on a particular series of notes will return to 5.3 percent and 6.5 percent, respectively, and the rate adjustment provisions will permanently cease to apply if, following a downgrade by either Moody's or S&P below A3 or A-, respectively, the notes are subsequently rated above Baa1 by Moody's and BBB+ by S&P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Upon issuance, the notes were rated A3 by Moody's and A+ by S&P. On July 14, 2004, Moody's lowered its rating of the notes to Baa1 and, accordingly, the interest payable on each note increased by 25 basis points, effective December 1, 2004, resulting in a 5.55 percent interest rate payable on the notes due 2013, and a 6.75 percent interest rate payable on the notes due 2033. At December 31, 2008, the notes were rated Baa1 by Moody's and A- by S&P.

These senior unsecured notes are redeemable in whole or in part, at Schering-Plough's option at any time, at a redemption price equal to the greater of (1) 100 percent of the principal amount of such notes and (2) the sum of the present values of the remaining scheduled payments of principal and interest discounted using the rate of Treasury Notes with comparable remaining terms plus 25 basis points for the 2013 notes or 35 basis points for the 2033 notes.

Term Loan

On October 24, 2007, Schering-Plough entered into a five-year senior unsecured euro-denominated term loan facility with a syndicate of banks. On October 31, 2007, Schering-Plough drew Euro 1.1 billion ($1.6 billion) on this term loan to fund a portion of the purchase price for the OBS acquisition. See Note 2, "Acquisition," for additional information. This term loan has a floating interest rate (5.06% and 4.95% weighted average rates for 2008 and 2007, respectively) and requires Schering-Plough to maintain a net debt to total capital ratio of no more than 65 percent through 2009 and 60 percent thereafter, in which net debt equals total debt less cash, cash equivalents, short-term investments and marketable securities and total capital equals the sum of total debt and total shareholders' equity excluding the cumulative effect of acquired in-process research and development in connection with any acquisition consummated after the closing of the term loan. The term loan also generally restricts Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 12 percent of consolidated net tangible assets. During 2008, Schering-Plough made early principal repayments of Euro 600 million. No prepayment penalty was incurred relating to these principal repayments.

In addition, Schering-Plough's international subsidiaries had approximately $578 million available in unused lines of credit, most of which are uncommitted, from various financial institutions at December 31, 2008.

Aggregate Amount of Maturities

The aggregate amount of maturities for all long-term debt at December 31, 2008, for each of the next five years and thereafter are as follows:

	2009	2010	2011	2012	2013	Thereafter
			(Dollars in millions)			
Long-term debt	—	$ 703	$ 19	$ 720	$ 1,253	$ 5,236

Credit Facilities

On August 9, 2007, Schering-Plough entered into a $2.0 billion revolving credit agreement with a syndicate of banks and terminated its $1.5 billion credit facility that was to mature in May 2009. This credit facility has a floating interest rate, matures in August 2012 and requires Schering-Plough to maintain a net debt to total capital ratio of no more than 65 percent through 2009 and 60 percent thereafter, in which net debt equals total debt less cash, cash equivalents, short-term investments and marketable securities and total capital equals the sum of total debt and total shareholders' equity excluding the cumulative effect of acquired in-process research and development in connection with any acquisition consummated after the closing of the credit facility. The credit facility also generally restricts Schering-Plough from creating or assuming liens or entering into sale and leaseback transactions unless the aggregate outstanding indebtedness secured by any such liens and related to any such sale and leaseback transactions does not exceed 12 percent of consolidated

net tangible assets. This credit line is available for general corporate purposes and is considered as support to Schering-Plough's commercial paper borrowings. Borrowings under this credit facility may be drawn by the U.S. parent company or by its wholly-owned international subsidiaries when accompanied by a parent guarantee. This facility does not require compensating balances, however, a nominal commitment fee is paid. As of December 31, 2008 and 2007, no borrowings were outstanding under this facility.

Other Commitments

Total rent expense amounted to $258 million, $156 million and $118 million in 2008, 2007 and 2006, respectively. Future annual minimum rental commitments in the next five years on non-cancelable operating leases as of December 31, 2008, are as follows: 2009, $165 million; 2010, $130 million; 2011, $88 million; 2012, $55 million; and 2013, $44 million, with aggregate minimum lease obligations of $76 million due thereafter.

At December 31, 2008, Schering-Plough has commitments totaling $106 million and $1 million related to capital expenditures to be made in 2009 and 2010, respectively.

16. FINANCIAL INSTRUMENTS

SFAS 133 requires all derivatives to be recorded on the balance sheets at fair value. In addition, this Statement also requires: (1) the effective portion of qualifying cash flow hedges be recognized in income when the hedged item affects income; (2) changes in the fair value of derivatives that qualify as fair value hedges, along with the change in the fair value of the hedged risk, be recognized as they occur; and (3) changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of qualifying hedges, be recognized in the statements of consolidated operations as they occur.

Risks, Policy and Objectives

Schering-Plough is exposed to market risk, primarily from changes in foreign currency exchange rates and, to a lesser extent, from interest rate and equity price changes. Currently, Schering-Plough has not deemed it cost effective to engage in a formula-based program of hedging the profits and cash flows of international operations using derivative financial instruments, but on a limited basis, Schering-Plough will hedge selective foreign currency risks with derivatives. Because Schering-Plough's international subsidiaries purchase significant quantities of inventory payable in U.S. dollars, managing the level of inventory and related payables and the rate of inventory turnover can provide a natural level of protection against adverse changes in exchange rates. Furthermore, the risk of adverse exchange rate change is somewhat mitigated by the fact that Schering-Plough's international operations are widespread.

Schering-Plough's senior unsecured euro-denominated notes and euro-denominated term loan have been designated as, and are effective as, economic hedges of the net investment in a foreign operation. In accordance with SFAS No. 52, "Foreign Currency Translation," the foreign currency transaction gains or losses on these euro-denominated debt instruments are included in foreign currency translation adjustment within other comprehensive income.

During 2007, as part of an overall risk management strategy and in consideration of various preliminary financing scenarios associated with the acquisition of OBS, Schering-Plough purchased euro-denominated currency options to mitigate its exposure in the event there was a significant strengthening in the Euro as compared to the U.S. Dollar. Schering-Plough purchased the options for aggregate premiums of approximately $165 million and received proceeds of $675 million upon the termination of these options, resulting in a net realized gain of $510 million. These derivatives did not qualify for hedge accounting in accordance with SFAS 133. Accordingly, the gain on these derivatives was recognized in the Statement of Consolidated Operations. These derivatives were short-term (trading) in nature and did not hedge a specific financing or investment transaction. Accordingly, the cash impacts of these derivatives were classified as operating cash

flows in the Statement of Consolidated Cash Flows. See Note 7, "Other (Income)/Expense, Net." As of December 31, 2008 and 2007, there were no open foreign currency option contracts.

During 2007, Schering-Plough executed a series of interest rate swaps in anticipation of financing the acquisition of OBS. The objective of the swaps was to hedge the interest rate payments to be made on future issuances of debt. As such, the swaps were designated as cash flow hedges of future interest payments, and in accordance with SFAS 133, the effective portion of the gains or losses on the hedges are reported in other comprehensive income, and any ineffective portion was reported in operations. In connection with the euro-denominated debt issuances as described in Note 15, "Borrowings and Other Commitments," portions of the swaps were deemed ineffective, and Schering-Plough recognized a $7 million loss in the Statement of Consolidated Operations. The effective portion of the swaps of $12 million were recorded in other comprehensive income in 2007 and is being recognized as interest expense over the life of the related debt. The cash flows related to these interest rate swaps were classified as operating cash flows in the Statement of Consolidated Cash Flows. See Note 7, "Other Expense/(Income), Net." As of December 31, 2008 and 2007, there were no open interest rate swaps.

Schering-Plough mitigates credit risk on derivative instruments by dealing only with counterparties considered to be of high credit quality. Accordingly, Schering-Plough does not anticipate loss for non-performance. Schering-Plough does not enter into derivative instruments in a manner to generate trading profits. Schering-Plough classifies cash flows from derivatives accounted for as hedges in the same category as the item being hedged.

Fair value of financial instruments

The table below presents the carrying values and estimated fair values for certain of Schering-Plough's financial instruments at December 31, 2008 and 2007. Estimated fair values were determined based on market prices, where available, or dealer quotes. The carrying values of all other financial instruments, including cash and cash equivalents, approximated their estimated fair values at December 31, 2008 and 2007.

	2008		2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Dollars in millions)			
ASSETS:				
Short-term investments	$ 5	$ 5	$ 32	$ 32
Long-term investments	157	157	200	200
LIABILITIES:				
Short-term borrowings and current portion of long-term debt	$ 245	$ 245	$ 461	$ 461
Long-term debt	7,931	7,891	9,019	9,130

Long-term Investments

Long-term investments, which are included in other non-current assets, primarily consist of debt and equity securities held in non-qualified trusts to fund long-term employee benefit obligations. The long-term employee benefit obligations are included as liabilities in the Consolidated Balance Sheets. These assets can only be used to fund the related employee benefit obligations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. FAIR VALUE MEASUREMENTS

Schering-Plough's Consolidated Balance Sheet at December 31, 2008, includes the following assets and liabilities that are measured at fair value on a recurring basis:

	Total Fair Value at December 31, 2008	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in millions)			
Assets				
Securities held for employee compensation	$ 107	$ 107	$ —	$ —
Other	18	5	13	—
Total assets	$ 125	$ 112	$ 13	$ —
Liabilities				
Foreign currency exchange contract	3	—	3	—
Total liabilities	$ 3	$ —	$ 3	$ —

The majority of Schering-Plough's assets and liabilities measured at fair value on a recurring basis are measured using unadjusted quoted prices in active markets for identical items (Level 1) as inputs, multiplied by the number of units held at the balance sheet date. As of December 31, 2008, assets and liabilities with fair values measured using significant other observable inputs (Level 2) include measurements using quoted prices for identical items in markets that are not active and measurements using inputs that are derived principally from or corroborated by observable market data.

18. SHAREHOLDERS' EQUITY

Preferred Shares

As of December 31, 2008, Schering-Plough has authorized 50,000,000 shares of preferred stock that consists of 11,500,000 preferred shares designated as 6 percent Mandatory Convertible Preferred Stock and 38,500,000 preferred shares whose designations have not yet been determined. As of December 31, 2008, 10,000,000 of the shares of 6 percent Mandatory Convertible Preferred Stock are issued and outstanding.

2007 Mandatory Convertible Preferred Stock

On August 15, 2007, Schering-Plough issued 10,000,000 shares of 6 percent Mandatory Convertible Preferred Stock (the 2007 Preferred Stock) with a face value of $2.5 billion. Net proceeds to Schering-Plough were approximately $2.4 billion after deducting commissions, discounts and other underwriting expenses. Schering-Plough used the net proceeds from the sale of the 2007 Preferred Stock to fund a portion of the purchase price for the OBS acquisition. See Note 2, "Acquisition," for additional information.

Each share of the 2007 Preferred Stock will automatically convert into between 7.4206 and 9.0909 common shares of Schering-Plough depending on the average closing price of Schering-Plough's common shares over the 20 trading day period ending on the third trading day prior to the mandatory conversion date of August 13, 2010, as defined in the prospectus. The preferred shareholders may elect to convert at any time prior to August 13, 2010, at the minimum conversion ratio of 7.4206 common shares per share of the 2007 Preferred Stock. Additionally, if at any time prior to the mandatory conversion date the closing price of Schering-Plough's common shares exceeds $50.53 (for at least 20 trading days within a period of 30 consecutive trading days), Schering-Plough may elect to cause the conversion of all, but not less than all, of

the 2007 Preferred Stock then outstanding at the same minimum conversion ratio of 7.4206 common shares for each share of 2007 Preferred Stock. These shares have a liquidation preference of $250 per share, plus an amount equal to the sum of all accrued cumulated and unpaid dividends.

The 2007 Preferred Stock accrues dividends at an annual rate of 6 percent on shares outstanding. The dividends are cumulative from the date of issuance, and, to the extent Schering-Plough is legally permitted to pay dividends and the Board of Directors declares a dividend payable, Schering-Plough will pay dividends on each dividend payment date. The dividend payment dates are February 15, May 15, August 15 and November 15 of each year, with the first dividend to be paid on November 15, 2007.

2004 Mandatory Convertible Preferred Stock

During the year ended December 31, 2007, all shares of 6 percent Mandatory Convertible Preferred Stock issued on August 10, 2004 (the 2004 Preferred Stock) were converted into 64,584,929 shares of Schering-Plough common stock. Following conversion, all 28,750,000 shares of 2004 Preferred Stock resumed their status as authorized and unissued preferred stock, undesignated as to series and available for future issuance.

Equity Issuance and Treasury Shares

On August 15, 2007, Schering-Plough issued 57,500,000 common shares from treasury shares at $27.50 per share. Net proceeds to Schering-Plough were approximately $1.5 billion after deducting commissions, discounts and other underwriting expenses. Schering-Plough used the net proceeds from the sale of the common shares to fund a portion of the purchase price for the OBS acquisition. See Note 2, “Acquisition,” for additional information.

A summary of treasury share transactions for the years ended December 31 is as follows:

	2008	2007	2006
	(Shares in millions)		
Share balance at January 1	490	547	550
Issuance of common shares	—	(57)	—
Stock incentive plans activities	2	—	(3)
Share balance at December 31	492	490	547

Included in the treasury share balance is 70.2 million shares that were acquired by a subsidiary of Schering-Plough through an open-market purchase program in 1994-1995. These shares are not considered treasury shares under New Jersey law; however, like treasury shares, they may not be voted and are not considered outstanding shares for determining the necessary votes to approve a matter submitted to a stockholder vote. The subsidiary does not receive dividends on these shares.

Effective September 17, 2007, the Board of Directors of Schering-Plough adopted an amended and restated certificate of incorporation, reflecting both the automatic conversion of the 2004 Preferred Stock issued into shares of common stock on September 14, 2007, and the terms of the 2007 Preferred Stock.

19. INSURANCE COVERAGE

Schering-Plough maintains insurance coverage with such deductibles and self-insurance as management believes adequate for its needs under current circumstances. Such coverage reflects market conditions (including cost and availability) existing at the time it is written, and the relationship of insurance coverage to self-insurance varies accordingly. Schering-Plough self-insures substantially all of its risk as it relates to products’ liability, as the availability of commercial insurance has become more restrictive. Schering-Plough continually assesses the best way to provide for its insurance needs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

20. SEGMENT INFORMATION

Schering-Plough has three reportable segments: Prescription Pharmaceuticals, Animal Health and Consumer Health Care. The segment sales and profit/(loss) data that follow are consistent with Schering-Plough's current management reporting structure. The Prescription Pharmaceuticals segment discovers, develops, manufactures and markets human pharmaceutical products. The Animal Health segment discovers, develops, manufactures and markets animal health products. The Consumer Health Care segment develops, manufactures and markets over-the-counter, foot care and sun care products, primarily in the U.S.

Net Sales by Major Product and by Segment:

	2008	2007	2006
		(Dollars in millions)	
PRESCRIPTION PHARMACEUTICALS	**$ 14,253**	**$ 10,173**	**$ 8,561**
REMICADE	2,118	1,648	1,240
NASONEX	1,155	1,092	944
TEMODAR	1,002	861	703
PEGINTRON	914	911	837
CLARINEX/AERIUS	790	799	722
FOLLISTIM/PUREGON(1)	577	57	—
NUVARING(1)	440	45	—
CLARITIN Rx	425	391	356
AVELOX	376	384	304
INTEGRILIN	314	332	329
CAELYX	297	257	206
REBETOL	260	277	311
ZEMURON(1)	253	25	—
REMERON(1)	239	33	—
INTRON A	234	233	237
SUBUTEX/SUBOXONE	230	220	203
ASMANEX	180	162	103
Other Pharmaceutical	4,449	2,446	2,066
ANIMAL HEALTH	**2,973**	**1,251**	**910**
CONSUMER HEALTH CARE	**1,276**	**1,266**	**1,123**
OTC	680	682	558
Foot Care	357	345	343
Sun Care	239	239	222
CONSOLIDATED NET SALES	**$ 18,502**	**$ 12,690**	**$ 10,594**

(1) Products acquired in OBS acquisition on November 19, 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net Sales by Geographic Area:

	2008	2007	2006
	(Dollars in millions)		
United States	$ 5,556	$ 4,597	$ 4,192
Europe and Canada	8,903	5,500	4,403
Latin America	1,987	1,359	990
Asia Pacific	2,056	1,234	1,009
Consolidated net sales	$ 18,502	$ 12,690	$ 10,594

Schering-Plough has subsidiaries in more than 55 countries outside the U.S. Net sales are presented in the geographic area in which Schering-Plough's customers are located. The following foreign countries accounted for 5 percent or more of consolidated net sales during any of the past three years:

	2008		2007		2006	
	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales
	(Dollars in millions)					
Total International net sales	$ 12,946	70%	$ 8,093	64%	$ 6,402	60%
France	1,369	7%	965	8%	809	8%
Japan	1,008	5%	709	6%	669	6%
Germany	835	5%	473	4%	408	4%
Canada	774	4%	578	5%	478	5%

Net sales by customer:

Sales to a single customer that accounted for 10 percent or more of Schering-Plough's consolidated net sales during the past three years are as follows:

	2008		2007		2006	
	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales	Net Sales	% of Consolidated Net Sales
	(Dollars in millions)					
McKesson Corporation	$ 1,923	10%	$ 1,526	12%	$ 1,159	11%
Cardinal Health	1,168	6%	1,196	9%	1,019	10%

Profit/(Loss) by segment

	Year Ended December 31,		
	2008(1)	2007(2)	2006
	(Dollars in millions)		
Prescription Pharmaceuticals	$ 2,725	$ (1,206)	$ 1,394
Animal Health(3)	186	(582)	120
Consumer Health Care	271	275	228
Corporate and other (including net interest (expense)/income of ($465) million, $150 million and $125 million in 2008, 2007 and 2006, respectively	(1,133)	298	(259)
Consolidated profit/(loss) before tax and cumulative effect of a change in accounting principle	$ 2,049	$ (1,215)	$ 1,483

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(1) In 2008, the Prescription Pharmaceuticals segment's profit includes charges arising from purchase accounting items of $808 million. In 2008, the Animal Health segment's profit includes charges arising from purchase accounting items of $641 million.

(2) In 2007, the Prescription Pharmaceuticals segment's loss includes $3.4 billion of purchase accounting items, including acquired in-process research and development of $3.2 billion. In 2007, the Animal Health segment's loss includes $721 million of purchase accounting items, including acquired in-process research and development of $600 million.

(3) In 2008, the profits of the Animal Health segment include the gain on sale of certain Animal Health products of $160 million.

Schering-Plough's net sales do not include sales of VYTORIN and ZETIA, which are managed in the joint venture with Merck, as Schering-Plough accounts for this joint venture under the equity method of accounting (see Note 5, "Equity Income," for additional information). The Prescription Pharmaceuticals segment includes equity income from the Merck/Schering-Plough joint venture.

"Corporate and other" includes interest income and expense, foreign exchange gains and losses, currency option gains, headquarters expenses, special charges and other miscellaneous items. The accounting policies used for segment reporting are the same as those described in Note 1, "Summary of Significant Accounting Policies."

In 2008, "Corporate and other" includes special and acquisition-related charges of $329 million, comprised of $54 million of integration-related costs and $275 million of employee termination costs related to the Productivity Transformation Program which includes the ongoing integration of OBS. It is estimated the charges relate to the reportable segments as follows: Prescription Pharmaceuticals — $230 million, Animal Health — $30 million, Consumer Health Care — $2 million and Corporate and other — $67 million.

In 2007, "Corporate and other" includes special and acquisition-related charges of $84 million, comprised of $61 million of integration-related costs for the OBS acquisition and $23 million of employee termination costs as part of integration activities. It is estimated the charges relate to the reportable segments as follows: Prescription Pharmaceuticals — $27 million, Animal Health — $11 million and Corporate and other — $46 million.

In 2006, "Corporate and other" includes special charges of $102 million primarily related to changes to Schering-Plough's manufacturing operations in the U.S. and Puerto Rico announced in June 2006, all of which related to the Prescription Pharmaceuticals segment. Included in 2006 cost of sales were charges of approximately $146 million from the manufacturing streamlining actions which were primarily related to the Prescription Pharmaceuticals segment.

See Note 3, "Special and Acquisition-Related Charges and Manufacturing Streamlining," for additional information.

Supplemental sales information:

Sales of products comprising 10 percent or more of Schering-Plough's U.S. or international sales for the year ended December 31, 2008, were as follows:

	Amount	Percentage of applicable sales
	(Dollars in millions)	
U.S.		
NASONEX	$ 644	12%
International		
REMICADE	$ 2,118	16%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Long-lived Assets by Geographic Location

	2008	2007	2006
	(Dollars in millions)		
United States	$ 2,792	$ 2,863	$ 2,547
Netherlands	1,244	1,320	1
Ireland	689	719	488
Singapore	816	822	824
Other	1,572	1,599	804
Total	$ 7,113	$ 7,323	$ 4,664

Long-lived assets shown by geographic location are primarily property. The significant increase in long-lived assets as of December 31, 2007, is due to the OBS acquisition.

Schering-Plough does not disaggregate assets on a segment basis for internal management reporting and, therefore, such information is not presented.

21. LEGAL, ENVIRONMENTAL AND REGULATORY MATTERS

Background

Schering-Plough is involved in various claims, investigations and legal proceedings.

Schering-Plough records a liability for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. Schering-Plough adjusts its liabilities for contingencies to reflect the current best estimate of probable loss or minimum liability, as the case may be. Where no best estimate is determinable, Schering-Plough records the minimum amount within the most probable range of its liability. Expected insurance recoveries have not been considered in determining the amounts of recorded liabilities for environmental related matters.

If Schering-Plough believes that a loss contingency is reasonably possible, rather than probable, or the amount of loss cannot be estimated, no liability is recorded. However, where a liability is reasonably possible, disclosure of the loss contingency is made.

Schering-Plough reviews the status of all claims, investigations and legal proceedings on an ongoing basis, including related insurance coverages. From time to time, Schering-Plough may settle or otherwise resolve these matters on terms and conditions management believes are in the best interests of Schering-Plough. Resolution of any or all claims, investigations and legal proceedings, individually or in the aggregate, could have a material adverse effect on Schering-Plough's consolidated results of operations, cash flows or financial condition.

Except for the matters discussed in the remainder of this Note, the recorded liabilities for contingencies at December 31, 2008, and the related expenses incurred during the year ended December 31, 2008, were not material. In the opinion of management, based on the advice of legal counsel, the ultimate outcome of these matters, except matters discussed in the remainder of this Note, is not expected to have a material impact on Schering-Plough's consolidated results of operations, cash flows or financial condition.

Patent Matters

Intellectual property protection is critical to Schering-Plough's ability to successfully commercialize its product innovations. The potential for litigation regarding Schering-Plough's intellectual property rights always exists and may be initiated by third parties attempting to abridge Schering-Plough's rights, as well as by Schering-Plough in protecting its rights.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

AWP Litigation and Investigations

Schering-Plough continues to respond to existing and new litigation by certain states and private payors and investigations by the Department of Health and Human Services, the Department of Justice and several states into industry and Schering-Plough practices regarding average wholesale price (AWP). Schering-Plough is cooperating with these investigations.

These litigations and investigations relate to whether the AWP used by pharmaceutical companies for certain drugs improperly exceeds the average prices paid by providers and, as a consequence, results in unlawful inflation of certain reimbursements for drugs by state programs and private payors that are based on AWP. The complaints allege violations of federal and state law, including fraud, Medicaid fraud and consumer protection violations, among other claims. In the majority of cases, the plaintiffs are seeking class certifications. In some cases, classes have been certified. The outcome of these litigations and investigations could include substantial damages, the imposition of substantial fines, penalties and injunctive or administrative remedies.

Securities and Class Action Litigation

Federal Securities Litigation

Following Schering-Plough's announcement that the FDA had been conducting inspections of Schering-Plough's manufacturing facilities in New Jersey and Puerto Rico and had issued reports citing deficiencies concerning compliance with current Good Manufacturing Practices, several lawsuits were filed against Schering-Plough and certain named officers. These lawsuits allege that the defendants violated the federal securities law by allegedly failing to disclose material information and making material misstatements. Specifically, they allege that Schering-Plough failed to disclose an alleged serious risk that a new drug application for CLARINEX would be delayed as a result of these manufacturing issues, and they allege that Schering-Plough failed to disclose the alleged depth and severity of its manufacturing issues. These complaints were consolidated into one action in the U.S. District Court for the District of New Jersey, and a consolidated amended complaint was filed on October 11, 2001, purporting to represent a class of shareholders who purchased shares of Schering-Plough stock from May 9, 2000 through February 15, 2001. The complaint seeks compensatory damages on behalf of the class. The Court certified the shareholder class on October 10, 2003. Notice of pendency of the class action was sent to members of that class in July 2007. On February 18, 2009 the Court signed an order preliminarily approving a settlement agreement. The proposed settlement agreement is scheduled to be presented for final approval at a hearing on June 1, 2009.

ERISA Litigation

On March 31, 2003, Schering-Plough was served with a putative class action complaint filed in the U.S. District Court in New Jersey alleging that Schering-Plough, retired Chairman, CEO and President Richard Jay Kogan, Schering-Plough's Employee Savings Plan (Plan) administrator, several current and former directors, and certain former corporate officers breached their fiduciary obligations to certain participants in the Plan. The complaint seeks damages in the amount of losses allegedly suffered by the Plan. The complaint was dismissed on June 29, 2004. The plaintiffs appealed. On August 19, 2005 the U.S. Court of Appeals for the Third Circuit reversed the dismissal by the District Court and the matter has been remanded back to the District Court for further proceedings.

K-DUR Antitrust Litigation

Schering-Plough had settled patent litigation with Upsher-Smith, Inc. (Upsher-Smith) and ESI Lederle, Inc. (Lederle) relating to generic versions of K-DUR, Schering-Plough's long-acting potassium chloride product supplement used by cardiac patients, for which Lederle and Upsher Smith had filed Abbreviated New Drug Applications. Following the commencement of an FTC administrative proceeding alleging anti-competitive effects from those settlements (which has been resolved in Schering-Plough's favor), alleged class action

suits were filed in federal and state courts on behalf of direct and indirect purchasers of K-DUR against Schering-Plough, Upsher-Smith and Lederle. These suits claim violations of federal and state antitrust laws, as well as other state statutory and common law causes of action. These suits seek unspecified damages. In February 2009, a special master recommended that the U.S. District Court for the District of New Jersey dismiss the class action lawsuits on summary judgment.

Third-party Payor Actions

Several purported class action litigations have been filed following the announcement of the settlement of the Massachusetts Investigation. Plaintiffs in these actions seek damages on behalf of third-party payors resulting from the allegations of off-label promotion and improper payments to physicians that were at issue in the Massachusetts Investigation.

Litigation and Investigations relating to the Merck/Schering-Plough Cholesterol Joint Venture

Background. In January 2008, the Merck/Schering-Plough Cholesterol Joint Venture announced the results of the ENHANCE clinical trial (Effect of Combination Ezetimibe and High-Dose Simvastatin vs. Simvastatin Alone on the Atherosclerotic Process in Patients with Heterozygous Familial Hypercholesterolemia). In July 2008 the Merck/Schering-Plough Cholesterol Joint Venture announced the results of the SEAS clinical trial (Simvastatin and Ezetimibe in Aortic Stenosis). Litigation and investigations with respect to matters relating to these clinical trials are ongoing.

Schering-Plough is cooperating fully with the various investigations and responding to the requests for information, and Schering-Plough intends to vigorously defend the lawsuits that have been filed relating to the ENHANCE study.

Investigation and Inquiries. As of February 27, 2009, Schering-Plough, the Joint Venture and/or its joint venture partner, Merck, received a number of governmental inquiries and have been the subject of a number of investigations relating to the ENHANCE clinical trial. These include several letters from Congress, including the Subcommittee on Oversight and Investigation of the House Committee on Energy and Commerce, and the ranking minority member of the Senate Finance Committee, collectively seeking a combination of witness interviews, documents and information on a variety of issues related to the Merck/Schering-Plough Cholesterol Joint Venture's ENHANCE clinical trial. These also include several subpoenas from state officials, including State Attorneys General, and requests for information from U.S. Attorneys and the Department of Justice seeking similar information and documents. In addition, Schering-Plough received letters from the Subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce seeking certain information and documents related to the SEAS clinical trial and other matters. Schering-Plough, Merck and the Joint Venture are cooperating with these investigations and responding to the inquiries.

In January 2008, after the initial release of ENHANCE data, the FDA stated that it would review the results of the ENHANCE trial. On January 8, 2009 the FDA announced the results of its review. The FDA stated that following two years of treatment,

- Carotid artery thickness increased by 0.011 mm in the VYTORIN group and by 0.006 mm in the simvastatin group. The difference in the changes in carotid artery thickness between the two groups was **not** statistically significant.
- The levels of LDL cholesterol decreased by 56% in the VYTORIN group and decreased by 39% in the simvastatin group. The difference in the reductions in LDL cholesterol between the two groups **was** statistically significant.

The FDA also stated that the results from ENHANCE do not change its position that an elevated LDL cholesterol is a risk factor for cardiovascular disease and that lowering LDL cholesterol reduces the risk for

cardiovascular disease. The FDA also stated that pending the results of the IMPROVE-IT clinical trial, patients should not stop taking VYTORIN or other cholesterol lowering medications and should talk to their doctors if they have any questions.

Litigation. Schering-Plough continues to respond to existing and new litigation, including civil class action lawsuits alleging common law and state consumer fraud claims in connection with Schering-Plough's sale and promotion of the Merck/Schering-Plough joint-venture products' VYTORIN and ZETIA; several putative shareholder securities class action lawsuits (where several officers are also named defendants) alleging false and misleading statements and omissions by Schering-Plough and its representatives related to the timing of disclosures concerning the ENHANCE results, allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934; a putative shareholder securities class action lawsuit (where several officers and directors are also named), alleging material misstatements and omissions related to the ENHANCE results in the offering documents in connection with Schering-Plough's 2007 securities offerings, allegedly in violation of the Securities Act of 1933, including Section 11; several putative class action suits alleging that Schering-Plough and certain officers and directors breached their fiduciary duties under ERISA and seeking damages in the amount of losses allegedly suffered by the Plans; a Shareholder Derivative Action alleging that the Board of Directors breached its fiduciary obligations relating to the timing of the release of the ENHANCE results; and a letter on behalf of a single shareholder requesting that the Board of Directors investigate the allegations in the litigation described above and, if warranted, bring any appropriate legal action on behalf of Schering-Plough.

Tax Matters

In October 2001, IRS auditors asserted that two interest rate swaps that Schering-Plough entered into with an unrelated party should be recharacterized as loans from affiliated companies, resulting in additional tax liability for the 1991 and 1992 tax years. In September 2004, Schering-Plough made payments to the IRS in the amount of $194 million for income tax and $279 million for interest. Schering-Plough filed refund claims for the tax and interest with the IRS in December 2004. Following the IRS's denial of Schering-Plough's claims for a refund, Schering-Plough filed suit in May 2005 in the U.S. District Court for the District of New Jersey for refund of the full amount of the tax and interest. This refund litigation has been tried in Newark District court and a decision has not yet been rendered. Schering-Plough's tax reserves were adequate to cover the above-mentioned payments.

Pending Administrative Obligations

In connection with the settlement of an investigation with the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of Pennsylvania, Schering-Plough entered into a five-year corporate integrity agreement (CIA). The CIA was amended in August 2006 in connection with the settlement of the Massachusetts Investigation, commencing a new five-year term. Failure to comply with the obligations under the CIA could result in financial penalties. To date, Schering-Plough believes it has complied with its obligations.

Other Matters

Products Liability

Beginning in May 2007, a number of complaints were filed in various jurisdictions asserting claims against Organon USA, Inc., Organon Pharmaceuticals USA, Inc., Organon International (Organon), and Schering-Plough Corporation arising from Organon's marketing and sale of NUVARING, a combined hormonal contraceptive vaginal ring. The plaintiffs contend that Organon and Schering-Plough failed to adequately warn of the alleged increased risk of venous thromboembolism (VTE) posed by NUVARING, and/or downplayed the risk of VTE. The plaintiffs seek damages for injuries allegedly sustained from their product use, including some alleged deaths, heart attacks and strokes. The majority of the cases are currently pending in a federal Multidistrict litigation venued in Missouri and in New Jersey state court. Other cases are pending in other states.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

French Matter

Based on a complaint to the French competition authority from a competitor in France and pursuant to a court order, the French competition authority has obtained documents from a French subsidiary of Schering-Plough relating to SUBUTEX, one of the products that the subsidiary markets and sells. Any resolution of this matter adverse to the French subsidiary could result in the imposition of civil fines and injunctive or administrative remedies. On July 17, 2007, the Juge des Libertés et de la Détention ordered the annulment of the search and seizure on procedural grounds. On July 19, 2007, the French authority appealed the order to the French Supreme Court.

In April 2007, the competitor also requested interim relief, a portion of which was granted by the French competition authority in December 2007. The interim relief required Schering-Plough's French subsidiary to publish in two specialized newspapers information including that the generic has the same quantitative and qualitative composition and the same pharmaceutical form as, and is substitutable for, SUBUTEX. In February 2008, the Paris Court of Appeal confirmed the decision of the French competition authority. In January 2009, the French Supreme Court confirmed the decision of the French competition authority.

Environmental

Schering-Plough has responsibilities for environmental cleanup under various state, local and federal laws, including the Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund. At several Superfund sites (or equivalent sites under state law), Schering-Plough is alleged to be a potentially responsible party (PRP). Schering-Plough believes that it is remote at this time that there is any material liability in relation to such sites. Schering-Plough estimates its obligations for cleanup costs for Superfund sites based on information obtained from the federal Environmental Protection Agency (EPA), an equivalent state agency and/or studies prepared by independent engineers, and on the probable costs to be paid by other PRPs. Schering-Plough records a liability for environmental assessments and/or cleanup when it is probable a loss has been incurred and the amount can be reasonably estimated.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Schering-Plough Corporation

We have audited the accompanying consolidated balance sheets of Schering-Plough Corporation and subsidiaries (the "Company") at December 31, 2008 and 2007, and the related statements of consolidated operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15, Schedule II. Valuation and Qualifying Accounts. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Schering-Plough Corporation and subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 9 to the consolidated financial statements, effective December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting at December 31, 2008, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 27, 2009

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

QUARTERLY DATA (UNAUDITED)

	Three Months Ended							
	March 31		June 30		September 30		December 31	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Dollars in millions, except per share figures)							
Net sales	$ 4,657	$ 2,975	$ 4,921	$ 3,178	$ 4,576	$ 2,812	$ 4,348	$ 3,724
Cost of sales	2,137	937	1,908	977	1,737	925	1,525	1,566
Gross margin	2,520	2,038	3,013	2,201	2,839	1,887	2,823	2,158
Selling, general and administrative	1,676	1,213	1,870	1,358	1,660	1,262	1,615	1,634
Research and development	880	707	906	696	893	669	850	855
Acquired in-process research and development	—	—	—	—	—	—	—	3,754
Other (income)/expense, net	95	(48)	134	(16)	(39)	(390)	146	(231)
Special charges and acquisition-related charges	23	1	94	11	101	20	111	52
Equity income from cholesterol joint venture	(517)	(487)	(493)	(490)	(434)	(506)	(426)	(566)
Income/(loss) before income taxes	363	652	502	642	658	832	527	(3,340)
Income tax expense	49	87	40	103	44	82	13	(14)
Net income/(loss)	$ 314	$ 565	$ 462	$ 539	$ 614	$ 750	$ 514	$ (3,326)
Dividends on preferred shares	38	22	38	22	38	37	38	38
Net income/(loss) available to common shareholders	$ 276	$ 543	$ 424	$ 517	$ 576	$ 713	$ 476	$ (3,364)
Diluted earnings/(loss) per common share	$ 0.17	$ 0.36	$ 0.26	$ 0.34	$ 0.35	$ 0.45	$ 0.29	$ (2.08)
Basic earnings/(loss) per common share:	$ 0.17	$ 0.37	$ 0.26	$ 0.35	$ 0.36	$ 0.46	$ 0.29	$ (2.08)
Dividends per common share	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065
Common share prices:								
High	27.73	25.51	20.72	33.34	22.32	32.83	18.48	32.94
Low	14.41	22.75	13.86	25.42	17.51	27.26	12.76	26.20
Average shares outstanding for diluted EPS (in millions)	1,637	1,571	1,632	1,587	1,636	1,622	1,634	1,621
Average shares outstanding for basic EPS (in millions)	1,621	1,489	1,624	1,496	1,626	1,620	1,626	1,621

In completing the final analysis of results for 2008, Schering-Plough determined that certain income tax effects relating to the accounting for the purchase of OBS reflected an overstatement of income tax expense during each of the first three quarterly periods of 2008, totaling $74 million. Accordingly, Schering-Plough has revised the quarterly information included above. This change results in a reduction of income tax expense, and a corresponding increase in net income and net income available to common shareholders, along with associated per share amounts. The revisions to tax expense, net income, and net income available to common shareholders in 2008, reflected in the table above, were $23 million for the first quarter, $26 million for the second quarter and $25 million for the third quarter.

Operating results for the three month period ended December 31, 2007 reflects the closing of the OBS acquisition on November 19, 2007, including the impacts of purchase accounting in accordance with SFAS No. 141, "Business Combinations."

Diluted earnings per common share for the three month period ended September 30, 2007, is calculated using a numerator of $731 million, which is the arithmetic sum of net income available to common shareholders of $713 million plus dividends of $18 million related to the 2004 preferred stock which are dilutive, and a denominator of 1,622 which represents the average diluted shares outstanding for the third quarter of 2007.

See Note 3, "Special and Acquisition-Related Charges and Manufacturing Changes," to the Consolidated Financial Statements for additional information relating to special and acquisition-related charges.

Schering-Plough's approximate number of holders of record of common shares as of January 31, 2009 was 33,252.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

Management, including the chief executive officer and the chief financial officer, has evaluated Schering-Plough's disclosure controls and procedures as of the end of the period covered by this 10-K and has concluded that Schering-Plough's disclosure controls and procedures are effective. They also concluded that there were no changes in Schering-Plough's internal control over financial reporting that occurred during Schering-Plough's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, Schering-Plough's internal control over financial reporting.

As part of the changing business environment in which Schering-Plough operates, Schering-Plough is replacing and upgrading a number of information systems, and commencing in the first quarter of 2008, integrating the Organon BioSciences N.V. human and animal health businesses. The overall integration process will be ongoing for several years.

Management's Report on Internal Control over Financial Reporting

The Management of Schering-Plough Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Schering-Plough's internal control system is designed to provide reasonable assurance to Schering-Plough's Management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Schering-Plough's Management assessed the effectiveness of Schering-Plough's internal control over financial reporting as of December 31, 2008. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework.* Based on its assessment, Management believes that, as of December 31, 2008, Schering-Plough's internal control over financial reporting is effective.

Schering-Plough's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the effectiveness of Schering-Plough's internal control over financial reporting. Their report follows.

Item 9B. ***Other Information***

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Schering-Plough Corporation

We have audited the internal control over financial reporting of Schering-Plough Corporation and subsidiaries (the "Company") at December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting at December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule at and for the year ended December 31, 2008, of the Company and our report dated February 27, 2009, expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* and Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes.*

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 27, 2009

Part III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information concerning Directors and nominees for Directors is incorporated by reference to "Proposal One: Election of Directors for a One-Year Term" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Information concerning executive officers is included in Part I of this filing under the caption "Executive Officers of the Registrant."

Information concerning compliance with Section 16(a) of the Exchange Act is incorporated by reference to "Section 16(a) Beneficial Ownership Reporting Compliance" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Information concerning the audit committee and the audit committee financial expert is incorporated by reference to "Information About the Audit Committee of the Board of Directors and Its Practices" and "Audit Committee Report" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Schering-Plough has adopted a code of business conduct and ethics, the Standards of Global Business Practices, applicable to all employees, including the chief executive officer, chief financial officer and controller. Schering-Plough's Standards of Global Business Practices are available in the Investor Relations section of Schering-Plough's web site at www.schering-plough.com. In addition, a written copy of the materials will be provided at no charge by writing to: Office of the Corporate Secretary, Schering-Plough Corporation, 2000 Galloping Hill Road, Mail Stop: K-1-4-4525, Kenilworth, New Jersey 07033. Schering-Plough intends to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Standards of Global Business Practices by posting such information on its web site at the address specified above.

Item 11. ***Executive Compensation***

Information concerning executive compensation is incorporated by reference to "Executive Compensation" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information concerning security ownership of certain beneficial owners and management is incorporated by reference to "Stock Ownership" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Equity Compensation Plan Information — The following information relates to plans under which equity securities of Schering-Plough may be issued to employees or Directors. Schering-Plough has no plans under which equity securities may be issued to non-employees (except that under the 2006 Stock Incentive Plan certain stock options may be transferable to family members of the employee-optionee or related trusts).

Plan Category	Column A Number of Securities To be Issued Upon Exercise of Outstanding Options, Awards, Warrants and Rights	Column B *** Weighted-Average Exercise Price of Outstanding Options	Column C Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
Equity compensation plans approved by security holders			
1992 Stock Incentive Plan	—	N/A	
1997 Stock Incentive Plan	22,500,381	$ 42.15	
2002 Stock Incentive Plan	31,428,086	$ 18.67	
2006 Stock Incentive Plan	48,854,493**	$ 23.21	42,581,452
Directors Compensation Plan	N/A	N/A	951,060
Equity compensation plans not approved by security holders			
Schering-Plough (Ireland) Approved Profit Sharing Scheme*	N/A	N/A	*
Organon (Ireland) Limited Employee Share Participation Scheme*	N/A	N/A	*
Intervet (Ireland) Limited Employee Share Participation Scheme*	N/A	N/A	*
Total	102,782,960	$ 26.25	43,532,512

* The Plans permit eligible employees who work for certain Schering-Plough Irish subsidiaries to enjoy tax advantages by having some or all of their annual bonus and an amount varying between 1 percent and up to 7.5 percent of their pay passed to a trustee. The trustee purchases shares of common stock in the open market and allocates the shares to the employees' accounts. No more than Euro 12,700 may be deferred in a year by an employee. Employees may not sell or withdraw shares allocated to their accounts for two to three years.

** Includes 4,872,792 shares that may be issued pursuant to outstanding but unearned performance awards assuming such awards will be earned at their maximum levels. Any shares subject to these awards that remain unearned following completion of the applicable performance period will again be available for issuance under the plan.

*** The weighted average exercise price set forth in column (B) is calculated excluding the performance awards described above or any deferred stock units granted under the plan as recipients are not required to pay an exercise price to receive the shares subject to these awards.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information concerning certain relationships and related transactions is incorporated by reference to "Certain Transactions" and "Procedures for Related Party Transactions and Director Independence Assessments" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Information concerning director independence is incorporated by reference to "Director Independence" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Item 14. ***Principal Accounting Fees and Services***

Information concerning principal accountant fees and services is incorporated by reference to "Proposal Two: Ratify the Designation of Deloitte & Touche LLP to Audit Schering-Plough's Books and Accounts for 2009" in Schering-Plough's Proxy Statement for the 2009 Annual Meeting of Shareholders.

Part IV

Item 15. ***Exhibits Financial Statement Schedules***

(a) The following documents are filed as part of this report:

(1) Financial Statements: The financial statements are set forth under Item 8 of this 10-K.

(2) Financial Statement Schedules:

Merck/Schering-Plough Cholesterol Partnership Combined Financial Statements

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Schedules other than those listed above have been omitted because they are not applicable or not required.

(3) Index to Exhibits:

Unless otherwise indicated, all exhibits are part of Commission File Number 1-6571.

Exhibit Number	Description	Location
3(a)	Amended and Restated Certificate of Incorporation.	Incorporated by reference to Exhibit 3.1 to Schering-Plough's 8-K filed September 18, 2007.
3(b)	Amended and Restated By-laws.	Incorporated by reference to Exhibit 3.2 to Schering-Plough's 8-K filed March 5, 2008.
4(a)	Rights Agreement between Schering-Plough and the Bank of New York dated June 24, 1997.	Incorporated by reference to Exhibit 1 to Schering-Plough's 8-A filed on June 30, 1997.
4(b)	Form of Participation Rights Agreement between Schering-Plough and the Chase Manhattan Bank (National Association) as Trustee.	Incorporated by reference to Exhibit 4.6 to Schering-Plough's Registration Statement on Form S-4, Amendment No. 1, filed December 29, 1995. File No. 33-65107.
4(c)(i)	Indenture, dated November 26, 2003, between Schering-Plough and The Bank of New York as Trustee.	Incorporated by reference to Exhibit 4.1 to Schering-Plough's 8-K filed November 28, 2003.
4(c)(ii)	First Supplemental Indenture (including Form of Note), dated November 26, 2003.	Incorporated by reference to Exhibit 4.2 to Schering-Plough's 8-K filed November 28, 2003.
4(c)(iii)	Second Supplemental Indenture (including Form of Note), dated November 26, 2003.	Incorporated by reference to Exhibit 4.3 to Schering-Plough's 8-K filed November 28, 2003.
4(c)(iv)	5.30% Global Senior Note, due 2013.	Incorporated by reference to Exhibit 4(c)(iv) to Schering-Plough's 10-K for the year ended December 31, 2003.
4(c)(v)	6.50% Global Senior Note, due 2033.	Incorporated by reference to Exhibit 4(c)(v) to Schering-Plough's 10-K for the year ended December 31, 2003.
4(c)(vi)	Third Supplemental Indenture (including Form of Note), dated September 17, 2007.	Incorporated by reference to Exhibit 4.1 to Schering-Plough's 8-K filed September 17, 2007.
4(c)(vii)	Fourth Supplemental Indenture (including Form of Note), dated October 1, 2007.	Incorporated by reference to Exhibit 4.1 to Schering-Plough's 8-K filed October 2, 2007.
10(a)	Directors Compensation Plan (as amended and restated effective June 1, 2006 with amendments through September 19, 2006).*	Incorporated by reference to Exhibit 10(h)(iii) to Schering-Plough's 10-Q for the period ended September 30, 2006.
10(b)(i)	1997 Stock Incentive Plan.*	Incorporated by reference to Exhibit 10 to Schering-Plough's 10-Q for the period ended September 30, 1997.
10(b)(ii)	Amendment to 1997 Stock Incentive Plan (effective February 22, 1999).*	Incorporated by reference to Exhibit 10(a) to Schering-Plough's 10-Q for the period ended March 31, 1999.
10(b)(iii)	Amendment to the 1997 Stock Incentive Plan (effective February 25, 2003).*	Incorporated by reference to Exhibit 10(c) to Schering-Plough's 10-K for the year ended December 31, 2002.
10(c)	2002 Stock Incentive Plan (as amended to February 25, 2003).*	Incorporated by reference to Exhibit 10(d) to Schering-Plough's 10-K for the year ended December 31, 2002.

Exhibit Number	Description	Location
10(d)	2006 Stock Incentive Plan (as amended and restated effective January 1, 2009)*	Attached.
10(e)(i)	Letter agreement dated November 4, 2003 between Robert Bertolini and Schering-Plough.*	Incorporated by reference to Exhibit 10(e)(iii) to Schering-Plough's 10-K for the year ended December 31, 2003.
10(e)(ii)	Employment Agreement effective upon a change of control dated as of December 19, 2006 between Robert Bertolini and Schering-Plough Corporation.*	Incorporated by reference to Exhibit 99.1 to Schering-Plough's 8-K filed December 21, 2006.
10(e)(iii)	Amendment to Letter Agreement and Employment Agreement between Schering-Plough Corporation and Robert J. Bertolini, dated December 9, 2008.*	Incorporated by reference to Exhibit 99.1 to Schering-Plough's 8-K filed December 12, 2008.
10(e)(iv)	Employment Agreement dated as of May 12, 2003 between Carrie Cox and Schering-Plough.*	Incorporated by reference to Exhibit 99.6 to Schering-Plough's 8-K filed May 13, 2003.
10(e)(v)	Amendment to Employment Agreement between Schering-Plough Corporation and Carrie S. Cox, dated December 9, 2008.*	Incorporated by reference to Exhibit 99.2 to Schering-Plough's 8-K filed December 12, 2008.
10(e)(vi)	Employment Agreement dated as of April 20, 2003 between Fred Hassan and Schering-Plough.*	Incorporated by reference to Exhibit 99.2 to Schering-Plough's 8-K filed April 21, 2003.
10(e)(vii)	Amendment to Employment Agreement between Schering-Plough Corporation and Fred Hassan, dated December 9, 2008.*	Incorporated by reference to Exhibit 99.3 to Schering-Plough's 8-K filed December 12, 2008.
10(e)(viii)	Employment Agreement dated as of December 19, 2006 between Thomas P. Koestler, Ph.D. and Schering-Plough.*	Incorporated by reference to Exhibit 10(e)(v) to Schering-Plough's 10-K for the year ended December 31, 2006.
10(e)(ix)	Amendment to Employment Agreement between Schering-Plough Corporation and Thomas P. Koestler, dated December 9, 2008.*	Incorporated by reference to Exhibit 99.4 to Schering-Plough's 8-K filed December 12, 2008.
10(e)(x)	Letter agreement dated March 11, 2004 between Thomas J. Sabatino, Jr. and Schering-Plough.*	Incorporated by reference to Exhibit 10 to Schering-Plough's 10-Q for the period ended March 31, 2004.
10(e)(xi)	Employment Agreement effective upon a change of control dated as of April 15, 2004 between Thomas J. Sabatino, Jr. and Schering-Plough.*	Incorporated by reference to Exhibit 10(e)(viii) to Schering-Plough's 10-K for the year ended December 31, 2006.
10(e)(xii)	Amendment to Letter Agreement and Employment Agreement between Schering-Plough Corporation and Thomas J. Sabatino, Jr., dated December 9, 2008.*	Incorporated by reference to Exhibit 99.5 to Schering-Plough's 8-K filed December 12, 2008.
10(e)(xiii)	Employment Agreement dated as of December 19, 2006 between Brent Saunders and Schering-Plough.*	Incorporated by reference to Exhibit 10(e)(viii) to Schering-Plough's 10-K for the year ended December 31, 2007.
10(e)(xiv)	Amendment to Employment Agreement between Schering-Plough Corporation and Brent Saunders, dated December 9, 2008.*	Incorporated by reference to Exhibit 99.6 to Schering-Plough's 8-K filed December 12, 2008.

Exhibit Number	Description	Location
10(e)(xv)	Form of employment agreement effective upon a change of control between Schering-Plough and certain executives for new agreements beginning in January 1, 2008.*	Attached
10(f)	Operations Management Team Incentive Plan (as amended and restated effective June 26, 2006).*	Incorporated by reference to Exhibit 10(m)(ii) to Schering-Plough's 10-Q for the period ended September 30, 2006.
10(g)	Cash Long-Term Incentive Plan (as amended and restated effective January 24, 2005).*	Incorporated by reference to Exhibit 10(n) to Schering-Plough's 10-K for the year ended December 31, 2004.
10(h)	Long-Term Performance Share Unit Incentive Plan (as amended and restated effective January 24, 2005).*	Incorporated by reference to Exhibit 10(o) to Schering-Plough's 10-K for the year ended December 31, 2004.
10(i)	Transformational Performance Contingent Shares Program.*	Incorporated by reference to Exhibit 10(p) to Schering-Plough's 10-K for the year ended December 31, 2003.
10(j)	Severance Benefit Plan (as amended and restated effective January 1, 2008).*	Incorporated by reference to Exhibit 10(e)(viii) to Schering-Plough's 10-K for the year ended December 31, 2007.
10(k)	Savings Advantage Plan (as amended and restated effective January 1, 2008).*	Attached
10(l)	Supplemental Executive Retirement Plan (amended and restated to January 1, 2008).*	Attached.
10(m)	Retirement Benefits Equalization Plan (as amended and restated as of January 1, 2008).*	Attached.
10(n)	Executive Incentive Plan (as amended and restated to October 1, 2000).*	Incorporated by reference to Exhibit 10(a)(i) to Schering-Plough's 10-K for the year ended December 31, 2000.
10(o)	Deferred Compensation Plan (as amended and restated to October 1, 2000).*	Incorporated by reference to Exhibit 10(i) to Schering-Plough's 10-K for the year ended December 31, 2000.
10(p)	Amended and Restated Defined Contribution Trust.*	Incorporated by reference to Exhibit 10(a)(ii) to Schering-Plough's 10-K for the year ended December 31, 2000.
10(q)	Amended and Restated SERP Rabbi Trust Agreement.*	Incorporated by reference to Exhibit 10(g) to Schering-Plough's 10-K for the year ended December 31, 1998.
10(r)	Cholesterol Governance Agreement, dated as of May 22, 2000, by and among Schering-Plough, Merck & Co., Inc. and the other parties signatory thereto.†	Incorporated by reference to Exhibit 99.2 to Schering-Plough's 8-K dated October 21, 2002.
10(s)	First Amendment to the Cholesterol Governance Agreement, dated as of December 18, 2001, by and among Schering-Plough, Merck & Co., Inc. and the other parties signatory thereto.†	Incorporated by reference to Exhibit 99.3 to Schering-Plough's 8-K filed October 21, 2002.
10(t)	Master Agreement, dated as of December 18, 2001, by and among Schering-Plough, Merck & Co., Inc. and the other parties signatory thereto.†	Incorporated by reference to Exhibit 99.4 to Schering-Plough's 8-K filed October 21, 2002.

Exhibit Number	Description	Location
10(u)	Letter Agreement dated April 14, 2003 relating to Consent Decree.	Incorporated by reference to Exhibit 99.3 to Schering-Plough's 10-Q for the period ended March 31, 2003.
10(v)	Distribution agreement between Schering-Plough and Centocor, Inc., dated April 3, 1998.†	Incorporated by reference to Exhibit 10(u) to Schering-Plough's Amended 10-K for the year ended December 31, 2003, filed May 3, 2004.
10(w)	Amendment Agreement to the Distribution Agreement between Centocor, Inc., CAN Development, LLC, and Schering-Plough (Ireland) Company.†	Incorporated by reference to Exhibit 10.1 to Schering-Plough's 8-K filed December 21, 2007.
10(x)	Share Purchase Agreement between Akzo Nobel N.V., Schering-Plough International C.V., and Schering-Plough Corporation.	Incorporated by reference to Exhibit 10.1 to Schering-Plough's 8-K filed October 2, 2007.
12	Computation of Ratio of Earnings to Fixed Charges.	Attached.
14	Standards of Global Business Practices (covers all employees, including Senior Financial Officers).	Incorporated by reference to Exhibit 14 to Schering-Plough's 8-K filed September 30, 2004.
21	Subsidiaries of the registrant.	Attached.
23.1	Consent of Independent Registered Public Accounting Firm.	Attached.
23.2	Independent Auditors' Consent.	Attached.
24	Power of attorney.	Attached.
31.1	Sarbanes-Oxley Act of 2002, Section 302 Certification for Chairman of the Board and Chief Executive Officer.	Attached.
31.2	Sarbanes-Oxley Act of 2002, Section 302 Certification for Executive Vice President and Chief Financial Officer.	Attached.
32.1	Sarbanes-Oxley Act of 2002, Section 906 Certification for Chairman of the Board and Chief Executive Officer.	Attached.
32.2	Sarbanes-Oxley Act of 2002, Section 906 Certification for Executive Vice President and Chief Financial Officer.	Attached.

* Compensatory plan, contract or arrangement.

† Certain portions of the exhibit have been omitted pursuant to a request for confidential treatment. The non-public information has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934, as amended.

Copies of the above exhibits will be furnished upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCHERING-PLOUGH CORPORATION
(Registrant)

By /s/ STEVEN H. KOEHLER

Steven H. Koehler
Vice President and Controller
(Duly Authorized Officer
and Chief Accounting Officer)

Date: February 27, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ FRED HASSAN	Chairman of the Board and Chief Executive Officer
Fred Hassan	
/s/ ROBERT J. BERTOLINI	Executive Vice President and Chief Financial Officer
Robert J. Bertolini	
/s/ STEVEN H. KOEHLER	Vice President and Controller
Steven H. Koehler	
*	Director
Hans W. Becherer	
*	Director
Thomas J. Colligan	
*	Director
C. Robert Kidder	
*	Director
Eugene R. McGrath	
*	Director
Carl E. Mundy, Jr.	
*	Director
Antonio M. Perez	
*	Director

Patricia F. Russo	
*	Director
Jack L. Stahl	
*	Director
Craig B. Thompson, M.D.	

*	Director
Kathryn C. Turner	
*	Director
Robert F. W. van Oordt	
*	Director
Arthur F. Weinbach	

*By /s/ STEVEN H. KOEHLER

Steven H. Koehler
Attorney-in-fact

Date: February 27, 2009

Merck/Schering-Plough Cholesterol Partnership

Combined Statements of Net Sales and Contractual Expenses

	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Net sales	$ 4,561	$ 5,186	$ 3,884
Cost of sales	176	216	179
Selling, general and administrative	1,062	1,151	1,056
Research and development	168	156	161
	1,406	1,523	1,396
Income from operations	$ 3,155	$ 3,663	$ 2,488

The accompanying notes are an integral part of these combined financial statements.

Merck/Schering-Plough Cholesterol Partnership

Combined Balance Sheets

	December 31, 2008	December 31, 2007
	(Dollars in millions)	
Assets		
Cash and cash equivalents	$ 204	$ 491
Accounts receivable, net	311	402
Inventories	79	105
Prepaid expenses and other assets	14	16
Total assets	$ 608	$ 1,014
Liabilities and Partners' Capital		
Rebates payable	$ 263	$ 377
Payable to Merck, net	81	119
Payable to Schering-Plough, net	100	115
Accrued expenses and other liabilities	44	45
Total liabilities	488	656
Commitments and contingent liabilities (notes 3 and 5)		
Partners' capital	120	358
Total liabilities and Partners' capital	$ 608	$ 1,014

The accompanying notes are an integral part of these combined financial statements.

Merck/Schering-Plough Cholesterol Partnership

Combined Statements of Cash Flows

	Years Ended December 31,		
	2008	2007	2006
	(Dollars in millions)		
Operating Activities:			
Income from operations	$ 3,155	$ 3,663	$ 2,488
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Accounts receivable, net	91	(109)	(63)
Inventories	26	(18)	(21)
Prepaid expenses and other assets	2	(2)	(1)
Rebates payable	(114)	106	151
Payable to Merck and Schering-Plough, net	(53)	1	(130)
Accrued expenses and other liabilities	(1)	38	5
Non-cash charges	68	60	52
Net cash provided by operating activities	3,174	3,739	2,481
Financing Activities:			
Contributions from Partners	407	722	721
Distributions to Partners	(3,868)	(4,006)	(3,206)
Net cash used for financing activities	(3,461)	(3,284)	(2,485)
Net increase/(decrease) in cash and cash equivalents	(287)	455	(4)
Cash and cash equivalents, beginning of period	491	36	40
Cash and cash equivalents, end of period	$ 204	$ 491	$ 36

The accompanying notes are an integral part of these combined financial statements.

Merck/Schering-Plough Cholesterol Partnership

Combined Statements of Partners' Capital (Deficit)

	Schering-Plough	Merck	Total
	(Dollars in millions)		
Balance, January 1, 2006	$ 33	$ (169)	$ (136)
Contributions from Partners	344	429	773
Income from operations	1,273	1,215	2,488
Distributions to Partners	(1,648)	(1,558)	(3,206)
Balance, December 31, 2006	2	(83)	(81)
Contributions from Partners	276	506	782
Income from operations	1,831	1,832	3,663
Distributions to Partners	(1,944)	(2,062)	(4,006)
Balance, December 31, 2007	$ 165	$ 193	$ 358
Contributions from Partners	143	264	407
Income from operations	1,665	1,490	3,155
Distributions to Partners	(1,964)	(1,836)	(3,800)
Balance, December 31, 2008	$ 9	$ 111	$ 120

The accompanying notes are an integral part of these combined financial statements.

Merck/Schering-Plough Cholesterol Partnership

Notes to Combined Financial Statements

1. Description of Business and Basis of Presentation

Description of Business

In May 2000, Merck & Co., Inc. ("Merck") and Schering-Plough Corporation ("Schering-Plough") (collectively the "Partners") entered into agreements (the "Agreements") to jointly develop and market in the United States, Schering-Plough's then investigational cholesterol absorption inhibitor ("CAI") ezetimibe (marketed today in the United States as ZETIA and as EZETROL in most other countries) (the "Cholesterol Collaboration") and a fixed-combination tablet containing the active ingredients montelukast sodium and loratadine (the "Respiratory Collaboration"). Montelukast sodium, a leukotriene receptor antagonist, is sold by Merck as SINGULAIR and loratadine, an antihistamine, is sold by Schering-Plough as CLARITIN, both of which are indicated for the relief of symptoms of allergic rhinitis. The Respiratory Collaboration was terminated in 2008 in accordance with the applicable agreements, following the receipt of a not-approvable letter from the U.S. Food and Drug Administration ("FDA") for the fixed-combination tablet.

The Cholesterol Collaboration is formally referred to as the Merck/Schering-Plough Cholesterol Partnership (the "Partnership"). In December 2001, the Cholesterol Collaboration Agreements were expanded to include all countries of the world, except Japan. The Cholesterol Collaboration Agreements provide for ezetimibe to be developed and marketed in the following forms:

- Ezetimibe, a once daily CAI, non-statin cholesterol reducing medicine used alone or co-administered with any statin drug, and
- Ezetimibe and simvastatin (Merck's existing ZOCOR statin cholesterol modifying medicine) combined into one tablet (marketed today in the United States as VYTORIN and as INEGY in most other countries).

VYTORIN and ZETIA were approved by the FDA in July 2004 and October 2002, respectively. Together, these products, whether marketed as VYTORIN, ZETIA or under other trademarks locally, are referred to as the "Cholesterol Products."

Under the Cholesterol Collaboration Agreements, the Partners established jointly-owned, limited purpose legal entities based in Canada and the United States through which to carry out the contractual activities of the Partnership in these countries. An additional jointly-owned, limited purpose legal entity based in Singapore was established to own the rights to the intellectual property and to fund and oversee research and development and manufacturing activities of the Cholesterol Collaboration. In all other markets except Latin America, subsidiaries of Merck or Schering-Plough perform marketing activities for the Cholesterol Products under contract with the Partnership. These legal entity and subsidiary operations are collectively referred to as the "Combined Companies." In Latin America, the Partnership sells directly to Schering-Plough and Merck's Latin American subsidiaries and Schering-Plough and Merck compete against one another in the cholesterol market. Consequently, selling, promotion and distribution activities for the Cholesterol Products within Latin America are not included in the Combined Companies.

The Partnership is substantially reliant on the infrastructures of Merck and Schering-Plough. There are a limited number of employees of the legal entities of the Partnership and most activities are performed by employees of either Merck or Schering-Plough under service agreements with the Partnership. Profits, which are shared by the Partners under differing arrangements in countries around the world, are generally defined as net sales minus (1) agreed upon manufacturing costs and expenses incurred by the Partners and invoiced to the Partnership, (2) direct promotion expenses incurred by the Partners and invoiced to the Partnership, (3) expenses for a limited specialty sales force in the United States incurred by the Partners and invoiced to the Partnership, and certain amounts for sales force physician detailing of the Cholesterol Products in the United States, Puerto Rico, Canada and Italy, (4) administration expenses based on a percentage of Cholesterol Product net sales, which are invoiced by one of the Partners, and (5) other costs and expenses incurred by the

Partners that were not contemplated when the Cholesterol Collaboration Agreements were entered into but that were subsequently agreed to by both Partners. Agreed upon research and development expenses incurred by the Partners and invoiced to the Partnership are shared equally by the Partners, after adjusting for special allocations in the nature of milestones due to one of the Partners.

The Partnership's future results of operations, financial position, and cash flows may differ materially from the historical results presented herein because of the risks and uncertainties related to the Partnership's business. The Partnership's future operating results and cash flows are dependent on the Cholesterol Products. Any events that adversely affect the market for those products could have a significant impact on the Partnership's results of operations and cash flows. These events could include loss of patent protection, increased costs associated with manufacturing, increased competition from the introduction of new, more effective treatments, exclusion from government reimbursement programs, discontinuation or removal from the market of a product for safety or other reason, and the results of future clinical or outcomes studies (Note 5).

Basis of Presentation

The accompanying combined balance sheets and combined statements of net sales and contractual expenses, cash flows and partners' capital (deficit) include the Cholesterol and Respiratory Collaboration activities of the Combined Companies. The Respiratory Collaboration activities primarily pertained to clinical development work and pre-launch marketing activities. Spending on respiratory-related activities ceased in 2008 following termination of the collaboration, and is not material to the income from operations in any of the years presented.

Net sales include the net sales of the Cholesterol Products sold by the Combined Companies. Expenses include amounts that Merck and Schering-Plough have contractually agreed to directly invoice to the Partnership, or are shared through the contractual profit sharing arrangements between the Partners, as described above.

The accompanying combined financial statements were prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and reflect the activities of the Partnership based on the contractual agreements between the Partners. Such combined financial statements include only the expenses agreed by the Partners to be shared or included in the calculation of profits under the contractual agreements of the Partnership, and are not intended to be a complete presentation of all of the costs and expenses that would be incurred by a stand-alone pharmaceutical company for the discovery, development, manufacture, distribution and marketing of pharmaceutical products.

Under the Cholesterol Collaboration Agreements, certain activities are charged to the Partnership by the Partners based on contractually agreed upon allocations of Partner-incurred expenses as described below. In the opinion of management, any allocations of expenses described below are made on a basis that reasonably reflects the actual level of support provided. All other expenses are expenses of the Partners and are reflected in their separate consolidated financial statements.

As described above, the profit sharing arrangements under the Cholesterol Collaboration Agreements provide that only certain Partner-incurred costs and expenses be invoiced to the Partnership by the Partners and therefore become part of the profit sharing calculation. The following paragraphs list the typical categories of costs and expenses that are generally incurred in the discovery, development, manufacture, distribution and marketing of the Cholesterol Products and provide a description of how such costs and expenses are treated in the accompanying combined statements of net sales and contractual expenses, and in determining profits under the contractual agreements.

- Manufacturing costs and expenses — All contractually agreed upon manufacturing plant costs and expenses incurred by the Partners related to the manufacture of the Cholesterol products are included as Cost of sales in the accompanying combined statements of net sales and contractual expenses, including

direct production costs, certain production variances, expenses for plant services and administration, warehousing, distribution, materials management, technical services, quality control, and asset utilization. All other manufacturing costs and expenses incurred by the Partners not agreed to be included in the determination of profits under the contractual agreements are not invoiced to the Partnership and, therefore, are excluded from the accompanying combined financial statements. These costs and expenses include, but are not limited to, yield gains and losses in excess of jointly agreed upon yield rates and excess/idle capacity of manufacturing plant assets.

- Direct promotion expenses — Direct promotion represents direct and identifiable out-of-pocket expenses incurred by the Partners on behalf of the Partnership including, but not limited to, contractually agreed upon expenses related to market research, detailing aids, agency fees, direct-to-consumer advertising, meetings and symposia, trade programs, launch meetings, special sales force incentive programs and product samples. All such contractually agreed upon expenses are included in Selling, general and administrative in the accompanying combined statements of net sales and contractual expenses. All other promotion expenses incurred by the Partners not agreed to be included in the determination of profits under the contractual agreements are excluded from the accompanying combined financial statements.
- Selling expenses — In the United States, Canada, Puerto Rico and other markets outside the United States (primarily Italy), the general sales forces of the Partners provide a majority of the physician detail activity at an agreed upon cost which is included in Selling, general and administrative in the accompanying combined statements of net sales and contractual expenses. In addition, the agreed upon costs of a limited specialty sales force for the United States market that calls on opinion leaders in the field of cholesterol medicine are also included in Selling, general and administrative. All other selling expenses incurred by the Partners not agreed to be included in the determination of profits under the contractual agreements are excluded from the accompanying combined financial statements. These expenses include the total costs of the general sales forces of the Partners detailing the Cholesterol Products in most countries other than the United States, Canada, Puerto Rico and Italy.
- Administrative expenses — Administrative support is primarily provided by one of the Partners. The contractually agreed upon expenses for support are determined based on a percentage of the net sales of the Cholesterol Products. Such amounts are included in Selling, general and administrative in the accompanying combined statements of net sales and contractual expenses. Selected contractually agreed upon direct costs of employees of the Partners for support services and out-of-pocket expenses incurred by the Partners on behalf of the Partnership are also included in Selling, general and administrative. All other expenses incurred by the Partners not agreed to be included in the determination of profits under the contractual agreements are excluded from the accompanying combined financial statements. These expenses include, but are not limited to, certain U.S. managed care services, Partners' subsidiary management in most international markets, and other indirect expenses such as corporate overhead and interest.
- Research and development ("R&D") expenses — R&D activities are performed by the Partners and agreed upon costs and expenses are invoiced to the Partnership. These agreed upon expenses generally represent an allocation of each Partner's estimate of full time equivalents devoted to pre-clinical and post-marketing clinical development and regulatory activities and include grants and other third-party expenses. These contractually agreed upon allocated costs are included in Research and development in the accompanying combined statements of net sales and contractual expenses. All other R&D costs that are incurred by the Partners but not jointly agreed upon, are excluded from the accompanying combined financial statements.

Merck/Schering-Plough Cholesterol Partnership

Notes to Combined Financial Statements — (Continued)

2. Summary of Significant Accounting Policies

Principles of Combination

The accompanying combined balance sheets and combined statements of net sales and contractual expenses, cash flows and partners' capital (deficit) include the Cholesterol and Respiratory Collaboration activities of the Combined Companies. Interpartnership balances and profits are eliminated.

Use of Estimates

The combined financial statements are prepared based on contractual agreements between the Partners, as described above, and include certain amounts that are based on management's best estimates and judgments. Estimates are used in determining such items as provisions for sales discounts and returns and government and managed care rebates. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Foreign Currency Translation

The net assets of the Partnership's foreign operations are translated into U.S. dollars at current exchange rates. The U.S. dollar effects arising from translating the net assets of these operations are included in Partners' capital, and are not significant.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of highly liquid money market instruments with original maturities of less than three months. In 2007, the Partnership changed certain cash management practices, increasing the amount of cash held by the Partnership. The Partnership's cash, which is primarily invested in highly liquid money market instruments, is used to fund trade obligations coming due in the month and for distributions to the Partners. Interest income earned on cash and cash equivalents is reported as a reduction to Selling, general and administrative in the accompanying combined statements of net sales and contractual expenses and amounted to $10 million, $8 million, and $5 million in 2008, 2007 and 2006, respectively.

Inventories

Substantially all inventories are valued at the lower of first in, first out cost or market.

Intangible Assets

Intangible assets consist of licenses, trademarks and trade names owned by the Partnership. These intangible assets were recorded at the Partners' historical cost at the date of contribution at a nominal value.

Revenue Recognition, Rebates, Returns and Allowances

Revenues from sales of Cholesterol Products are recognized when title and risk of loss pass to the customer. Recognition of revenue also requires reasonable assurance of collection of sales proceeds and completion of all performance obligations. Net sales of VYTORIN/INEGY and ZETIA/EZETROL for the years ended December 31 are as follows:

$ in millions	2008	2007	2006
Vytorin/Inegy	$ 2,360	$ 2,779	$ 1,955
Zetia/Ezetrol	2,201	2,407	1,929
Total	$ 4,561	$ 5,186	$ 3,884

In the United States, sales discounts are issued to customers as direct discounts at the point-of-sale or indirectly through an intermediary wholesale purchaser, known as chargebacks, or indirectly in the form of rebates. Additionally, sales are generally made with a limited right of return under certain conditions. Sales are recorded net of provisions

for sales discounts and returns for which reliable estimates can be made at the time of sale. Reserves for chargebacks, discounts and returns and allowances are reflected as a direct reduction to accounts receivable and amounted to $34 million and $44 million at December 31, 2008 and 2007, respectively. Accruals for rebates are reflected as Rebates payable, shown separately in the combined balance sheets.

Income Taxes

Generally, taxable income or losses of the Partnership are allocated to the Partners and included in each Partner's income tax return. In some states and other jurisdictions, the Partnership is subject to an income tax, which is included in the combined financial statements and shared between the Partners. Except for these income taxes, which are not significant to the combined financial statements, no provision has been made for federal, foreign or state income taxes. At December 31, 2008, the Partnership had $49 million of deferred tax assets comprised solely of net operating loss carryforwards ("NOLs") generated by a branch of a legal entity of the Partnership. These NOLs expire between 2009 and 2015, and carry a full valuation allowance. In January 2007, the Partnership adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). Adoption of FIN 48 had no impact on the Partnership's financial statements.

Concentrations of Credit Risk & Segment Information

The Partnership's concentrations of credit risk consist primarily of accounts receivable. The Partnership does not normally require collateral or other security to support credit sales. Bad debts for the years ended December 31, 2008, 2007 and 2006 have been minimal. At December 31, 2008, three customers each represented 25%, 19% and 17% of Accounts receivable, net. The same three customers each accounted for more than 10% of Net sales as shown in the table below.

	Percent of Net Sales		
	2008	2007	2006
McKesson Drug Company	24%	28%	30%
Cardinal Health, Inc.	21%	26%	28%
Amerisourcebergen Corp.	16%	17%	12%

The Partnership derived approximately 65%, 75% and 80% of its combined Net sales from the United States in 2008, 2007 and 2006, respectively.

Termination of the Respiratory Collaboration

The Respiratory Collaboration was terminated in 2008 in accordance with the applicable agreements, following the receipt of a not-approvable letter from the FDA for the proposed montelukast/loratadine combination tablet. As a result of termination, Schering-Plough received $105 million in incremental allocations of Partnership profits in 2008. Except for the allocation of certain profits, termination had no other impact on the Cholesterol Collaboration.

3. Inventories

Inventories at December 31 consisted of:

$ in Millions	2008	2007
Finished goods	$ 31	$ 37
Raw materials and work in process	48	68
Total	$ 79	$ 105

The Partnership has entered into long-term agreements with the Partners for the supply of active pharmaceutical ingredients (API) and for the formulation and packaging of the Cholesterol Products at an

agreed upon cost. In connection with these supply agreements, the Partnership has entered into capacity agreements under which the Partnership has committed to take a specified annual minimum supply of API and formulated tablets or pay a penalty. These capacity agreements are in effect for a period of seven years following the first full year of production by one of the Partners and expire beginning in 2009. The Partnership had no payment obligation under the capacity agreements at December 31, 2008.

4. Related Party Transactions

The Partnership receives substantially all of its goods and services, including pharmaceutical product, manufacturing services, sales force services, administrative services and R&D services, from its Partners. The Partnership had a net payable to Merck and Schering-Plough for these services of $81 million and $100 million, respectively, at December 31, 2008, and $119 million and $115 million, respectively, at December 31, 2007.

Selling, general and administrative expense includes contractually defined costs for physician detailing provided by Schering-Plough and Merck of $223 million and $201 million, respectively, in 2008, $242 million and $197 million, respectively, in 2007 and $204 million and $203 million, respectively, in 2006. These expenses are not necessarily reflective of the actual cost of the Partners' sales efforts in the countries in which the amounts are contractually defined. Included in these amounts are $68 million, $60 million and $52 million in 2008, 2007 and 2006, respectively, relating to contractually defined costs of physician detailing in Italy. These amounts were not invoiced or paid by the Partnership to the Partners, but are a component of the profit sharing calculation.

Cost of sales and selling, general and administrative expense also include contractually defined costs for distribution and administrative services provided by Merck and Schering-Plough of $39 million, $34 million and $27 million in 2008, 2007 and 2006, respectively. These amounts are not necessarily reflective of the actual costs for such distribution and administrative services.

The Partnership also sells Cholesterol Products directly to the Partners, principally to Merck and Schering-Plough affiliates in Latin America. In Latin America, where the Partners compete with one another in the cholesterol market, Merck and Schering-Plough purchase Cholesterol Products from the Partnership and sell directly to third parties. Sales to the Partners are included in Net sales at their invoiced price in the accompanying combined statements of net sales and contractual expenses and totaled $74 million, $82 million and $61 million in 2008, 2007 and 2006, respectively.

5. Legal and Other Matters

The Partnership may become party to claims and legal proceedings of a nature considered normal to its business, including product liability and intellectual property. The Partnership records a liability in connection with such matters when it is probable a liability has been incurred and an amount can be reasonably estimated. Legal costs associated with litigation and investigation activities are expensed as incurred.

The Partnership maintains insurance coverage with deductibles and self-insurance as management believes is cost beneficial. The Partnership self-insures all of its risk as it relates to product liability and accrues an estimate of product liability claims incurred but not reported.

In February 2007, Schering-Plough received a notice from Glenmark Pharmaceuticals Inc. USA ("Glenmark"), a generic pharmaceutical company, indicating that it had filed an Abbreviated New Drug Application ("ANDA") for a generic form of ZETIA and that it is challenging the U.S. patents that are listed for ZETIA. In March 2007, Schering-Plough and the Partnership filed a patent infringement suit against Glenmark and its parent company. The lawsuit automatically stays FDA approval of Glenmark's ANDA until the earlier of October 2010 or an adverse court decision, if any. Schering-Plough and the Partnership intend to vigorously defend its patents, which they believe are valid, against infringement by generic companies attempting to

market products prior to the expiration dates of such patents. As with any litigation, there can be no assurances of the outcomes which, if adverse, could result in significantly shortened periods of exclusivity.

In January 2008, the Partners announced the results of the Effect of Combination Ezetimibe and High-Dose Simvastatin vs. Simvastatin Alone on the Atherosclerotic Process in Patients with Heterozygous Familial Hypercholesterolemia ("ENHANCE") clinical trial, an imaging trial in 720 patients with heterozygous familial hypercholesterolemia, a rare genetic condition that causes very high levels of LDL "bad" cholesterol and greatly increases the risk for premature coronary artery disease. Despite the fact that ezetimibe/simvastatin 10/80 mg (VYTORIN) significantly lowered LDL "bad" cholesterol more than simvastatin 80 mg alone, there was no significant difference between treatment with ezetimibe/simvastatin and simvastatin alone on the pre-specified primary end point, a change in the thickness of carotid artery walls over two years as measured by ultrasound. There also were no significant differences between treatment with ezetimibe/simvastatin and simvastatin on the four pre-specified key secondary end points: percent of patients manifesting regression in the average carotid artery intima-media thickness ("CA IMT"); proportion of patients developing new carotid artery plaques >1.3 mm; changes in the average maximum CA IMT; and changes in the average CA IMT plus in the average common femoral artery IMT. In ENHANCE, when compared to simvastatin alone, ezetimibe/simvastatin significantly lowered LDL "bad" cholesterol, as well as triglycerides and C-reactive protein ("CRP"). Ezetimibe/simvastatin is not indicated for the reduction of CRP. In the ENHANCE study, the overall safety profile of ezetimibe/simvastatin was generally consistent with the product label. The ENHANCE study was not designed nor powered to evaluate cardiovascular clinical events. The Improved Reduction in High-Risk Subjects Presenting with Acute Coronary Syndrome ("IMPROVE-IT") trial is underway and is designed to provide cardiovascular outcomes data for ezetimibe/simvastatin in patients with acute coronary syndrome. No incremental benefit of ezetimibe/simvastatin on cardiovascular morbidity and mortality over and above that demonstrated for simvastatin has been established. In March 2008, the results of ENHANCE were reported at the annual Scientific Session of the American College of Cardiology. In January 2009, the FDA announced that it had completed its review of the final clinical study report of ENHANCE. The FDA stated that the results from ENHANCE did not change its position that an elevated LDL cholesterol is a risk factor for cardiovascular disease and that lowering LDL cholesterol reduces the risk for cardiovascular disease. The FDA also stated that, based on current available data, patients should not stop taking Vytorin or other cholesterol lowering medications and should talk to their doctor if they have any questions about VYTORIN, ZETIA, or the ENHANCE trial.

On July 21, 2008, efficacy and safety results from the Simvastatin and Ezetimibe in Aortic Stenosis ("SEAS") study were announced. SEAS was designed to evaluate whether intensive lipid lowering with VYTORIN 10/40 mg would reduce the need for aortic valve replacement and the risk of cardiovascular morbidity and mortality versus placebo in patients with asymptomatic mild to moderate aortic stenosis who had no indication for statin therapy. VYTORIN failed to meet its primary end point for the reduction of major cardiovascular events. There also was no significant difference in the key secondary end point of aortic valve events; however, there was a reduction in the group of patients taking VYTORIN compared to placebo in the key secondary end point of ischemic cardiovascular events. VYTORIN is not indicated for the treatment of aortic stenosis. No incremental benefit of VYTORIN on cardiovascular morbidity and mortality over and above that demonstrated for simvastatin has been established. In the study, patients in the group who took VYTORIN 10/40 mg had a higher incidence of cancer than the group who took placebo. There was also a nonsignificant increase in deaths from cancer in patients in the group who took VYTORIN versus those who took placebo. Cancer and cancer deaths were distributed across all major organ systems. The Partners and the Partnership believe the cancer finding in SEAS is likely to be an anomaly that, taken in light of all the available data, does not support an association with VYTORIN. In August 2008, the FDA announced that it was investigating the results from the SEAS trial. In this announcement, the FDA also cited interim data from two large ongoing cardiovascular trials of VYTORIN — the Study of Heart and Renal Protection ("SHARP") and the IMPROVE-IT clinical trials — in which there was no increased risk of cancer with the combination of

simvastatin plus ezetimibe. The SHARP trial is expected to be completed in 2010. The IMPROVE-IT trial is scheduled for completion around 2012. The FDA determined that, as of that time, these findings in the SEAS trial plus the interim data from ongoing trials should not prompt patients to stop taking VYTORIN or any other cholesterol lowering drug.

The Partners and the Partnership are committed to working with regulatory agencies to further evaluate the available data and interpretations of those data, and do not believe that changes in the clinical use of VYTORIN are warranted.

As previously disclosed, since December 2007, Merck and Schering-Plough have received several letters addressed to both companies from the House Committee on Energy and Commerce, its Subcommittee on Oversight and Investigations ("O&I"), and the Ranking Minority Member of the Senate Finance Committee, collectively seeking a combination of witness interviews, documents and information on a variety of issues related to the ENHANCE clinical trial, the sale and promotion of VYTORIN, as well as sales of stock by corporate officers of Merck and Schering-Plough. In addition, since August 2008 the Partners have received three additional letters from O&I, including one dated February 19, 2009, seeking certain information and documents related to the SEAS clinical trial. Also, as previously disclosed, the Partners and the Partnership have received subpoenas from the New York and New Jersey State Attorneys General Offices and a letter from the Connecticut Attorney General seeking similar information and documents. In addition, the Partners and the Partnership have received five Civil Investigative Demands ("CIDs") from a multistate group of 35 State Attorneys General who are jointly investigating whether violations of state consumer protection laws occurred when marketing VYTORIN. Finally, in September 2008, Merck and Schering-Plough received a letter from the Civil Division of the U.S. Department of Justice ("DOJ") informing them that the DOJ is investigating whether the companies' conduct relating to the promotion of VYTORIN caused false claims to be submitted to federal health care programs. The Partners and the Partnership are cooperating with these investigations and responding to the inquiries. In addition, the Partners and the Partnership have become aware of or been served with approximately 145 civil class action lawsuits alleging common law and state consumer fraud claims in connection with the Partnership's sale and promotion of VYTORIN and ZETIA. Certain of those lawsuits allege personal injuries and/or seek medical monitoring. These actions, which have been filed in or transferred to federal court, are coordinated in a multidistrict litigation in the U.S. District Court for the District Court of New Jersey before District Judge Dennis M. Cavanaugh. The parties are presently engaged in motions practice and briefing.

While it is not feasible to predict the outcome of the investigations or lawsuits arising from the ENHANCE and SEAS clinical trials, unfavorable outcomes could have a significant adverse effect on the Partnership's financial position, results of operations and cash flows.

INDEPENDENT AUDITORS' REPORT

The Partners of the Merck/Schering-Plough Cholesterol Partnership

We have audited the accompanying combined balance sheets of the Merck/Schering-Plough Cholesterol Partnership (the "Partnership") as of December 31, 2008 and 2007, as described in Note 1, and the related combined statements of net sales and contractual expenses, partners' capital (deficit) and cash flows, as described in Note 1, for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the management of the Partnership, Merck & Co., Inc., and Schering-Plough Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared for the purpose of complying with certain rules and regulations of the Securities and Exchange Commission and, as described in Note 1, are not intended to be a complete presentation of the financial position, results of operations or cash flows of all the activities of a stand-alone pharmaceutical company involved in the discovery, development, manufacture, distribution and marketing of pharmaceutical products.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Merck/Schering-Plough Cholesterol Partnership, as described in Note 1, as of December 31, 2008 and 2007, and the combined results of its net sales and contractual expenses and its combined cash flows, as described in Note 1, for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 26, 2009

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2008, 2007 and 2006

Valuation and qualifying accounts deducted from assets to which they apply:

Allowances for accounts receivable:

	Reserve for Doubtful Accounts	Reserve for Cash Discounts	Reserve for Claims and Other	Total
	(Dollars in millions)			
2008				
Balance at beginning of year	$ 52	$ 34	$ 175	$ 261
Additions:				
Charged to costs and expenses	20	124	235	379
Deductions from reserves	(7)	(105)	(215)	(327)
Effects of foreign exchange	(6)	(2)	(9)	(17)
Balance at end of year	$ 59	$ 51	$ 186	$ 296
2007				
Balance at beginning of year	$ 53	$ 32	$ 152	$ 237
OBS reserves acquired November 19, 2007	9	—	1	10
Additions:				
Charged to costs and expenses	18	94	143	255
Deductions from reserves	(30)	(94)	(124)	(248)
Effects of foreign exchange	2	2	3	7
Balance at end of year	$ 52	$ 34	$ 175	$ 261
2006				
Balance at beginning of year	$ 54	$ 31	$ 126	$ 211
Additions:				
Charged to costs and expenses	25	150	493	668
Deductions from reserves	(29)	(150)	(468)	(647)
Effects of foreign exchange	3	1	1	5
Balance at end of year	$ 53	$ 32	$ 152	$ 237

Exhibit 10(d)

SCHERING-PLOUGH CORPORATION

2006 STOCK INCENTIVE PLAN

(As Amended and Restated Effective as of January 1, 2009)

SCHERING-PLOUGH CORPORATION
2006 STOCK INCENTIVE PLAN

(As Amended and Restated Effective as of January 1, 2009)

I. ESTABLISHMENT AND PURPOSE

1.1Purpose. The purpose of this Schering-Plough Corporation 2006 Stock Incentive Plan (the "Plan") is to enable Schering-Plough Corporation to achieve superior financial performance, as reflected in the performance of its Shares and other key financial or operating indicators by (i) providing incentives and rewards to certain Employees who are in a position to contribute materially to the success and long-term objectives of Schering-Plough, (ii) aiding in the recruitment and retention of Employees of outstanding ability and (iii) providing Employees an opportunity to acquire or expand equity interests in Schering-Plough, thus aligning the interests of such Employees with those of Schering-Plough's shareholders. Schering-Plough expects that it will benefit from the added interest that such Employees will have in the welfare of Schering-Plough as a result of their ownership or increased ownership of Schering-Plough's Shares.

1.2Effective Date; Shareholder Approval. The Plan was originally effective as of May 19, 2006, subject to the approval of the Plan by the affirmative vote of the holders of a majority of the Shares present in person or by proxy and entitled to vote at the 2006 Annual Meeting of Shareholders of Schering-Plough, or any adjournment of such meeting. Any Awards granted under the Plan prior to the approval of the Plan by Schering-Plough's shareholders, as provided herein, were contingent on such approval; if such approval is not obtained, the Plan would have had no effect, and any Awards granted under the Plan would have been rescinded. Schering-Plough's shareholder approved the Plan at the 2006 Annual Meeting and the Plan became effective on May 19, 2006.

II. DEFINITIONS

Capitalized terms used in the Plan have the following meanings, unless another definition is indicated clearly by particular usage and context.

"*Acquired Company*" means any business, corporation or other entity acquired by Schering-Plough or its Affiliates or Subsidiaries.

"*Acquired Grantee*" means the grantee of a stock-based award of an Acquired Company.

"*Affiliate*" means a corporation or other entity controlled by, controlling or under common control with Schering-Plough.

"*Award*" means any form of incentive or performance award granted under the Plan, whether singly or in combination, to a Participant by the Committee pursuant to such terms, conditions, restrictions and/or limitations (if any) as the Committee may establish and set forth in the applicable Award Certificate. Awards granted under the Plan may consist of:

(a) "Stock Options" awarded pursuant to Section 4.4;

(b) "Restricted Stock" awarded pursuant to Section 4.5;

(c) "Deferred Stock Units" awarded pursuant to Section 4.6;

(d) "Other Stock-Based Awards" awarded pursuant to Section 4.7;

(e) "Performance Awards", including "Qualified Performance Awards," awarded pursuant to Section 4.8; and

(f) "Substitute Awards" awarded pursuant to Section 4.9.

"*Award Certificate*" means the document issued, either in writing or by electronic means, by Schering-Plough to a Participant evidencing the grant of an Award and setting forth the specific terms, conditions, restrictions and limitations applicable to the Award.

"*Beneficiary*" means the person or persons designated by the Participant in accordance with Section 7.6 to acquire the Participant's right in the Plan in the event of the Participant's death.

"*Board*" means the Board of Directors of Schering-Plough.

"*Change in Control*" means the happening of any of the following events:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of securities of Schering-Plough where such acquisition causes such Person to own more than 50% of either (*x*) the then outstanding Shares of Schering-Plough (the "Outstanding Shares") or (*y*) the combined voting power of the then outstanding voting securities of Schering-Plough entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this subsection (a) the following acquisitions will not constitute a Change in Control: (i) any acquisition directly from Schering-Plough, (ii) any acquisition by Schering-Plough, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Schering-Plough or any corporation controlled by Schering-Plough or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) below; and provided, further, that if any Person's beneficial ownership of the Outstanding Shares or

Outstanding Voting Securities reaches or exceeds 50% as a result of a prior transaction, and such Person subsequently acquires beneficial ownership of additional Shares or additional voting securities of Schering-Plough, such subsequent acquisition will not be treated as an acquisition that causes such Person to own more than 50% of the Outstanding Shares or Outstanding Voting Securities;

(b) during any 12-month period, individuals who, as of the first day of such period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such 12-month period whose election, or nomination for election by the Schering-Plough's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board;

(c) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving Schering-Plough, or the acquisition of assets or stock of another entity by Schering-Plough (each a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were beneficial owners, respectively, of the Outstanding Shares or Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectfully, the then outstanding shares of the common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Schering-Plough or substantially all of Schering-Plough's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Shares and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Schering-Plough or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, more than 50% of, respectfully, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board on the later of (A) the time of the execution of the initial agreement, (B) the action of the Board providing for such Business Combination or (C) the beginning of the 12-month period ending on the effective date of the Business Combination;

(d) any one Person acquires (or has acquired during any 12-month period ending on the date of the most recent acquisition by such Person) assets of Schering-Plough having a fair market value equal to or more than 40% of the total gross fair market

value of all of the assets of Schering-Plough immediately prior to such sale, other than an acquisition by (i) a Person who was a shareholder of Schering-Plough immediately before the asset acquisition in exchange for or with respect to such Person's Shares, (ii) an entity whose total or voting power immediately after the transfer is at least 50% owned, directly or indirectly, by Schering-Plough, (iii) a person or group that, immediately after the transfer, directly or indirectly owns at least 50% of the total value or voting power of the outstanding stock of Schering-Plough or (iv) an entity whose total value or voting power immediately after the transfer is at least 50% owned, directly or indirectly, by a person described in clause (iii) above; or

(e) the complete liquidation of Schering-Plough.

The definition of Change in Control for purposes of the Plan is intended to conform to the description of "Change in Control Events" in Treasury Regulation section 1.409A-3(i)(5), or in subsequent IRS guidance describing what constitutes a change in control event for purposes of Code section 409A. Accordingly, no Change in Control will be deemed to occur with respect to a transaction or event described in paragraphs (a) through (e) above unless the transaction or event would constitute a "Change in Control Event" as described in Treasury Regulation section 1.409A-3(i)(5), or in subsequent IRS guidance under Code section 409A.

"*Change in Control Price*" means the higher of (a) the highest reported sales price of a Share in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which Shares may then be listed during the 60-day period prior to and including the effective date of a Change in Control or (b) if the Change in Control is the result of a tender or exchange offer or a business combination, the highest price per Share paid in such tender or exchange offer or business combination; provided, however, that in the case of Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of a Share on the date such Stock Option is exercised or cancelled. To the extent that the consideration paid in any transaction described in clause (b) above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of the Committee.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Committee*" means the Compensation Committee of the Board of Directors, or such other successor committee or subcommittee of the Board formed to act on performance-based compensation for Covered Employees, which is comprised solely of two or more persons who are outside directors within the meaning of Section 162(m)(4)(C)(i) of the Code and the applicable regulations and non-employee directors within the meaning of Rule 16b-3(b)(3) under the Exchange Act.

"*Controlled Group Member*" means Schering-Plough and each other company that is required to be aggregated with Schering-Plough under Code Sections 414(b), (c) and (m).

"*Corporation*" means Schering-Plough Corporation.

"*Covered Employee*" means an Employee who is, or who the Committee determines may be, a "covered employee" within the meaning of Section 162(m)(3) of the Code in the fiscal year in which Schering-Plough would expect to be able to claim a tax deduction with respect to a Performance Award.

"*Deferred Stock Account*" means a hypothetical bookkeeping account established and maintained by Schering-Plough on behalf of a Participant pursuant to Section 4.6(a) to track Deferred Stock Units awarded to the Participant pending the distribution of Shares in settlement of such units.

"*Deferred Stock Unit*" means the Award of an unfunded contractual right granted under Section 4.6 to receive one Share in the future, subject to any restrictions, as the Committee, in its discretion, may determine.

"*Disabled*" or "*Disability*" means an inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

"*Dividend Equivalent*" means an amount equal to the cash dividend or the Fair Market Value of the stock dividend that would be paid on each Share underlying an Award if the Share were duly issued and outstanding on the dividend record date.

"*Effective Date*" means May 19, 2006.

"*Employee*" means any individual who performs services as a common law employee for Schering-Plough or an Affiliate or Subsidiary.

"*Exchange Act*" means the United States Securities Exchange Act of 1934, as amended.

"*Exercise Price*" means the price per Share, as fixed by the Committee, at which Shares may be purchased under a Stock Option.

"*Fair Market Value*" of a Share means either:

(a) The closing sales price of a Share as reported on the New York Stock Exchange on the applicable date,

(b) If no sales of Shares are reported for such date, the mean between the bid and asked price of a Share on such Exchange at the close of the market on such date, or

(c) In the event that the method for determining fair market value described in clauses (a) or (b) is not practicable, the fair market value of a Share determined in accordance with any other reasonable method approved by the Committee in its discretion.

"*GAAP*" means United States generally accepted accounting principles.

"*Incentive Stock Option*" means a Stock Option granted under Section 4.4 of the Plan that meets the requirements of Section 422 of the Code and any regulations or rules promulgated thereunder and is designated in the Award Certificate to be an Incentive Stock Option.

"*Involuntary Termination*" means a Termination of Employment initiated by Schering-Plough or an Affiliate or Subsidiary other than a Termination for Cause or a Termination Due to Business Divestiture.

"*Nonqualified Stock Option*" means any Stock Option granted under Section 4.4 of the Plan that is not an Incentive Stock Option.

"*Other Stock-Based Award*" means an Award (other than a Stock Option, Restricted Stock or Deferred Stock Unit) granted under Section 4.7 of the Plan that consists of, or is denominated in, payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares.

"*Participant*" means an Employee or Acquired Grantee who has been granted an Award under the Plan.

"*Performance Award*" means an Award granted under Section 4.8 of the Plan that is granted, vested or paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures.

"*Performance Cycle*" means a period typically measured by Schering-Plough's fiscal year or years over which the level of attainment of one or more Performance Measures shall be assessed; provided, however, that the Committee, in its discretion, may determine to designate a Performance Cycle that is less than a full fiscal year.

"*Performance Measure*" means, with respect to any Performance Award, the business criteria selected by the Committee to measure the level of performance of Schering-Plough during a Performance Cycle. The Committee may select as the Performance Measure for a Performance Cycle any one or combination of the following corporate measures, as interpreted by the Committee:

(a) Net operating profit after taxes;

(b) Operating profit before taxes;

(c) Return on equity;

(d) Return on assets or net assets;

(e) Total shareholder return;

(f) Total shareholder return (as compared with a peer group of Schering-Plough);

(g) Earnings before income taxes;

(h) Earnings per Share;

(i) Net income;

(j) Free cash flow;

(k) Free cash flow per Share;

(l) Revenue (or any component thereof);

(m) Revenue growth;

(n) Share performance;

(o) Relative Share performance;

(p) Economic value added; and/or

(q) Return on capital.

"*Plan*" means the Schering-Plough Corporation 2006 Stock Incentive Plan, as set forth in this document and as may be amended from time to time.

"*Prior Plan*" means the Schering-Plough Corporation 2002 Stock Incentive Plan.

"*Qualified Performance Award*" means a Performance Award that is intended by the Committee to meet the requirements for "qualified performance-based compensation" within the meaning of Code Section 162(m) and Treasury Regulation Section 1.162-27(e).

"*Qualified Performance Award Determination Period*" means the period within which Committee determinations regarding Performance Measures, targets and payout formulas in connection with a Qualified Performance Award must be made. The Qualified Performance Award Determination Period is the period beginning on the first day of a Performance Cycle and ending no later than 90 days after commencement of the Performance Cycle; provided, however, that in the case of a Performance Cycle that is

less than 12 months in duration, the Qualified Performance Award Determination Period shall end no later than the date on which 25% of the Performance Cycle has elapsed.

"*Reporting Person*" means an Employee who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"*Restricted Stock*" means Shares issued pursuant to Section 4.5, which are subject to such restrictions as the Committee, in its discretion, shall impose.

"*Restriction Period*" means the period of time during which the Restricted Stock Awards will remain subject to restrictions imposed by the Committee and set forth in the Award Certificate.

"*Retirement*" means, for purposes of a particular Award, an Employee's "retirement" as defined in the Committee's grant guidelines in effect as of the date the Award is granted to the Employee or, if no such grant guidelines are in effect as of the date of grant (or if such guidelines are in effect, but do not define "retirement"), an Employee's Termination of Employment on or after the earliest date the Employee is eligible to retire under Schering-Plough's tax-qualified retirement plans, or in the case of a non-U.S. Employee, under the Worldwide Retirement Plan.

"*Section 409A Specified Employee*" means a "specified employee" within the meaning of Section 409A(2)(B)(i) of the Code, as amended, as determined by the Committee.

"*Shares*" means shares of common stock, $.50 par value per share, of Schering-Plough.

"*Stock Option*" means a right granted under Section 4.4 of the Plan to purchase from Schering-Plough a stated number of Shares at the Exercise Price. Stock Options awarded under the Plan shall be in the form of either Incentive Stock Options or Nonqualified Stock Options.

"*Subsidiary*" means any corporation, partnership, joint venture or other entity during any period in which at least a 50% voting or profit interest is owned, directly or indirectly, by Schering-Plough or any successor to Schering-Plough.

"*Termination Due to Business Divestiture*" means a Termination of Employment due to a transaction or series of related transactions (other than a transaction or series of transactions that are a part of a Change in Control) that result in a divestiture, sale, transfer, assignment or other disposition of any division, subsidiary, business unit, product line or group, or any other asset of Schering-Plough or any of its affiliates.

"*Termination for Cause*" shall have the definition prescribed in the current employment agreement, if any, between Schering-Plough and the relevant Employee or, in the absence of such definition, shall mean a Termination of Employment initiated by Schering-Plough or an Affiliate or Subsidiary incident to or connected with a

determination that the Employee has engaged in misappropriation, theft, embezzlement, kick-backs, bribery or similar deliberate, gross or willful misconduct or dishonest acts or omissions. Termination for Cause shall also include such a Termination of Employment incident to or in connection with acts or omissions of the Employee that the Committee reasonably determines to be willfully or wantonly harmful to, or detrimental to the interests of, Schering-Plough or any of its Affiliates or Subsidiaries, monetarily or otherwise.

"*Termination of Employment*" means the date of cessation of an Employee's employment relationship with Schering-Plough and any Affiliate or Subsidiary for any reason, with or without cause, as determined by Schering-Plough. A transfer of an Employee between and among Schering-Plough, an Affiliate or a Subsidiary shall not be deemed a Termination of Employment for purposes of the Plan. Notwithstanding the foregoing, the date of an Employee's Termination of Employment for purposes of determining the date that any payment or benefit that is treated as nonqualified deferred compensation under Section 409A of the Code is to be paid or provided (or in determining whether an exemption to such treatment applies), and for purposes of determining whether the Employee is a Section 409A Specified Employee on the termination date, shall be the date on which the Employee has incurred a "separation from service" within the meaning of Treasury Regulation section 1.409A-1(h), or in subsequent IRS guidance under Code section 409A.

III. ADMINISTRATION

3.1The Committee. The Plan shall be administered by the Committee.

3.2Authority of the Committee. The Committee shall have authority, in its sole and absolute discretion and consistent with applicable law and regulation, and subject to the terms of the Plan, to:

(a) Interpret and administer the Plan and any instrument or agreement relating to the Plan;

(b) Prescribe the rules and regulations that it deems necessary for the proper operation and administration of the Plan, and amend or rescind any existing rules or regulations relating the Plan;

(c) Select Employees to receive Awards under the Plan;

(d) Determine the form of an Award, the number of Shares subject to each Award, all the terms and conditions of an Award, including, without limitation, the conditions on exercise or vesting, the designation of Stock Options as Incentive Stock Options or Nonqualified Stock Options, and the circumstances in which an Award may be settled in cash or Shares or may be cancelled, forfeited or suspended, and the terms of the Award Certificate;

(e) Determine whether Awards will be granted singly, in combination or in tandem;

(f) Establish and interpret Performance Measures in connection with Performance Awards, evaluate the level of performance over a Performance Cycle and, in the case of Qualified Performance Awards, certify the level of performance attained with respect to Performance Measures;

(g) Waive or amend any terms, conditions, restrictions or limitations on an Award, except that the prohibition on the repricing of Stock Options, as described in Section 4.4(h), and the limitations on elections to defer payment of Deferred Stock Units, as described in Section 4.6(e), may not be waived;

(h) Except to the extent that any such action would result in the imposition on a Participant of an "additional tax" under Section 409A of the Code, accelerate the vesting, exercise or lapse of restrictions on an Award when such action or actions would be in the best interest of Schering-Plough;

(i) Make any adjustments permitted by the Plan (including but not limited to adjustment of the number of Shares available under the Plan or any Award) and any Award granted under the Plan as may be appropriate pursuant to Article V;

(j) Subject to the requirements of Section 409A of the Code, determine under which circumstances Awards may be deferred and the extent to which a deferral will be credited with Dividend Equivalents and interest thereon;

(k) Determine whether a Nonqualified Stock Option or Restricted Stock Award may be transferable to family members, a family trust or a family partnership;

(l) Establish any sub-plans and make any modifications to the Plan that the Committee may determine to be necessary to implement and administer the Plan in countries outside the United States;

(m) Appoint such agents as it shall deem appropriate for proper administration of the Plan; and

(n) Take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

3.3Committee Determinations. All determinations of the Committee shall be made in its sole discretion, in the best interest of Schering-Plough, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals. Committee determinations shall be made by a majority of its members present at a meeting at which a quorum is present and shall be final, conclusive and binding on all persons having an interest in the Plan and any Awards granted under the

Plan. Any determination of the Committee that is reduced to writing and signed by all of the members of the Committee shall be as fully effective as if it had been made at a meeting duly held.

3.4Delegation of Authority. The Committee, in its discretion and consistent with applicable law and regulations, may delegate some or all of its authority and duties under the Plan to such other individual, individuals or committee as it may deem advisable, under such conditions and subject to such limitations as the Committee may establish. Notwithstanding the foregoing, only the Committee shall have authority to grant and administer Awards to Covered Employees and other Reporting Persons, to establish and certify Performance Measures for Qualified Performance Awards and to grant Awards to any Employee who is acting as a delegate of the Committee in respect of the Plan.

3.5Employment of Advisors. The Committee may employ attorneys, consultants, accountants and other advisors, and the Committee, Schering-Plough and the officers and directors of Schering-Plough may rely upon the advice, opinions or valuations of the advisors employed.

3.6No Liability. No member of the Committee, nor any person acting as a delegate of the Committee in respect of the Plan, shall be liable for any losses incurred by any person resulting from any action, interpretation or construction made in good faith with respect to the Plan or any Award granted under the Plan.

IV. AWARDS

4.1Eligibility. All Employees shall be eligible to receive Awards under the Plan.

4.2Participation. The Committee, at its sole discretion, shall select from time to time Participants from those persons eligible under Section 4.1 to receive Awards under the Plan.

4.3Forms of Award. Awards shall be in the form determined by the Committee, in its discretion, and shall be evidenced by an Award Certificate. Awards may be granted singly or in combination or tandem with other Awards.

4.4Stock Options. The Committee may grant Stock Options under the Plan to those Employees whom the Committee may from time to time select, in the amounts and pursuant to such other terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Certificate, subject to the following provisions.

(a)Form. Stock Options granted under the Plan may, at the discretion of the Committee, be in the form of Nonqualified Stock Options, Incentive Stock Options or a combination of the two, subject to the restrictions set forth in paragraph (g) below with respect to grants of Incentive Stock Options. The Committee shall designate the form of the Stock Option at the time of grant and such form shall be specified in the Award Certificate. Where both a Nonqualified Stock Option and an

Incentive Stock Option are granted to an Employee at the same time, such Awards shall be deemed to have been granted in separate grants, shall be clearly identified, and in no event will the exercise of one such Award affect the right to exercise the other Award.

(b)Amount of Shares. The Committee may grant Stock Options to an Employee in such amounts as the Committee may determine, subject to the limitations set forth in Section 5.1 of the Plan. The number of Shares subject to a Stock Option shall be set forth in the Award Certificate.

(c)Exercise Price. The Exercise Price of Stock Options granted under the Plan shall be determined by the Committee at the time of grant and set forth in the Award Certificate. In no event shall the Exercise Price with respect to any Share subject to a Stock Option be set at a price that is less than the grant date Fair Market Value of a Share.

(d)Option Term. Except as otherwise provided in paragraph (e)(iv) of this Section 4.4, all Stock Options granted under the Plan shall lapse no later than the tenth anniversary of the date of grant.

(e)Timing of Exercise. Except as the Committee may otherwise determine at the time of grant, and subject to (1) the Committee's authority under Section 3.2(g) to waive or amend any terms, conditions, limitations or restrictions of an Award, (2) Section 5.4 relating to Changes in Control and (3) the special forfeiture provisions of Section 7.2, each Stock Option granted under the Plan shall be exercisable in whole or in part, subject to the following conditions, limitations and restrictions.

(i) ***Vesting***. The Committee will determine and set forth in the Award Certificate the date on which the Stock Options subject to the Award may first be exercised. Unless the Award Certificate provides otherwise, and except as otherwise provided in this Section 4.4(e) and in Section 5.4 relating to Changes in Control, no Stock Option shall be exercisable prior to the one-year anniversary of the date of grant.

(ii) ***Retirement***. Upon a Participant's Retirement,

(A) All Stock Options granted to the Participant during the one-year period immediately preceding the Participant's Retirement date that have not become exercisable as of the such Retirement date shall be forfeited;

(B) All Stock Options granted to the Participant more than one year prior to the Participant's Retirement date that have not become exercisable as of such Retirement date shall continue to become exercisable in accordance with the vesting schedule set out in the applicable Award Certificate; and

(C) To the extent that Stock Options have become exercisable as of the Participant's Retirement date, or become exercisable after such date in accordance with paragraph (B) above, such Stock Options must be exercised, if at all, within five years after the Participant's Retirement date, or, if earlier, no later than the original expiration date of the Stock Option.

(D) In the event the Participant's death occurs after Retirement, the Participant's Stock Options that have not become exercisable in accordance with paragraph (B) as of the date of the Participant's death shall become immediately exercisable and all of the Participant's Stock Options must be exercised, if at all, within the later of (x) five years from the Participant's Retirement date or, if earlier, the original expiration date of Stock Option and (y) one year from the Participant's date of death.

(iii) ***Termination Due to Business Divestiture***. Upon a Participant's Termination Due to Business Divestiture, all Stock Options granted to the Participant that have not become exercisable as of the date of such Termination Due to Business Divestiture shall become immediately exercisable and must be exercised, if at all, within five years after such termination date, but in no event later than the original expiration date of the Stock Option.

(iv) ***Disability***. Upon the Disability of a Participant, all Stock Options granted to the Participant that have not become exercisable as of the date of Disability shall become immediately exercisable and shall remain exercisable for the full duration of the Stock Option's original term.

(v) ***Death***. Upon a Participant's Termination of Employment due to his or her death during the term of a Stock Option, all Stock Options held by the Participant at the time of his or her death that are not already exercisable shall become immediately exercisable and all Stock Options shall remain exercisable for the longer of (A) the full duration of the Stock Option's original term and (B) one year from the Participant's date of death. Stock Options of a deceased Participant may be exercised only by the Participant's Beneficiary or, if none, by the legal representative of the Participant's estate or by the person given authority to exercise such Stock Options by the Participant's will or by operation of law. In the event a Stock Option is exercised by the executor or administrator of a deceased Participant, or by the person or persons to whom the Stock Option has been transferred under the Participant's will or the applicable laws of descent and distribution, Schering-Plough shall be under no obligation to deliver Shares unless and until Schering-Plough is satisfied that the person or persons exercising the Stock Option is or are the duly appointed executor(s) or administrator(s) of the deceased Participant or the person to whom the Stock Option has been transferred under the Participant's will or by the applicable laws of descent and distribution.

(vi) ***Other Terminations***. Upon an Employee's Termination of Employment for any reason other than death, Disability, Retirement, Termination Due to Business Divestiture or Termination for Cause, all Stock Options that have not become exercisable as of the date of termination shall be forfeited and to the extent that Stock Options have become exercisable as of such date, such Stock Options must be exercised, if at all, within three months after such Termination of Employment (one year in the case of an Involuntary Termination), but in no event later than the original expiration date of the Stock Option.

(f)Method of Exercise; Payment of Exercise Price. A Stock Option may be exercised by giving written notice to Schering-Plough specifying the number of Shares to be purchased, which shall be accompanied by full payment of the Exercise Price plus applicable taxes, if any. No Stock Option shall be exercised for less than the lesser of 100 Shares or the full number of Shares for which the Stock Option is then exercisable. No stock certificates shall be registered and delivered, and no Participant shall have any rights to dividends or other rights of a shareholder with respect to Shares subject to the Stock Option until the Participant has given written notice of exercise, made full payment of the Exercise Price for such Shares (including taxes) and, if requested by Schering-Plough, has given the representation described in Section 7.4. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, or postal or express money order. In addition, at the discretion of the Committee, payment of all or a portion of the Exercise Price may be made by —

(i) Delivering a properly executed exercise notice to Schering-Plough or its agent, together with irrevocable instructions to a broker to deliver promptly to Schering-Plough the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so paid;

(ii) Tendering (actually or by attestation) to Schering-Plough previously acquired Shares that have been held by the Participant for at least six months, subject to paragraph (iv), and that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid, provided that the Board has specifically approved the repurchase of such Shares (unless such approval is not required by the terms of the By-Laws of Schering-Plough) and the Committee has determined that, as of the date of repurchase, Schering-Plough is, and after the repurchase will continue to be, able to pay its liabilities as they become due; or

(iii) Provided such payment method has been expressly authorized by the Board or the Committee in advance and subject to any requirements of applicable law and regulations, instructing Schering-Plough to reduce the number of Shares that would otherwise be issued by such number of Shares as have in the aggregate a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid.

(iv) The Committee, in consideration of applicable accounting standards, may waive any holding period on Shares required to tender pursuant to clause (ii).

(g)Incentive Stock Options. Incentive Stock Options granted under the Plan shall be subject to the following additional conditions, limitations and restrictions:

(i) ***Eligibility***. Incentive Stock Options may be granted only to Employees of Schering-Plough or an Affiliate or Subsidiary that is a "subsidiary" or "parent corporation", within the meaning of Code Section 424, of Schering-Plough. In no event may an Incentive Stock Option be granted to an Employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of Schering-Plough or such Affiliate or Subsidiary.

(ii) ***Timing of Grant***. No Incentive Stock Option shall be granted under the Plan after the 10-year anniversary of earlier of (A) the date the Plan is adopted by the Board and (B) the date the Plan is approved by Schering-Plough's shareholders.

(iii) ***Amount of Award***. The aggregate Fair Market Value on the date of grant of the Shares with respect to which such Incentive Stock Options first become exercisable during any calendar year under the terms of the Plan for any Participant may not exceed $100,000. For purposes of this $100,000 limit, the Participant's Incentive Stock Options under this Plan and all Plans maintained by Schering-Plough and its Affiliates and Subsidiaries shall be aggregated. To the extent any Incentive Stock Option first becomes exercisable in a calendar year and such limit would be exceeded, such Incentive Stock Option shall thereafter be treated as a Nonqualified Stock Option for all purposes.

(iv) ***Timing of Exercise***. In the event that an Incentive Stock Option is exercised by a Participant more than three months after a Participant's Termination of Employment (or more than 12 months after the Participant is Disabled), such Incentive Stock Option shall thereafter be treated as a Nonqualified Stock Option for all purposes. For this purpose, an Employee's employment relationship shall be treated as continuing intact while the Employee is on military leave, sick leave or other bona fide leave of absence (such as temporary employment with the Government) duly authorized in writing by Schering-Plough if the period of such leave does not exceed three months or, if longer, so long as the Employee's right to reemployment with Schering-Plough or an Affiliate or Subsidiary is guaranteed either by statute or by contract. If the period of leave exceeds three months and the Employee's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such three-month period.

(v) ***Transfer Restrictions***. In no event shall the Committee permit an Incentive Stock Option to be transferred by a Participant other than by will or the laws of descent and distribution, and any Incentive Stock Option granted hereunder shall be exercisable, during his or her lifetime, only by the Participant.

(h)No Repricing. Except as otherwise provided in Section 5.3, in no event shall the Committee decrease the Exercise Price of a Stock Option after the date of grant or cancel outstanding Stock Options and grant replacement Stock Options with a lower Exercise Price without first obtaining the approval of the holders of a majority of the Shares present in person or by proxy at a meeting of Schering-Plough's shareholders and entitled to vote at such meeting.

4.5Restricted Stock. The Committee may grant Restricted Stock under the Plan to such Employees as the Committee may from time to time select, in such amounts and subject to such terms, conditions and restrictions (including, without limitation, transfer restrictions) and Restriction Periods as the Committee, in its discretion, may determine and set forth in the Award Certificate. The Committee, in its discretion, may condition an Award of Restricted Stock on the Participant giving the representation described in Section 7.4.

(a)Payment of Restricted Stock. As soon as practicable after Restricted Stock is awarded, a certificate or certificates for all such Shares of Restricted Stock shall be registered in the name of the Participant and, at the discretion of Schering-Plough, be either (i) delivered to the Participant or (ii) held by Schering-Plough on behalf of the Participant until all restrictions have lapsed. The Participant shall thereupon have all the rights of a shareholder with respect to such Shares, including the right to vote and receive dividends or other distributions made or paid with respect to such Shares, except that such Shares shall be subject to the forfeiture provisions of clause (i) below. The Committee may, in its discretion, impose and set forth in the Award Certificate such other restrictions on Restricted Stock for such Restriction Period or Periods as it deems appropriate. Except as the Committee may otherwise determine, and subject to (1) the Committee's authority under Section 3.2 to waive or amend any terms, conditions, limitations or restrictions of an Award, (2) Section 5.4 relating to Changes in Control and (3) the special forfeiture provisions of Section 7.2, such Shares shall be subject to the following provisions.

(i) ***Forfeiture and Lapse of Restriction***. Shares of Restricted Stock shall be forfeited by a Participant upon the Participant's Termination of Employment during the Restriction Period for any reason other than the Participant's death, Disability or Termination Due to Business Divestiture. Subject to clause (ii) below and Section 5.4 relating to Changes in Control, restrictions on Shares of Restricted Stock shall lapse at the end of the Restriction Period set forth in the Award Certificate.

(ii) ***Accelerated Lapse***. Notwithstanding the foregoing, all restrictions on Shares of Restricted Stock shall immediately lapse upon the death or Disability of the Participant. The Committee may, in its discretion, provide in the applicable Award Certificate that restrictions on Shares of Restricted Stock shall also lapse upon the Participant's Retirement or Involuntary Termination.

(b)Legend. In order to enforce any restrictions that the Committee may impose on Restricted Stock, the Committee shall cause a legend or legends setting forth a specific reference to such restrictions to be placed on all certificates for Shares of Restricted Stock. As restrictions are released, a new certificate, without the legend, for the number of Shares with respect to which restrictions have been released shall be issued and delivered to the Participant as soon as possible thereafter.

4.6Deferred Stock Units. The Committee may grant Deferred Stock Units under the Plan to those Employees whom the Committee may from time to time select, in such amounts and pursuant to such other terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Certificate, subject to the following provisions.

(a)Deferred Stock Account. Deferred Stock Units awarded to a Participant shall be credited to a Deferred Stock Account established and maintained by Schering-Plough on behalf of the Participant. No Participant shall be a shareholder with respect to any Shares underlying Deferred Stock Units credited to his Deferred Stock Account, nor shall the Participant (or the Participant's Beneficiary) have any right to or interest in any specific assets of Schering-Plough or its Affiliates or Subsidiaries, including any Shares reserved for issuance under the Plan, until such Shares are actually distributed to the Participant.

(b)Dividend Equivalents. Unless the Committee determines otherwise at the time of grant and sets forth in the applicable Award Certificate, in the event of Schering-Plough's payment of dividends on Shares, Dividend Equivalents shall be applied as follows.

(i) ***Stock Dividends***. Dividend Equivalents relating to stock dividends shall be credited to a Participant's Deferred Stock Account as of the dividend payment date in the form of additional Deferred Stock Units, based on the Fair Market Value of a Share on the dividend payment date.

(ii) ***Non-Stock Dividends***. Dividend Equivalents relating to dividends other than stock dividends shall be distributed immediately to the Participant as additional compensation on the dividend payment date.

(c)Payment of Shares. Subject to paragraph (d) below and Section 5.4 relating to Changes in Control, Deferred Stock Units shall be paid in Shares, at the rate of one Share per each Deferred Stock Unit, at such time or times and in such

manner as the Committee shall determine at the time of grant and set forth in the applicable Award Certificate, which can be either:

(i) ***Lump Sum***. A single lump sum payable on a specified date not earlier than the six-month anniversary of the date the Deferred Stock Units were awarded to the Participant, or

(ii) ***Installments***. In a set number of equal or unequal periodic installments commencing on a specified date not earlier than the six-month anniversary of the date the Deferred Stock Units were awarded to the Participant.

The timing and form of payment of Shares in settlement of Deferred Stock Units shall be set forth in the Award Certificate at the time of grant and, to the extent such Deferred Stock Units are subject to the requirements of Section 409A of the Code, shall not be subject to modification or acceleration by the Committee, except as provided in paragraph (d) below and in Section 5.4. The Committee, in its discretion, may condition the issuance of Shares in connection with Deferred Stock Units on the Participant giving the representation described in Section 7.4.

(d)Termination and Forfeiture. Unless the Award Certificate provides otherwise, and subject to (1) the Committee's authority under Section 3.2 to waive or amend any terms, conditions, limitations or restrictions of an Award, (2) Section 5.4 relating to Changes in Control and (3) the special forfeiture provisions of Section 7.2, any undistributed Deferred Stock Units remaining in a Participant's Deferred Stock Account shall be forfeited by the Participant upon the Participant's Termination of Employment for any reason other than other than the death, Disability, Retirement, Termination Due to Business Divestiture or Involuntary Termination of the Participant.

(i) ***Death***. Upon the death of a Participant prior to full payment of the Participant's Deferred Stock Account, the remaining balance of the Participant's Deferred Stock Account shall be paid in Shares to the Participant's Beneficiary or, if none, to the legal representative of the Participant's estate or to the person to whom the Participant's Deferred Stock Unit payment rights are transferred under Participant's will or by operation of law, in a single lump sum payment as soon as administratively feasible after the Participant's death, but in no event later than the last day of the calendar year of the Participant's death or, if later, the 15th day of the third month following the Participant's death. Schering-Plough shall be under no obligation to deliver Shares in satisfaction of a Deferred Stock Unit unless and until Schering-Plough is satisfied that the person or persons to whom the Shares are being transferred are the duly appointed executor(s) or administrator(s) of the deceased Participant or the person to whom the Deferred Stock Units have been transferred under the Participant's will or by the applicable laws of descent and distribution.

(ii) ***Disability***. In the event a Participant becomes Disabled prior to full payment of the Participant's Deferred Stock Account, the remaining balance of the Participant's Deferred Stock Account shall be paid in Shares at the scheduled time and in the scheduled manner set out in the applicable Award Certificate at the time of grant; provided, however that the Committee may determine at the time of grant and set forth in an Award Certificate that if the Participant becomes Disabled prior to the scheduled payment date or dates of the Deferred Stock Units, the remaining balance the Participant's Deferred Stock Account shall be paid to the Participant in a single lump sum distribution as soon as administratively feasible after the date the Participant becomes Disabled, but in no event later than the last day of the calendar year in which the Participant becomes Disabled or, if later, the 15th day of the third month following the date the Participant becomes Disabled.

(iii) ***Retirement***. Upon the Retirement of a Participant prior to full payment of the Participant's Deferred Stock Account, the Participant shall forfeit all unpaid Deferred Stock Units that were awarded to the Participant during the one-year period immediately preceding the Participant's Retirement date and all other Deferred Stock Units remaining in the Participant's Deferred Stock Account shall be paid at the scheduled time and in the scheduled manner set out in the applicable Award Certificate at the time of grant; provided, however that the Committee may determine at the time of grant and set forth in an Award Certificate that the entire unpaid balance of the a Participant's Deferred Stock Account shall be forfeited upon the Participant's Retirement. Alternatively, to the extent permitted under Section 409A of the Code, the Committee may determine at the time of grant and set forth in an Award Certificate that, in the event of the Participant's Retirement prior to the scheduled payment date or dates of the Deferred Stock Units, the remaining balance the Participant's Deferred Stock Account shall be paid to the Participant in a single lump sum distribution as soon as administratively feasible after the Participant's Retirement date, but in no event later than the last day of the calendar year in which the Participant retires or, if later, the 15th day of the third month following the date of the Participant's Retirement. Notwithstanding the forgoing, if the Participant is a Section 409A Specified Employee on his or her Retirement date, payment may not be made earlier than the six-month anniversary of the Participant's Retirement date.

(iv) ***Termination Due to Business Divestiture***. Upon a Participant's Termination Due to Business Divestiture prior to full payment of the Participant's Deferred Stock Account, the remaining balance of the Participant's Deferred Stock Account shall be paid in Shares at the scheduled time and in the scheduled manner set out in the applicable Award Certificate at the time of grant. Alternatively, to the extent permitted under Section 409A of the Code, the Committee may determine at the time of grant and set forth in an Award Certificate that, in the event of the Participant's Termination Due to Business Divestiture prior to the scheduled payment date or dates of the Deferred Stock Units, the remaining balance the Participant's Deferred Stock Account shall be

paid to the Participant in a single lump sum distribution as soon as administratively feasible after the Participant's termination date, but in no event later than the last day of the calendar year of the Participant's termination or, if later, the 15th day of the third month following the date of the Participant's termination. Notwithstanding the forgoing, if the Participant is a Section 409A Specified Employee on his or her termination date, payment may not be made earlier than the six-month anniversary of the Participant's termination date.

(v) ***Involuntary Termination***. Upon the Involuntary Termination of a Participant prior to full payment of the Participant's Deferred Stock Account, the Participant shall forfeit —

(A) All unpaid Deferred Stock Units that were awarded to the Participant during the one-year period immediately preceding the Participant's Involuntary Termination date; and

(B) A prorated portion of the remaining Deferred Stock Units under each Deferred Stock Unit Award determined by subtracting from the number of unpaid Deferred Stock Units remaining under such Award the product of (I) the number of unpaid Deferred Stock Units remaining under such Award, multiplied by (II) a fraction, the numerator of which is the number of full months worked by the Participant between the date of grant and the Involuntary Termination date, and the denominator of which is the total number of full months between the date of grant and the originally scheduled payment date.

All other Deferred Stock Units remaining in the Participant's Deferred Stock Account shall be paid at the scheduled time and in the scheduled manner set out in the applicable Award Certificate at the time of grant.

(e)Payment Deferrals. Subject to the requirements of Section 409A of the Code, the Committee may from time to time and on a case by case basis permit a Participant to elect to defer payment of his Deferred Stock Units, or change the form of payment of Shares issued in connection with Deferred Stock Units. Elections to defer the payment date or change the form of payment shall be subject to the following limitations, which may not be waived by the Committee:

(i) Such election must be made, if at all, no less than 12 months prior to the originally scheduled payment date set out in the Award Certificate for the Deferred Stock Units with respect to which the election is made;

(ii) Such election may not take effect until at least 12 months after the date on which the election is made; and

(iii) Except with respect to an election to receive payment upon Disability, the first scheduled payment must be deferred pursuant to the election for a period

of at least five years from the original payment date set out in the Award Certificate for the Deferred Stock Units with respect to which the election is made.

For purposes of Section 409A of the Code, each scheduled installment payment under a Deferred Stock Unit Award shall be deemed to be a separate payment.

(f)Committee Discretion. Notwithstanding anything in the Plan to the contrary (including anything in Section 3.2 relating to the authority of the Committee or Section 5.4 relating to Changes in Control) in no event shall the Committee have discretion under the Plan to accelerate the payment date or deferred payment date of Deferred Stock Units, except to the extent permitted under Section 409A of the Code and applicable U.S. Treasury Department or Internal Revenue Service guidance issued in connection with Section 409A of the Code.

4.7Other Stock-Based Awards. Subject to compliance with the requirements of Section 409A of the Code, the Committee may, from time to time, grant to an Employee Other Stock-Based Awards under the Plan. These Awards may include, among other things Shares, restricted stock options, stock appreciation rights that are settled in Shares, and phantom or hypothetical Shares. The Committee shall determine, in its discretion, the terms, conditions, restrictions and limitations, if any, that shall apply to Other Stock-Based Awards granted pursuant to this Section 4.7 (including whether Dividend Equivalents shall be credited or paid with respect to any such Award), which terms, conditions, restrictions and/or limitations shall be set forth in the Award Certificate. The Committee, in its discretion, may condition the delivery of Shares in connection with an Award under this Section 4.7 on the Participant giving the representation described in Section 7.4.

4.8Performance Awards. The Committee may grant Performance Awards under the Plan only to such Employees as the Committee may from time to time select, in such amounts and subject to such terms and conditions as the Committee, in its discretion, may determine. Performance Awards granted under the Plan shall be subject to the following provisions.

(a)General. Performance Awards that are not Qualified Performance Awards shall be based on such Performance Cycles, Performance Measures and vesting or payout formulas (which may be the same as or different than those applicable to Performance Awards that are designated as Qualified Performance Awards) as the Committee, in its discretion, may establish for such purposes.

(b)Form of Payment. Performance Awards may be paid in cash, Shares, Stock Options, Restricted Stock, Deferred Stock Units, Other Stock-Based Awards or any combination of the foregoing in such proportions as the Committee may determine, in its discretion, and set forth in the Award Certificate. To the extent that a Performance Award is paid in Shares, Stock Options, Restricted Stock, Deferred Stock Units and/or Other Stock-Based Awards, the amount of each such form of

Award that is payable shall be based on the Fair Market Value of a Share on the date of grant, subject to such reasonable Restricted Stock and Deferred Stock Unit discount factors and/or Stock Option valuation methodologies as the Committee may, in its discretion, apply. Stock Options, Restricted Stock, Deferred Stock Units and Other Stock-Based Awards granted in connection with a Performance Award shall be subject to the provisions of Sections 4.4, 4.5, 4.6 and 4.7, respectively.

(c)Qualified Performance Awards. A Performance Award granted to a Covered Employee under the Plan may, at the discretion of the Committee, be designated as a Qualified Performance Award. Qualified Performance Awards under the Plan may be granted either separately or at the same time as Awards that are not designated as Qualified Performance Awards; provided, however, that in no event may the payment of an Award that is not a Qualified Performance Award be contingent upon the failure to attain a specific level of performance on the Performance Measure(s) applicable to a Qualified Performance Award for the same Performance Cycle. In the event the Committee designates an Award as a Qualified Performance Award, any determinations of the Committee pertaining to Performance Measures and other terms and conditions of such Qualified Performance Award (other than a determination under paragraph (iii)(D) below to reduce the amount of the Award) shall be in writing and made within the Qualified Performance Award Determination Period. A Performance Award that the Committee designates as a Qualified Performance Award shall be subject to the following additional requirements.

(i) ***Performance Cycles***. Performance Awards that are designated as Qualified Performance Awards shall be awarded in connection with a Performance Cycle. The Committee shall determine the length of a Performance Cycle within the Qualified Performance Award Determination Period. In the event that the Committee determines that a Performance Cycle shall be a period greater than one fiscal year, a new Qualified Performance Award may be granted and a new Performance Cycle may commence prior to the completion of the Performance Cycle associated with the prior Qualified Performance Award.

(ii) ***Participants***. Within the Qualified Performance Award Determination Period, the Committee shall determine the Covered Employees who shall be eligible to receive a Qualified Performance Award for such Performance Cycle.

(iii) ***Performance Measures; Targets; Vesting and Payout Formulas***.

(A) Within the Qualified Performance Award Determination Period, the Committee shall fix and establish, in writing, (1) the Performance Measure(s) that shall apply to the Qualified Performance Award for the Performance Cycle; (2) the target amount of such Qualified Performance Award that shall be payable to each such Covered Employee; and (3) the vesting and/or payout formula for computing the actual amount of such Qualified Performance Award that shall become vested and/or payable with respect to each level of

attained performance. Towards this end, such vesting and/or payout formula shall, based on objective criteria, set forth for the applicable Performance Measure(s) the minimum level of performance that must be attained during the Performance Cycle before any such Qualified Performance Award shall become vested and/or payable and the percentage of the target amount of such Award that shall be vested and/or payable to each Covered Employee upon attainment of various levels of performance that equal or exceed the minimum required level.

(B) The Committee may, in its discretion, select Performance Measures that measure the performance of Schering-Plough or one or more business units, divisions, Affiliates or Subsidiaries of Schering-Plough. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(C) In applying Performance Measures, the Committee may, in its discretion, exclude unanticipated, unusual or infrequently occurring items (including any event described in Section 5.3 and the cumulative effect of changes in the law, regulations or accounting rules), and may determine within the Qualified Performance Award Determination Period to exclude other items.

(D) Notwithstanding anything in this paragraph (c)(iii) to the contrary, the Committee may, on a case by case basis and in its sole discretion, reduce, but not increase, the amount of any Qualified Performance Award that is payable to a Covered Employee with respect to a Performance Cycle, provided, however, that no such reduction shall result in an increase in the dollar amount of any such Qualified Performance Award payable to any other Covered Employee.

(iv) ***Committee Certification***. No Qualified Performance Award shall vest or be paid to a Covered Employee under the Plan unless and until the Committee certifies in writing the level of attainment of the applicable Performance Measure(s) for the applicable Performance Cycle.

(v) ***Limitation on Awards***. Subject to Sections 5.1 and 5.3, the dollar value of any Qualified Performance Award payable in cash to any Covered Employee shall not exceed $3 million (or, in the case of the Chief Executive Officer, $6,000,000) for any 12-month Performance Cycle; provided that for any Performance Cycle that is the same as a performance period under the Operations Management Team Incentive Plan, such amounts shall serve as combined limits under both this Plan and the Operations Management Team Incentive Plan. For any Performance Cycle greater than 12 months in duration, this maximum will be adjusted proportionately.

(vi) ***Code Section 162(m)***. It is the intent of Schering-Plough that Qualified Performance Awards granted to Covered Employees under the Plan shall satisfy the applicable requirements of Code Section 162(m) and the regulations thereunder so that Schering-Plough's tax deduction for Qualified Performance Awards is not disallowed in whole or in part by operation of Code Section 162(m). If any provision of this Plan pertaining to Qualified Performance Awards, or any Award to a Covered Employee under the Plan that the Committee designates as a Qualified Performance Award, would otherwise frustrate or conflict with such intent, that provision or Award shall be interpreted and deemed amended so as to avoid such conflict.

4.9Substitute Awards. The Committee may make Awards under the Plan to Acquired Grantees through the assumption of, or in substitution for, outstanding stock-based awards previously granted to such Acquired Grantees. Such assumed or substituted Awards will be subject to the terms and conditions of the original awards made by the Acquired Company, with such adjustments therein as the Committee considers appropriate to give effect to the relevant provisions of any agreement for the acquisition of the Acquired Company. Any grant of Stock Options pursuant to this Section 4.9 will be subject to the rules set out in Section 424 of the Code and any final regulations published thereunder, regardless of whether the Stock Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

4.10Termination for Cause. Notwithstanding anything to the contrary herein, if a Participant incurs a Termination for Cause, then all of the Participant's outstanding Awards under the Plan (whether or not vested or exercisable) will immediately be cancelled and forfeited and the special forfeiture provisions of Section 7.2 shall apply. The exercise of any Stock Option or the payment of any Award may be delayed, in the Committee's discretion, in the event that a potential Termination for Cause is pending.

V. SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

5.1Shares Available. The Shares issuable under the Plan are authorized but unissued Shares or Shares held in Schering-Plough's treasury. Subject to adjustment in accordance with Section 5.3, the total number of Shares with respect to which Awards may be issued under the Plan may not exceed 92,000,000 Shares, which includes the number of Shares that have been approved by Schering-Plough shareholders for issuance under the Prior Plan, but which have not been awarded under the Prior Plan as of the Effective Date and which are no longer available for issuance under Prior Plan for any reason (including without limitation, the discontinuance or termination of the Prior Plan). Subject to adjustment in accordance with Section 5.3, from such aggregate limit:

(a) No more than an aggregate of 46,000,000 Shares may be issued under Incentive Stock Options during the term of the Plan;

(b) No more than an aggregate of 46,000,000 Shares may be issued in the form of Restricted Stock, Deferred Stock Units or Other Stock-Based Awards payable in Shares during the term of the Plan; and

(c) The maximum aggregate number of Shares with respect to which Stock Options may be granted to any one Participant during any fiscal year of Schering-Plough may not exceed 3,000,000 Shares.

5.2Counting Rules.

(a)Shares Counted. For purposes of determining the number of Shares remaining available for issuance under the Plan (including Shares originally approved under the Prior Plan, but made available for issuance under this Plan in accordance with Section 5.1), only Awards payable in Shares shall be counted. In addition, Shares that are tendered or withheld in payment of all or part of the Exercise Price of a Stock Option, or in satisfaction of the withholding obligations of an Award shall be counted against the remaining Shares and shall no longer be available for issuance under the Plan.

(b)Shares Not Counted. The following Shares relating to Awards under this Plan (or Awards under the Prior Plan that are outstanding as of the Effective Date) are not counted as issued Shares for purposes of determining the number of Shares remaining available for issuance under the Plan, and shall remain available for issuance under the Plan.

(i) Shares underlying awards that are settled in cash in lieu of Shares;

(ii) Shares underlying Awards that expire, are forfeited, cancelled or terminate for any other reason without the issuance of Shares;

(iii) Shares issued in connection with Awards that are assumed, converted or substituted as the result of Schering-Plough's acquisition of an Acquired Company or the combination of Schering-Plough with another company; and

(iv) Shares of Restricted Stock that are forfeited and returned to Schering-Plough upon a Participant's Termination of Employment.

5.3Adjustments. If there is a change in the outstanding Shares by reason of any stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities, the issuance of warrants or other rights to purchase Shares or other securities, or other similar corporate transaction or event, then in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, an adjustment in the number or kind of Shares that may be issued under the Plan, the number of Shares underlying an outstanding Award, the Exercise price of a Stock

Option or the number of Deferred Stock Units credited to a Deferred Stock Account will be made by the Committee and such adjustment will be conclusive and binding for all purposes under the Plan. Notwithstanding the foregoing, no adjustments shall be made with respect to Qualified Performance Awards granted to a Covered Employee to the extent such adjustment would cause the Award to fail to qualify as performance-based compensation under Section 162(m) of the Code.

5.4Consequences of a Change in Control. Notwithstanding any other provision of the Plan, Awards that are outstanding as of the effective date of a Change in Control shall be subject to the following provisions.

(a)Replacement Awards. Any Award granted hereunder shall be deemed to apply to the securities, cash or other property (subject to adjustment by cash payment in lieu of fractional interests) to which a holder of the number of Shares equal to the number of Shares underlying the Participant's Awards would have been entitled pursuant to the Change in Control, and proper provisions shall be made to ensure that this clause is a condition to any transaction that would result in a Change in Control; provided, however, that during the 60-day period beginning on the date of Change in Control, the Committee (or, if applicable, the board of directors of the entity assuming Schering-Plough's obligations under the Plan) may, in its discretion, take any of the following actions with respect to each Award that is outstanding as of the effective date of Change in Control:

(i) Modify or adjust the Award to reflect the Change in Control; or

(ii) Cancel the Award and cause the acquiring or surviving corporation to replace it with an equivalent right after the Change in Control.

(b)Stock Options. All outstanding Stock Options that have not become exercisable as of the effective date of a Change in Control shall continue to become exercisable in accordance with the vesting schedule set out in the applicable Award Certificate. Notwithstanding the foregoing, in the event a Participant incurs an Involuntary Termination within two years after the effective date of a Change in Control, all of the Participant's outstanding Stock Options shall become immediately vested and exercisable as of the date of such Involuntary Termination and shall remain exercisable for the full duration of the Stock Option's original term, notwithstanding the Participant's Termination of Employment. In addition, during the 60-day period beginning on the date of Change in Control, the Committee may, in its discretion, cancel all or a portion of a Participant's remaining Stock Options and, in consideration of such cancellation, pay the Participant with respect to each Share issuable under the cancelled Stock Option an amount in cash equal to the amount by which the Change in Control Price exceeds the Exercise Price of the cancelled Stock Option.

(c)Deferred Stock Units. All Deferred Stock Units credited to a Participant's Deferred Stock Account but not yet distributed as of the effective date of the

Change in Control shall be paid in Shares at the scheduled time and in the scheduled manner set out in the applicable Award Certificate at the time of grant. Notwithstanding the foregoing, in the event a Participant incurs an Involuntary Termination within two years after the effective date of a Change in Control, all Deferred Stock Units credited to a Participant's Deferred Stock Account but not yet distributed as of the date of such Involuntary Termination shall become immediately vested and non-forfeitable and shall be distributed in a single lump sum cash payment, in lieu of Shares, as soon practicable thereafter (but in no event more than 30 days after the date of such Involuntary Termination) at a dollar value per Deferred Stock Unit equal to the Fair Market Value of a Share on the date of termination.

(d)Restricted Stock and Other Stock-Based Awards. All restrictions and conditions on any Shares of Restricted Stock or Other Stock-Based Awards shall continue to apply for the duration of the Restriction Period. Notwithstanding the foregoing, in the event a Participant incurs an Involuntary Termination within two years after the effective date of a Change in Control, all restrictions and conditions on any Shares of Restricted Stock or Other Stock-Based Awards shall immediately lapse or be deemed satisfied, as the case may be, as of the date of such Involuntary Termination and all such Awards shall become vested and non-forfeitable as of such date.

(e)Performance Awards. The Committee shall set out in the Award Certificate for each Performance Award the terms and conditions that shall apply to such Performance Award in the event the Award is outstanding as of the effective date of a Change in Control.

5.5Fractional Shares. No fractional Shares shall be issued under the Plan. In the event that a Participant acquires the right to receive a fractional Share under the Plan, such Participant shall receive, in lieu of such fractional Share, cash equal to the Fair Market Value of the fractional Share as of the date of settlement.

VI. AMENDMENT AND TERMINATION

6.1Amendment. The Plan may be amended at any time and from time to time by the Board without the approval of shareholders of Schering-Plough, except that no material revision to the terms of the Plan will be effective without first obtaining the approval of the amendment by the holders of a majority of the Shares present in person or by proxy at a meeting of Schering-Plough's shareholders and entitled to vote at such meeting. A revision is "material" for this purpose if, among other changes, it (a) materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 5.3 of the Plan), (b) changes the types of Awards available under the Plan, (c) expands the class of persons eligible to receive Awards under the Plan, (d) extends the term of the Plan, (e) decreases the Exercise Price at which Stock Options may be granted, (f) reduces the Exercise Price of outstanding Stock Options, or (g) results in the replacement of outstanding Stock Options with new Awards that have an Exercise Price

that is lower than the Exercise Price of the replaced Stock Options. No amendment of the Plan made without the Participant's written consent may adversely affect any right of a Participant with respect to an outstanding Award. Notwithstanding the foregoing, this Plan is intended to incorporate all applicable requirements of Section 409A of the Code and guidance issued thereunder by the U.S. Treasury Department and the Internal Revenue Service, and the Plan will be deemed to be amended as necessary to comply with those requirements.

6.2Termination. The Plan shall terminate upon the earlier of the following dates or events to occur:

(a) The adoption of a resolution of the Board terminating the Plan; or

(b) December 31, 2011.

No Awards shall be granted under this Plan after it has been terminated. However, the termination of the Plan shall not alter or impair any of the rights or obligations of any person, without such person's consent, under any Award theretofore granted under the Plan. After the termination of the Plan, any previously granted Awards shall remain in effect and shall continue to be governed by the terms of the Plan and the applicable Award Certificate.

VII. GENERAL PROVISIONS

7.1Nontransferability of Awards. No Award under the Plan shall be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except as provided below.

(a) Any Award may be transferred by will or by the laws of descent or distribution.

(b) The Committee may provide in the Award Certificate that all or any part of the vested portion of a Nonqualified Stock Option may, subject to the prior written consent of the Committee, be transferred to one or more of the following classes of donees:

(i) a family member;

(ii) a trust for the benefit of a family member; or

(iii) a limited partnership whose partners are solely family members, or any other legal entity set up for the benefit of family members.

For purposes of this paragraph (b), a family member means a Participant's spouse, children, grandchildren, parents, grandparents, siblings, nieces, nephews, grandnieces and grandnephews, including adopted, in-laws and step family members.

(c) Any transferred Award will be subject to all of the same terms and conditions as provided in the Plan and the applicable Award Certificate. The Participant or the Participant's estate will remain liable for any withholding tax that may be imposed by any federal, state or local tax authority. The Committee may, in its discretion, disallow all or a part of any transfer of an Award pursuant to paragraph (b) above unless and until the Participant makes arrangements satisfactory to the Committee for the payment of any withholding tax. The Participant must immediately notify the Committee, in the form and manner required by the Committee, of any proposed transfer of an Award pursuant to paragraph (b). No transfer will be effective until the Committee consents to the transfer in writing.

(d) Except as otherwise provided in the Award Certificate, any Nonqualified Stock Option transferred by a Participant pursuant to this paragraph (d) may be exercised by the transferee only to the extent that the Award would have been exercisable by the Participant had no transfer occurred. The transfer of Shares upon exercise of the Award will be conditioned on the payment of any withholding tax.

(e) Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered; provided, however, that Restricted Stock awarded to an affiliate of Schering-Plough may be transferred only pursuant to Rule 144 under the Securities Act, or pursuant to an effective registration for resale under the Securities Act. For purposes of this paragraph (e), "affiliate" will have the meaning assigned to that term under Rule 144.

(f) In no event may a Participant transfer an Incentive Stock Option other than by will or the laws of descent and distribution.

7.2Special Forfeiture Provision. Except as otherwise provided in the current employment agreement between Schering-Plough and the relevant Employee (which agreement shall take precedent over this Section 7.2), and if the Committee, in its discretion, provides otherwise in the applicable Award Certificate, if a Participant either —

(a) incurs a Termination for Cause or

(b) incurs a Termination of Employment for any reason other than other than death, Disability, Retirement, Termination Due to Business Divestiture or Involuntary Termination and, within one year after such Termination of Employment, without prior written approval of the Committee, enters into an employment or consulting arrangement (including service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in any business in which Schering-Plough or its Affiliates or Subsidiaries is engaged that, in the sole judgment of the Committee, is competitive with Schering-Plough

or any Affiliate or Subsidiary, then the Participant shall forfeit and return to Schering-Plough —

(i) the amount of any profit realized upon the exercise of any Stock Options at any time on or after the date that is ninety (90) days immediately prior to the date of the Participant's Termination of Employment;

(ii) all shares of Restricted Stock that are not then vested or which vested during the three-month period immediately preceding such Termination of Employment; and

(iii) all Shares issued to the Participant in payment of the Participant's Deferred Stock Units during the three-month period immediately preceding such Termination of Employment.

7.3 Withholding of Taxes. The Committee, in its discretion, may satisfy a Participant's tax withholding obligations by any of the following methods or any method as it determines to be in accordance with the laws of the jurisdiction in which the Participant resides, has domicile or performs services.

(a) Stock Options. As a condition to the delivery of Shares pursuant to the exercise of a Stock Option, the Committee may require that the Participant, at the time of exercise, pay to Schering-Plough by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations. The Committee may, however, in its discretion, accept payment of tax withholding obligations through any of the Exercise Price payment methods described in Section 4.4(f).

(b) Other Awards Payable in Shares. The Participant shall satisfy the Participant's tax withholding obligations arising in connection with the release of restrictions on Restricted Stock or the payment of Deferred Stock Units or Other Stock-Based Awards by payment to Schering-Plough by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations, provided that the format is approved by Schering-Plough or a designated third-party administrator. Notwithstanding the foregoing, subject to the requirements of applicable law, Schering-Plough may also satisfy the Participant's tax withholding obligations by other methods, including selling or withholding Shares that would otherwise be available for delivery, provided that the Committee has specifically approved such payment method in advance.

(c) Cash Awards. Schering-Plough may satisfy a Participant's tax withholding obligations arising in connection with the payment of any Award in cash by withholding cash from such payment.

7.4Investment Representation. As a condition to any distribution of Shares pursuant to Awards under the Plan, Schering-Plough may require a Participant to represent in writing that such Shares are being acquired for the Participant's own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

7.5Code Section 83(b) Elections. Neither Schering-Plough, any Affiliate or Subsidiary, nor the Committee shall have any responsibility in connection with a Participant's election, or attempt to elect, under Code Section 83(b) to include the value of a Restricted Stock Award in the Participant's gross income for the year of payment. Any Participant who makes a Code Section 83(b) election with respect to any such Award shall promptly notify the Committee of such election and provide the Committee with a copy thereof.

7.6Beneficiary Designations. Designations of Beneficiaries by a Participant shall be made in writing and filed with Schering-Plough in such form and in such manner as the Committee may from time to time prescribe. A Participant may change his or her Beneficiaries in the same manner at any time prior to the death of the Participant. If a Participant dies without having designated any surviving Beneficiaries, the Participant's remaining interests in Awards under the Plan shall be distributed to the legal representative of his estate or in accordance with the Participant's will.

7.7No Implied Rights. The establishment and operation of the Plan, including eligibility as a Participant, shall not be construed as conferring any legal or other right upon any Employee for the continuation of his or her employment for any Performance Cycle or any other period. Schering-Plough expressly reserves the right, which may be exercised at any time and in Schering-Plough's sole discretion, to discharge any individual and/or treat him or her without regard to the effect which such treatment might have upon him or her as a Participant in the Plan.

7.8No Obligation to Exercise Options. The granting of a Stock Option shall impose no obligation upon the Participant to exercise such Stock Option.

7.9No Rights as Shareholders. A Participant granted an Award under the Plan shall have no rights as a shareholder of Schering-Plough with respect to the Award unless and until such time as certificates for the Shares underlying the Award are registered in such Participant's name. The right of any Participant to receive an Award by virtue of participation in the Plan shall be no greater than the right of any unsecured general creditor of Schering-Plough.

7.10Indemnification of Committee. Schering-Plough shall indemnify, to the full extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that he, or his testator or intestate, is or was a member of the Committee or a delegate of the Committee so acting.

7.11No Required Segregation of Assets. Neither Schering-Plough nor any Affiliate or Subsidiary shall be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan. In no event shall any interest be paid or accrued on any Award, including unpaid installments of an Award.

7.12Nature of Payments. All Awards made pursuant to the Plan are in consideration of services for Schering-Plough or its Affiliates or Subsidiaries. Any gain realized pursuant to Awards under the Plan constitutes a special incentive payment to the Participant and shall not be taken into account as compensation for purposes of any of the employee benefit plans of Schering- Plough or any Affiliate or Subsidiary except as may otherwise be specifically provided in the applicable employee benefit plan.

7.13Compliance with Applicable Law. The obligations of Schering-Plough to issue or transfer Shares pursuant to Awards shall be subject to (a) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to the Shares, (b) the condition that the Shares be listed (or authorized for listing upon official notice of issuance) upon each stock exchange upon which Shares are listed and (c) compliance with all applicable laws and approvals by all governmental or regulatory agency as may be required. With respect to Reporting Persons, it is the intent of Schering-Plough that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. If any provision or this Plan or of any grant of an Award would otherwise frustrate or conflict with such intent, that provision shall be interpreted and deemed amended so as to avoid such conflict. No Participant will be entitled to a grant, exercise, transfer or payment of any Award if the grant, exercise, transfer or payment would violate the provisions of the Sarbanes-Oxley Act of 2002 or any other applicable law. In addition, it is the intent of Schering-Plough that the Plan and applicable Awards under the Plan comply with the applicable provisions of Sections 162(m) and 422 of the Code, and to the extent an Award is subject to the requirements of Section 409A of the Code, it is the intent of Schering-Plough that the Award be administered in a manner that satisfies such requirements. To the extent that any legal requirement of Section 16 of the Exchange Act or Section 162(m), 409A or 422 of the Code as set forth in the Plan ceases to be required under such Section, that Plan provision shall cease to apply. The Committee may revoke any Award if it is contrary to law or modify a Award (to the extent permitted by applicable law) to bring it into compliance with any valid and mandatory government regulation.

7.14Headings. Section and paragraph headings are for reference only. In the event of a conflict between the title and content of a section or paragraph, the content shall control.

7.15Governing Law; Severability. The Plan and all determinations made and actions taken thereunder shall be governed by the internal substantive laws, and not the choice of law rules, of the State of New Jersey and construed accordingly, to the extent not superseded by applicable federal law. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or

unenforceability shall not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect.

CHANGE OF CONTROL EMPLOYMENT AGREEMENT

AGREEMENT by and between Schering-Plough Corporation, a New Jersey corporation (the "Company") and_____, (the "Executive"), is dated as of the ___ day of_____,_____ (the "Commencement Date").

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Section 409A Change in Control Event (as defined in Appendix A) occurs and if the Executive's employment with the Company is terminated prior to the date on which such Section 409A Change in Control Event occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or a Section 409A Change in Control Event or (ii) otherwise arose in connection with or in anticipation of a Change of Control or Section 409A Change in Control Event, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the Commencement Date and ending on the earlier of (i) the third anniversary of the Commencement Date and (ii) except as otherwise provided in Section 1(a), the date the Executive's employment terminates for any reason prior to the Effective Date; provided, however, that commencing on the third anniversary of the Commencement Date, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as a "Renewal Date"), the Change of Control Period shall be automatically extended so as to terminate on the earlier of (x) the first anniversary of such Renewal Date and (y) except as otherwise provided in Section 1(a), the date the Executive's employment terminates for any reason prior to the Effective Date, unless at least three months prior to such Renewal Date the Company shall have given notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean the happening of any of the following events:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d 3 promulgated under the Exchange Act) of securities of the Company where such acquisition causes such Person to own 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; and provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; or

(b) individuals who, as of the Commencement Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Commencement Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, or a sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to

such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the earlier of (x) [third] [second] [first] anniversary of such date and (y) the Executive's 65th birthday (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from, and in the same state as, such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote appropriate attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not materially interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date without materially interfering with the performance of the Executive's responsibilities to the Company, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date

shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive, in accordance with the Company's normal payroll practices in effect from time to time for its other similarly situated peer executives, an annual base salary ("Annual Base Salary") at least equal to the highest annualized rate of base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies during the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus in cash at least equal to the Executive's highest annual target incentive opportunity under the Company's annual incentive plan applicable to the Executive (the "Incentive Plan"), or any comparable bonus under any predecessor or successor plan, for any of the immediately preceding three full fiscal years prior to the Effective Date (the "Annual Bonus"). Each such Annual Bonus shall be paid no later than March 15 of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus, in accordance with Section 409A of the Code ("Section 409A"), pursuant to an applicable deferred compensation plan of the Company.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, profit-sharing, stock option, stock award, savings and retirement plans, practices, policies, programs and arrangements applicable generally to other similarly situated peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies, programs and arrangements provide the Executive with incentive opportunities (cash or equity, and measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies, programs and arrangements as in effect at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other similarly situated peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall

receive all benefits under welfare benefit plans, practices, policies, programs and arrangements provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans, practices, policies, programs and arrangements) to the extent applicable generally to other similarly situated peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies, programs and arrangements provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies, programs and arrangements in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other similarly situated peer executives of the Company and its affiliated companies. If, however, Executive's participation in any such plan, practice, policy, program or arrangement could result in adverse or unintended tax consequences to any participant (including the Executive), the Company shall be entitled to pay to Executive the cost of equivalent benefits outside such plan, practice policy, program or arrangement, or provide Executive with substantially equivalent benefits through a separate program (including the provision of such benefits through the purchase of insurance), without regard to the tax treatment applicable to such payment or separate program, in lieu of permitting the Executive to participate in such plan, practice, policy, program or arrangement.

(v) Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by the Executive during the Employment Period in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other similarly situated peer executives of the Company and its affiliated companies. Such reimbursement shall be made no later than March 15 of the year following the year in which such expense was incurred.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, reimbursement for tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses and use of Company aircraft, in accordance with the most favorable plans, practices and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other similarly situated peer executives of the Company and its affiliated companies. Any reimbursements to the Executive in connection with fringe benefit costs shall be made no later than March 15 of the year following the year in which such costs were incurred. To the extent required by applicable law, such fringe benefits shall result in imputed income that shall be subject to withholding from the Executive's wages in the amount and manner prescribed by such law.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to personal secretarial and other assistance, at least substantially equivalent to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to

the Executive, as those provided generally at any time thereafter with respect to other similarly situated peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to an amount of paid vacation determined in accordance with the most favorable plans and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other similarly situated peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 14(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean termination initiated by the Company or by the Executive incident to or connected with a finding that the Executive has engaged, whether in connection with Executive's employment with the Company or otherwise, in misappropriation, theft, embezzlement, kick-backs, bribery, or other deliberate, gross or willful misconduct or dishonest acts or omissions, including, but not limited to, commission of a felony.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the events described in (i)- (iii) below, that occur without the Executive's express written consent, if the Company fails to cure such events within 20 business days after receiving notice thereof from the Executive:

(i) the assignment to the Executive of any duties that are materially inconsistent with the Executive's education, training and experience, or a significant diminution in the Executive's authorities, responsibilities, status or title (as described in this Agreement), it being understood that (A) a change in the person to whom the Executive reports or (B) modifications to organizational responsibilities resulting in changes to the Executive's functional areas of responsibility that do not significantly diminish Executive's core role in the Company, do not constitute "Good Reason";

(ii) any significant reduction by the Company of the Executive's total compensation in the aggregate, unless such reduction was part of a reduction approved by the Company's Board of Directors (or a Committee thereof) for one or more similarly situated peer executives in addition to the Executive;

(iii) any failure by the Company to comply with any of the provisions of Section 4 of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 14(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive's employment is terminated by the Executive for Good Reason, the Date of Termination shall be the close of the thirtieth calendar day after the Company receives notice from the Executive of the basis for Good Reason if the Company has failed to cure such basis for Good Reason, and (iv) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be. Notwithstanding the foregoing, the Date of Termination for purposes of determining the date that any payment or benefit which is treated as nonqualified deferred compensation under Section 409A is to be paid or provided (or in determining whether an exemption to such treatment applies), and for purposes of determining whether the Executive is a Specified Employee on the Date of Termination shall be the date on which the Executive has incurred a "separation from service" within the meaning of Treasury Regulation section 1.409A-1(h), or in subsequent IRS guidance under Section 409A.

6. Obligations of the Company upon Termination.

(a) Involuntary and Good Reason Terminations. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason, then provided that the Executive signs a Satisfactory Release (as defined below) within 21 days following the later of the Date of

Termination and the date such Release is presented to the Executive, and does not revoke it within 7 days after the date he executes such Release, the Company shall:

(i) pay to the Executive, within 90 days after the effective date of the Satisfactory Release, a lump-sum cash payment equal to the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Executive's Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) the lesser of (x) [three] [two] [one] and (y) the number of days after the Date of Termination and on or before the Executive's 65th birthday, divided by 365, times (2) the sum of (A) the Executive's Annual Base Salary, (B) the Executive's Annual Bonus and (C) the greater of the highest contributions made under the Company's Employees' Profit Sharing Incentive Plan and the Company's Profit Sharing Benefits Equalization Plan or the highest aggregate Company contribution to the Executive's account under the Company's qualified and nonqualified defined contribution retirement plans, for any of the three calendar years immediately preceding the Date of Termination; and

C. an amount equal to the excess of (1) the sum of (x) the lump-sum actuarial equivalent (as of the date that this enhanced SERP benefit is paid to the Executive or his beneficiaries (the "SERP Payout Date)) of the normal retirement benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's Retirement Plan immediately prior to the Effective Date) and (y) the lump sum actuarial equivalent of the normal retirement benefit under any excess or supplemental retirement plans in which the Executive participates (together, the "SERP") as of the SERP Payout Date (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the SERP immediately prior to the Effective Date) that the Executive would have received if the Executive's employment had continued for [three] [two] [one] year after the Date of Termination or through age 65, if sooner, assuming for this purpose that all accrued benefits were fully vested, and, assuming that the Executive's compensation in the [three] [two] [one] year (or the shorter period to age 65, if applicable) would have been that required by Section 4(b)(i) and Section 4(b)(ii), over (2) the lump sum actuarial equivalent of the Executive's actual normal retirement benefit (paid or payable), if any, under the Retirement Plan and the SERP based on the Executive's actual age, service and compensation as of the Date of Termination;

(ii) for the lesser of (x) [three] [two] [one] year after the Executive's Date of Termination and (y) the period through the Executive's 65th birthday, or such longer period as may be provided by the terms of the appropriate plan, program, practice, policy or arrangement, continue health and welfare benefits to the Executive (and the Executive's family, if applicable)

at least equal to those that would have been provided in accordance with the plans, programs, practices, policies and arrangements described in Section 4(b)(iv) of this Agreement had the Executive's employment not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other similarly situated peer executives of the Company and its affiliated companies and their families; provided, however, that such benefits coverage shall be secondary to any health and welfare benefits coverage for which the Executive becomes eligible under any plan or arrangement sponsored by a subsequent employer of the Executive; and provided further, that if Executive's participation in any such program could result in adverse or unintended tax consequences to any participant in such program (including the Executive), the Company shall be entitled to reimburse such Executive for the cost of equivalent benefits outside such program (in a manner that complies with Section 409A) or provide Executive with substantially equivalent benefits (in a manner that complies with Section 409A) through a separate program (including the provision of such benefits through the purchase of insurance) without regard to the tax treatment (other than additional taxes under Section 409A) applicable to such separate program in lieu of permitting the Executive to participate in such program;

(iii) to the extent not theretofore paid or provided, timely pay or provide to the Executive, in accordance with the terms of any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies, any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under such plan, program, policy or practice or contract or agreement, including without limitation, any compensation previously deferred by the Executive under an applicable deferred compensation plan of the Company, together with any accrued interest or earnings thereon, (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits");

(iv) waive any and all "reduction factors" imposed as a result of Executive's age with respect to the Executive's nonqualified supplemental or excess employee pension benefit plan if the Executive is at least age 50 as of the Date of Termination;

(v) in addition to the benefits provided in subparagraph (a)(ii) of this Section 6, if the Executive is age 50 or older as of the Date of Termination, the Executive shall become immediately eligible for coverage under the Company's retiree medical plan or any replacement or successor plan (including, without limitation, any supplemental coverage applicable to executives) provided, however, that, if the Company is unable to provide the Executive with coverage under such plan, the Company shall provide the Executive with separate comparable coverage (in a manner that complies with Section 409A) but in no event less favorable, in the aggregate, than the most favorable of such plans, policies, programs, practices or arrangements in effect for retirees immediately prior to the Effective Date.

For purposes of this Section 6(a), "Satisfactory Release" shall mean a release of claims in a form reasonably prescribed by the Company that (1) releases, and forever discharges, all claims that Executive has or may have against the Company and its affiliated companies and its and their employees, directors and agents (other than claims relating to Other Benefits), and (2) becomes irrevocable if not revoked by Executive within seven (7) days after he signs it; provided that the form of release shall not contain any post-employment covenants.

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of similarly situated peer executives of the Company and such affiliated companies under such plans, programs, practices, policies and arrangements relating to death benefits and survivor benefits, if any, as in effect with respect to other similarly situated peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other similarly situated peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, without limitation, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices, policies and arrangement relating to disability, if any, as in effect generally with respect to other similarly situated peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other similarly situated peer executives of the Company and its affiliated companies and their families.

(d) Termination for Cause; or Voluntary Termination Without Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination and (y) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination.

7. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, practice, policy or arrangement provided by the Company or any of its affiliated companies and for which the

Executive may qualify, nor, subject to Section 14(g), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. Except as specifically expressed herein, nothing contained herein is intended to alter the terms of any benefit plan or program. Notwithstanding anything in this Agreement, the Company or its affiliated companies, as applicable, reserves the right to amend or terminate any of its or their employee benefit plans at any time. In the event that an amendment to an employee benefit plan adopted after the Effective Date specifically conflicts with an express promise made in this Agreement, the Company shall have the right to honor the promise through comparable means outside the affected employee benefit plan without regard to any differences in the tax impact to the Executive.

8. Full Settlement. Except as otherwise provided in Sections 6, the Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. The Company's obligation to make payments or provide benefits under this Agreement and otherwise to perform its obligations hereunder shall be in lieu and in full settlement of all severance or termination benefits or payments that the Executive has received or is entitled to receive under any other any other plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies in connection with the Executive's termination of employment. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses up to $25,000 which the Executive may reasonably incur as a result of any contest by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement); provided, however, that if the Company ultimately prevails in a court of competent jurisdiction with regard to any such contest, the Executive agrees to reimburse the Company for any and all legal fees and expenses paid by the Company in accordance with this sentence. Such amounts shall become payable within 30 days after the expiration of the applicable period to appeal such outcome or, if an appeal is taken, 30 days after final resolution of such appeal. Interest shall accrue on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

9. Certain Additional Payments.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or benefit in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) made or provided to or

for the benefit of the Executive, whether under the terms of this Agreement or otherwise (each, a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (together with any interest or penalties imposed with respect to such excise tax, the "Excise Tax"), then the Executive shall be entitled to receive an additional payment ("Gross-Up Payment"), at or before the time the Excise Tax is due (whether by withholding or otherwise) but in no event later than December 31 of the calendar year following the year in which such Excise Tax is remitted to the Internal Revenue Service, in an amount such that after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes, other than any additional tax or interest that may be imposed under Section 409A(a)(1)(B) of the Code and similar provisions of state or local law), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. The Company's obligation to make Gross-Up Payments under this Section 9 shall not be conditioned upon the Executive's termination of employment.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by such nationally recognized certified public accounting firm that the Company's may designate (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within ten days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event the Company exhausts or does not seek to pursue its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive no later than December 31 of the calendar year following the year in which the related Excise Tax is remitted to the Internal Revenue Service.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that

any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax, income tax or other tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that, if the Company directs the Executive to pay such claim and sue for a refund, the Company shall pay the amount of such payment to the Executive, on an interest-free basis, as soon as practicable but in no event later than December 31 of the calendar year following the year in which such payment is made and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto, other than any additional tax or interest that may be imposed under Section 409A(a)(1)(B) of the Code and similar provisions of state or local law) imposed with respect to such payment or with respect to any imputed income in connection with such payment; and further provided, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of a Gross-Up Payment or an amount paid by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with

respect to the Excise Tax to which such Gross-Up Payment relates or with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c), if applicable) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount paid by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such payment shall be forgiven and shall not be required to be repaid and the amount of such payment shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Notwithstanding any other provision of this Agreement, the Company may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding.

10. Code Section 409A Provisions.

(a) To the fullest extent applicable, amounts and other benefits payable under this Agreement are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A in accordance with one or more of the exemptions available under the final Treasury regulations promulgated under Section 409A and, to the extent that any such amount or benefit is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation in accordance with such final Treasury regulations, this Agreement is intended to comply with the applicable requirements of Section 409A with respect to such amounts or benefits. This Agreement shall be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent.

(b) In each case where this Agreement provides for the payment of an amount that constitutes nonqualified deferred compensation under Section 409A to be made to the Executive within a designated period (e.g., within 30 days after the Date of Termination) and such period begins and ends in different calendar years, the exact payment date within such range shall be determined by the Company, in its sole discretion, and the Executive shall have no right to designate the year in which the payment shall be made.

(c) Notwithstanding anything in this Agreement or elsewhere to the contrary, if the Executive is a Specified Employee (as defined below) on the Date of Termination and the Company reasonably determines that any amount or other benefit payable under this Agreement on account of the Executive's separation from service, within the meaning of Section 409A(a)(2)(A)(i) of the Code, constitutes nonqualified deferred compensation that will subject the Executive to "additional tax" under Section 409A(a)(1)(B) of the Code (together with any interest or penalties imposed with respect to, or in connection with, such tax, a "409A Tax") with respect to the payment of such amount or the provision of such benefit if paid or provided at the time specified in the Agreement, then the payment or provision thereof shall be postponed to the first business day of the seventh month following the Date of Termination or, if earlier, the date of the Executive's death (the "Delayed Payment Date"). The Company and the Executive may

agree to take other actions to avoid the imposition of a 409A Tax at such time and in such manner as permitted under Section 409A. In the event that this Section 10 requires a delay of any payment, such payment shall be accumulated and paid in a single lump sum on the Delayed Payment Date together with interest for the period of delay, compounded monthly, equal to the prime or base lending rate then used by CitiBank, N.A., in New York City and in effect as of the date the payment would otherwise have been provided.

(d) For purposes of this Agreement, the term "Specified Employee" shall mean a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, as determined by the Company's Compensation Committee.

11. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

12. Intellectual Property. To the fullest extent permitted by applicable law, all intellectual property (including patents, trademarks, and copyrights) which are made, developed or acquired by Executive in the course of Executive's employment with the Company will be and remain the absolute property of the Company, and Executive shall, upon the Company's reasonable request, assist the Company in perfecting and defending its rights to such intellectual property.

13. Successors.

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company shall not be assignable by the Executive other than by will or the laws of descent and distribution. Except as otherwise required by law, no right to receive payments hereunder shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect; except, however, that this Agreement shall inure to the benefit of and be enforceable by the executors, administrators or other legal representatives of the Executive or the Executive's estate.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase,

merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

14. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of New Jersey, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

[name and address]

If to the Company:

-Plough Corporation
2000 Galloping Hill Road
Kenilworth, New Jersey 07033
Attention: Corporate Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) No provisions of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing signed by both Executive and the Chief Executive Officer of the Company. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of

this Agreement.

(f) Except as herein otherwise specifically provided, references in this Agreement to employment by the Company shall include employment by affiliates of the Company, and the obligation of the company to make any payment or provide any benefit to the Executive hereunder shall be deemed satisfied to the extent that such benefit is made or such payment is provided by an affiliate of the Company.

(g) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any prior agreement between the parties with respect to the subject matter hereof.

15. Disputes. All disputes arising out of or relating to this Agreement, or to the Executive's employment by the Company, will be determined by arbitration conducted before a single arbitrator selected by the parties, in accordance with the labor and employment rules of the American Arbitration Association then in effect, and at the office of the Association located closest to the Company's headquarters. The costs of arbitration will be borne by the losing party. The arbitrator shall be empowered by the parties to enter all relief that a court could enter.

16. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein. There shall be no contractual or similar restrictions on Executive's right to terminate his employment with the Company, or on his post-employment activities, other than those expressly set forth in this Agreement. Except as otherwise set forth in this Agreement, the respective rights and obligations of the parties under this Agreement shall survive any termination of Executive's employment. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall be deemed to be one and the same document. Signatures delivered by facsimile shall be effective for all purposes.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

EXECUTIVE

By: _____
[name of Executive]

SCHERING-PLOUGH CORPORATION

By: _____
C. Ron Cheeley
Senior Vice President,
Global Human Resources

Appendix A

Section 409A Change in Control Event

For purposes of Section 1(a), the term "Section 409A Change in Control Event" shall mean any of the following events:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act)) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of securities of the Company where such acquisition causes such Person to own more than 50% of either (x) the then outstanding Shares of the Company (the "Outstanding Shares") or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); provided, however, that for purposes of this subsection (a) the following acquisitions will not constitute a Section 409A Change in Control Event: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) below; and provided, further, that if any Person's beneficial ownership of the Outstanding Shares or Outstanding Voting Securities reaches or exceeds 50% as a result of a prior transaction, and such Person subsequently acquires beneficial ownership of additional Shares or additional voting securities of the Company, such subsequent acquisition will not be treated as an acquisition that causes such Person to own more than 50% of the Outstanding Shares or Outstanding Voting Securities;

(b) during any 12-month period, individuals who, as of the first day of such period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the beginning of such 12-month period whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board;

(c) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company, or the acquisition of assets or stock of another entity by the Company (each a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were beneficial owners, respectively, of the Outstanding Shares or Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectfully, the then outstanding shares of the common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Shares and Outstanding Voting Securities, as the

case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, more than 50% of, respectfully, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board on the later of (x) the time of the execution of the initial agreement, (y) the action of the Board providing for such Business Combination or (z) the beginning of the 12-month period ending on the effective date of the Business Combination; or

(d) any one Person acquires (or has acquired during any 12-month period ending on the date of the most recent acquisition by such Person) assets of the Company having a fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such sale, other than an acquisition by (i) a Person who was a shareholder of the Company immediately before the asset acquisition in exchange for or with respect to such Person's Shares, (ii) an entity whose total or voting power immediately after the transfer is at least 50% owned, directly or indirectly, by the Company, (iii) a person or group that, immediately after the transfer, directly or indirectly owns at least 50% of the total value or voting power of the outstanding stock of the Company or (iv) an entity whose total value or voting power immediately after the transfer is at least 50% owned, directly or indirectly, by a person described in clause (c) above.

The definition of Section 409A Change in Control Event for purposes of Section 1(a) of this Agreement is intended to conform to the description of "Change in Control Events" in Treasury Regulation section 1.409A-3(i)(5), or in subsequent IRS guidance describing what constitutes a Change in Control Event for purposes of Section 409A. Accordingly, no Section 409A Change in Control Event will be deemed to occur with respect to a transaction or event described in paragraphs (a) through (d) above unless the transaction or event would constitute a "Change in Control Event" as described in Treasury Regulation section 1.409A-3(i)(5), or in subsequent IRS guidance under Section 409A.

Exhibit 10(k)

SCHERING-PLOUGH CORPORATION
SAVINGS ADVANTAGE PLAN

(amended and restated as of January 1, 2008)

SCHERING-PLOUGH CORPORATION
SAVINGS ADVANTAGE PLAN

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PURPOSE

The Schering-Plough Corporation Savings Advantage Plan (the "Plan") is intended to attract and retain qualified individuals to serve as officers and managers of Schering-Plough Corporation and its affiliates by providing a select group of the Company's management and highly compensated employees with the ability to defer the receipt of a portion of their compensation. The Plan is effective as of January 1, 2004. The Plan has been subsequently amended and restated, effective January 1, 2008.

ARTICLE 1
DEFINITIONS

When used in this Plan and initially capitalized, the following words and phrases shall have the meanings indicated below:

1.01 Account. "Account" means the sum of a Participant's Employer Contribution Account, Non-Qualified Defined Benefit Plan Rollover Account, Non-Qualified Defined Contribution Plan Rollover Account, Prior Plan Stock Rollover Account, Cash LTIP Rollover Account, Performance Plan Rollover Account, and Elective Deferral Account.

1.02 Base Compensation Elective Deferral Credit. "Base Compensation Elective Deferral Credit" means the amount of Compensation (other than Bonus) that a Participant elects to defer under the Plan pursuant to Section 3.02, and which the Employer credits to the Participant's Elective Deferral Account.

1.03 Base Salary. "Base Salary" means that portion of an Eligible Employee's Compensation that represents his or her annual rate of pay (not including Bonus) prior to any reduction for amounts deferred by the Eligible Employee pursuant to the Savings Plan or Section 125 or 132(f)(4) of the Code, or pursuant to this Plan or any other non-qualified plan that permits the voluntary deferral of compensation.

1.04 Beneficiary. "Beneficiary" means the person, persons, or entity designated by the Participant pursuant to Article VI to receive any benefits payable under the Plan after the Participant's death.

1.05 Board. "Board" means the Board of Directors of the Company.

1.06 Bonus. "Bonus" means any regular, recurring bonus payable to an Eligible Employee from one of the Company's annual incentive plans prior to any reduction for any amounts deferred by the Participant under the Savings Plan or Section 125 or 132(f)(4) of the Code, or pursuant to this Plan or any other non-qualified plan that permits the voluntary deferral of compensation. The term Bonus only applies to amounts that are deemed performance-based in accordance with Section 409A of the Code.

1.07 Bonus Elective Deferral Credits. "Bonus Elective Deferral Credits" means the amount of Bonus that a Participant elects to defer under the Plan pursuant to Section 3.03, and which the Employer credits to the Participant's Elective Deferral Account.

1.08Bonus Eligible Employee. “Bonus Eligible Employee” means any highly compensated or management employee of an Employer who is paid on the Company’s U.S. payroll, who normally works within the U.S., and whose Base Salary from his or her Employer equals or exceeds $230,000 (or such other limit as set forth pursuant to Section 401(a)(17) of the Code) as of April 15 of the calendar year in which the Bonus is earned.

1.09Cash LTIP. “Cash LTIP” means the Company’s Cash Long-Term Incentive Plan, as amended from time to time.

1.10Cash LTIP Rollover Account. “Cash LTIP Rollover Account” means the account maintained for the purpose of recording Cash LTIP Rollover Credits and the amount of deemed investment earnings credited thereto pursuant to Article IV.

1.11Cash LTIP Rollover Credits. “Cash LTIP Rollover Credits” means the amount that becomes distributable to a Participant under the Cash LTIP that is automatically deferred under the Plan pursuant to Section 3.04(d).

1.12Change in Control. “Change in Control” means a Change of Control as defined in the Company’s 2006 Stock Incentive Plan or any successor to such plan.

1.13Code. “Code” means the Internal Revenue Code of 1986, as amended from time to time.

1.14Committee. “Committee” means the Global Benefits and Compensation Oversight Committee of Schering-Plough Corporation or its delegate.

1.15Company. “Company” means the Schering-Plough Corporation, a New Jersey corporation, and any successor thereto.

1.16Compensation. “Compensation” has the same meaning as set forth in the Savings Plan without regard to any limitation thereon imposed by Section 401(a)(17) of the Code and without deducting any amounts deferred under this Plan. Notwithstanding the foregoing, for purposes of calculating the Employer Contribution Credit, Compensation also includes Base Compensation Elective Deferral Credits and the Bonus Elective Deferral Credits.

1.17Covered Employee. “Covered Employee” means with respect to a particular calendar year, a covered employee as defined in Treasury regulation Section 1.162-27(c)(2) or any replacement regulation thereof. At the time of the adoption of this Plan, this includes any individual who, as of the last day of the Company’s taxable year, is the Chief Executive Officer or one of the four highest compensated officers (other than the Chief Executive Officer) as determined under the Securities Exchange Act of 1934, as amended.

1.18Deferral Election. “Deferral Election” means the written election made by a Participant to defer Compensation pursuant to Article III.

1.19Disability. “Disability” means any condition in which the Participant is considered Disabled as defined in Section 409A of the Code.

1.20Elective Deferral Account. “Elective Deferral Account” means the account maintained on the books of the Employer for the purpose of accounting for the Base Compensation Elective Deferral Credits and Bonus Elective Deferral Credits that a Participant elects to defer under the Plan, and for the amount of deemed investment return credited thereto pursuant to Article IV.

1.21Eligible Employee. “Eligible Employee” means any employee who is a Salary Eligible Employee, a Bonus Eligible Employee, or an Expatriate Employee.

1.22Employer. “Employer” means, with respect to a Participant, the Company or the Selected Affiliate that pays such Participant’s Compensation.

1.23Employer Contribution Account. “Employer Contribution Account” means the account maintained on the books of the Employer for the purpose of accounting for the Employer Contribution Credits that are credited to a Participant pursuant to Section 3.01 of the Plan, and for the amount of deemed investment return credited thereto pursuant to Article IV.

1.24Employer Contribution Credit. “Employer Contribution Credit” means the amount credited to a Participant’s Employer Contribution Account pursuant to Section 3.01.

1.25ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.26Expatriated Employee. “Expatriated Employee” means an employee who receives Compensation from an Employer, but does not meet the definition of a Salary Eligible Employee or a Bonus Eligible Employee only because he or she either is not paid on the Company’s U.S. payroll or normally works outside the U.S.

1.27Hardship Withdrawal. “Hardship Withdrawal” has the meaning set forth in Section 5.05.

1.28Investment Committee. “Investment Committee” means the Investment Committee of Schering-Plough Corporation.

1.29Investment Return Rate. “Investment Return Rate” means:

(a) In the case of an investment named in Exhibit A of a fixed income nature, the interest deemed to be credited as determined in accordance with the procedures applicable to the same investment option provided under the Savings Plan;

(b) In the case of an investment named in Exhibit A of an equity investment nature, the increase or decrease in deemed value and dividends deemed to be credited as determined in accordance with the procedures applicable to the same investment option provided under the Savings Plan; or

(c) In the case of the Common Stock Investment Option, the increase or decrease in the deemed value, and the reinvestment in the Schering-Plough Corporation Common Stock of

any dividends deemed to be credited, as determined in accordance with the procedures established by the Investment Committee.

1.30 Non-Qualified Defined Benefit Plan Rollover Account. "Non-Qualified Defined Benefit Plan Rollover Account" means the account maintained on the books of the Employer for the purpose of accounting for the Non-Qualified Defined Benefit Plan Rollover Credits that are credited to a Participant pursuant to Section 3.04(a) of the Plan, and for the amount of deemed investment return credited thereto pursuant to Article IV.

1.31 Non-Qualified Defined Benefit Plan Rollover Credit. "Non-Qualified Defined Benefit Plan Rollover Credit" means the amount that becomes distributable to a Participant under the Company's non-qualified defined benefit plan that the is automatically deferred pursuant to Section 3.04(a) of the Plan.

1.32 Non-Qualified Defined Contribution Plan Rollover Account. "Non-Qualified Defined Contribution Plan Rollover Account" means the account maintained on the books of the Employer for the purpose of accounting for the Non-Qualified Defined Contribution Credits that are credited to a Participant pursuant to Section 3.04(b) of the Plan, and for the amount of deemed investment return credited thereto pursuant to Article IV.

1.33 Open Enrollment Period. "Open Enrollment Period" means the period or periods established by the Company in any calendar year for making various elections described in the Plan that affect the rights of Participants and Beneficiaries with respect to subsequent periods.

1.34 Participant. "Participant" means an Eligible Employee who elects to participate by executing and delivering any agreements required by the Committee in order to participate in the Plan.

1.35 Performance Plan. "Performance Plan" means the Company's Long-Term Performance Share Unit Incentive Plan, as amended from time to time.

1.36 Performance Plan Rollover Account. "Performance Plan Rollover Account" means the account maintained for the purpose of recording Performance Plan Rollover Credits and the amount of deemed investment return credited thereto pursuant to Article IV.

1.37 Performance Plan Rollover Credit. "Performance Plan Rollover Credit" means the amount that becomes distributable to a Participant under the Performance Plan that is automatically deferred under the Plan pursuant to Section 3.04(e).

1.38 Plan. "Plan" means the Schering-Plough Corporation Savings Advantage Plan, as amended from time to time.

1.39 Plan Sponsor. "Plan Sponsor" means Schering Corporation.

1.40 Plan Year. "Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.

1.41 Prior Plan Stock Rollover Account. "Prior Plan Stock Rollover Account" means the account maintained on the books of the Employer for the purpose of accounting for the amounts under the Company's Transformational Program that is automatically deferred pursuant to Section 3.04(c) of the Plan, and for the amount of deemed investment return credited thereto pursuant to Article IV.

1.42 Prior Plan Stock Rollover Credit. "Prior Plan Stock Rollover Credit" means the amount that becomes distributable to a Participant under the Company's Transformational Program that is automatically deferred under the Plan pursuant to Section 3.04(c) of the Plan.

1.43 Salary Eligible Employee. "Salary Eligible Employee" means any highly compensated or management employee of an Employer who is paid on the Company's U.S. payroll, who normally works within the U.S., and whose Base Salary and target incentive bonus from his or her Employer equals or exceeds $220,000 (or such other limit as set forth pursuant to Section 401(a)(17) of the Code) as of October 15 of the prior year (or, in the case of a newly hired employee, as of his or her employment commencement date).

1.44 Savings Plan. "Savings Plan" means the Schering-Plough Employees' Savings Plan, as amended from time to time, or any successor thereto.

1.45 Specified Employee. "Specified Employee" means a specified employee as defined in Section 409A of the Code and Treasury regulations thereunder and as determined in accordance with rules established and uniformly applied by the Committee in accordance with Section 409A of the Code.

1.46 Transformational Program. "Transformational Program" means the Company's Transformational Performance Contingent Shares Program, as amended from time to time.

1.47 Value. "Value" means, with respect to any applicable date, the fair market value determined by the Investment Committee as of the previous Valuation Date.

1.48 Valuation Date. "Valuation Date" means a date on which the amount of a Participant's Account is valued as provided in Article IV. The Valuation Date shall be each trading day under the applicable market or exchange or on any date on which a net asset value is calculated by the Plan's third party administrator with respect to the applicable investment.

ARTICLE 2
ELIGIBILITY AND PARTICIPATION

2.01 Eligibility.

(a) 2004 Employer Contribution Credits. Any Eligible Employee whose Compensation exceeds $205,000 during 2004 shall be eligible to receive Employer Contribution Credits to his or her Employer Contribution Account in accordance with Section 3.01 below for the 2004 Plan Year.

(b) 2005 and Later Employer Contribution Credits. Any person who is an Eligible Employee with respect to the 2005 Plan Year or a later Plan Year shall be eligible to receive Employer Contribution Credits to his or her Employer Contribution Account for that Plan Year in accordance with Section 3.01 below after his or her Compensation exceeds the applicable Section 401(a)(17) limit for that year.

(c) 2005 and Later Base Compensation Deferrals. Any person who is a Salary Eligible Employee with respect to the 2005 Plan Year or a later Plan Year shall be eligible to elect to defer a portion of his or her Compensation (not including Bonus) payable in such year in accordance with Section 3.02 below. Any such election must be made during the Company's applicable Open Enrollment Period that precedes the year in which the deferrals are to be made, provided, however that Eligible Employees hired during 2005 or a later Plan Year may make such an election at any time within 30 days after their date of hire. An election made by a Participant within the 30 days after his or her date of hire shall apply only to Compensation that has been earned after such election has been made.

(d) 2005 Bonus Deferrals. Any person who is a Bonus Eligible Employee with respect to the 2005 Plan Year shall be eligible to elect to defer a portion of his or her Bonus that is payable in 2005 in accordance with Section 3.03 below. Any such election must be made during the period from April 23, 2004 until May 28, 2004, provided, however that Bonus Eligible Employees hired during 2004 may make such an election at any time within 30 days after their date of eligibility to participate in the Plan. An election made by a Participant within the 30 days after his or her date of hire shall apply only to a Bonus (or portion of a Bonus) that has been earned after such election has been made.

(e) 2006 and Later Bonus Deferrals. Any person who is a Bonus Eligible Employee with respect to the 2006 Plan Year or a later Plan Year shall be eligible to elect to defer a portion of his or her Bonus that is payable in 2006 or such later Plan Year, as applicable. Any such election must be made during the applicable Open Enrollment Period to be completed not later than six months into the Plan Year in which such Bonus is earned, provided, however that Bonus Eligible Employees hired during any such Plan Year may make an election to defer their Bonus that is payable in the following year at any time within 30 days after their date of hire. An election made by a Participant within the 30 days after his or her date of hire shall apply only to a Bonus (or portion of a Bonus) that has been earned after such election has been made.

2.02Participation. Notwithstanding anything herein to the contrary, Participation in the Plan shall be limited to Eligible Employees who elect to participate in the Plan by executing and filing the appropriate documentation required by the Committee, if any.

ARTICLE 3
DEFERRAL OF COMPENSATION

3.01Employer Contribution Credits. With respect to each Plan Year, the Employer shall credit Employer Contribution Credits to the Employer Contribution Account of each Eligible Employee who satisfies the requirements of Section 2.01(a) or (b), as applicable. The amount of the Employer Contribution Credits shall be equal to five percent of such Eligible Employee's Compensation for the Plan Year that exceeds the lower of (a) $230,000 or such other

limit as set forth in Section 401(a)(17) of the Code for that year and (b) the Participant's compensation applicable under the Savings Plan. Employer Contribution Credits shall be credited to the Participant's Account on the same date on which the related employer contributions are made to the Savings Plan or such other date as the Committee shall determine.

3.02Base Compensation Elective Deferral Credits. With respect to each Plan Year beginning on or after January 1, 2005, an Eligible Employee who satisfies the requirements of Section 2.01(c) may elect to defer a up to 80% of his or her Compensation (excluding Bonus) in 1% increments by filing a complete and timely Deferral Election with the Committee. Any such election must be made during the Company's Open Enrollment Period that precedes the year in which the Compensation being deferred is otherwise payable, provided, however that Eligible Employees hired during a 2005 or later Plan Year may make such an election at any time within 30 days after their date of hire. An election made by a Participant within the 30 days after his or her date of hire shall apply only to Compensation that has been earned after such election has been made. A Participant may change the percentage of his or her Compensation to be deferred by filing a new Deferral Election with the Committee during the Company's Open Enrollment Period or at such other time as the Committee shall permit. Any such change shall be effective as of the first day of the Plan Year immediately following the Plan Year in which such Deferral Election is filed with the Committee. Base Compensation Elective Deferral Credits shall be credited to the Participant's Account on the same date for each pay period on which elective deferrals for the same pay period are generally contributed to the Savings Plan or such other date as the Committee shall determine. Notwithstanding anything herein to the contrary, the Committee may reduce the percentage of Compensation that the Participant elects to defer if the Committee believes that the percentage elected by the Participant is likely to result in a negative balance in the Participant's pay in any pay period after considering all applicable deductions (including garnishments).

3.03Bonus Elective Deferral Credits. With respect to each Plan Year beginning on or after January 1, 2005, a Bonus Eligible Employee who satisfies the requirements of Section 2.01(d) or (e), as applicable, may elect to defer up to 100% of his or her Bonus (in 1% increments) by filing a complete and timely Deferral Election with the Committee. Any such election with respect to a Bonus payable in 2005 must be made during the period from April 23, 2004 until May 28, 2004, provided, however that Bonus Eligible Employees hired during 2004 may make such an election at any time within 30 days after their date of first becoming eligible to participate in the Plan. An election made by a Participant within the 30 days after his or her date of hire shall apply only to a Bonus that has been earned after such election has been made. Any such election with respect to a Bonus payable in 2006 or any year thereafter must be made during the Open Enrollment Period to be completed not later than six months into the calendar year in which the Bonus is earned, provided, however that Bonus Eligible Employees hired during any year may make an election at any time within 30 days after their date of hire to defer the Bonus. An election made by a Participant within the 30 days after his or her date of hire shall apply only to a Bonus that has been earned after such election has been made. Unless modified in accordance with the terms of the Plan, such an election shall apply to the first regular, recurring bonus to which the employee is entitled after his or her date of hire and any subsequent bonus thereafter. Bonus Elective Deferral Credits shall be credited to the Participant's Account as soon as administratively practicable following the date that such Bonuses are otherwise payable from the applicable incentive plan. Notwithstanding anything

herein to the contrary, the Committee may reduce the percentage of Bonus deferrals elected by the Participant if the Committee believes that the percentage elected by the Participant is likely to result in a negative balance in the Participant's pay in any pay period after considering all applicable deductions (including garnishments).

3.04Deferrals of Distributions from Non-Qualified Defined Benefit and Defined Contribution Plans. Any deferral made pursuant to this Section 3.04 must be made at least twelve months prior to the first scheduled payment under the transferor plan. In addition, no payment previously scheduled under a transferor plan may be accelerated. Also, a Participant cannot receive any payments of the transferred amounts for a period of at least five years from the date that the distribution was originally scheduled to be made under the terms of the transferor plan. Notwithstanding the preceding sentence, if a Participant has made or makes an election pursuant to this Section 3.04 prior to January 1, 2007, he or she will be permitted to make a special one-time only election regarding the form and timing of his or her Non-Qualified Defined Benefit Plan Rollover Credits. Such special one-time election shall be effective regardless of whether it complies with the five-year delay requirement. To the extent that any payroll taxes become due as a result of any election under this Section 3.04, such taxes, together with federal and state income taxes thereon, shall be paid by the Company and shall reduce the applicable Account accordingly, to the extent permissible by law without resulting in adverse current income tax consequences to the Participants.

(a) Non-Qualified Defined Benefit Plan Rollover Credits. To the extent permitted by the Committee, Eligible Employees who participate in the Company's Supplemental Executive Retirement Plan (the "SERP") or the Company's Retirement Benefits Equalization Plan ("RBEP") may elect to defer under this Plan the actuarial single sum present value of benefits (determined in the manner established by the Committee) that become payable under the SERP or the RBEP. Notwithstanding the forgoing, any Participant who makes such an election with respect to the SERP shall automatically be deemed to make such and election with respect to any benefits to which he or she is entitled under the RBEP. Once the deferral referenced in this paragraph becomes effective, (i) any amounts deferred pursuant to this paragraph shall be deemed to be invested in this Plan in accordance with the Participant's latest effective elections applicable to new contributions; and (ii) any such deferrals shall be subject to the terms and conditions of this Plan (including those terms governing distribution, withdrawal, and deemed investment) and shall not be subject to the terms and conditions of, or payable from, the plan pursuant to which such amounts were originally maintained.

(b) Non-Qualified Defined Contribution Plan Rollover Credits. Eligible Employees who participate in any 162(m) Deferred Compensation plans of the Company automatically shall have any amounts deferred under such plan governed by the terms of this Plan with regard to administration, deemed investment and timing and form of benefit distributions. Once the deferral referenced in this paragraph becomes effective, (i) any amounts deferred pursuant to this paragraph shall be deemed to be invested in this Plan in accordance with the Participant's latest effective elections applicable to new contributions; and (ii) any such deferrals shall be subject to the terms and conditions of this Plan (including those terms governing distribution, withdrawal, and deemed investment) and shall not be subject to the terms and conditions of, or payable from, the plan pursuant to which such amounts were originally maintained.

(c) Transformational Program Rollover Credits. With respect to any Eligible Employee who participates in the Transformational Program, on or around March 15, 2009, the Company shall credit the Fair Market Value (as defined in the Transformational Program) of each Eligible Employee's vested Share Units (as defined in the Transformational Program) to the Participant's stock rollover account under the Plan. Once the deferral referenced in this paragraph becomes effective, (i) each stock unit deferred pursuant to this paragraph shall be deemed to be invested in this Plan in a phantom share, which shall be the equivalent of one share of the Company's Common Stock; and (ii) any such stock units shall be subject to the terms and conditions of this Plan (including those terms governing distribution, withdrawal, and deemed investment) and shall not be subject to the terms and conditions of, or payable from, the Transformational Program. Any dividends paid on the Company's Common Stock shall be deemed to be reinvested in phantom shares of the Company's Common Stock at the then fair market value of the Company's Common Stock. A Participant's vested Prior Plan Stock Rollover Credit shall be subject to his or her distribution election applicable to the year in which the Prior Plan Stock Rollover Credit is made to the Plan.

(d) Cash LTIP Rollover Credits. With respect to any Eligible Employee who participates in the Cash LTIP, on or around March 15, 2007, the Company shall credit each such Participant's incentive award under the Cash LTIP to the Participant's Account under the Plan. Once the deferral referenced in this paragraph becomes effective, (i) any amounts deferred pursuant to this paragraph shall be deemed to be invested in this Plan in accordance with the Participant's latest effective elections applicable to new contributions; and (ii) any such deferrals shall be subject to the terms and conditions of this Plan (including those terms governing distribution, withdrawal, and deemed investment) and shall not be subject to the terms and conditions of, or payable from, the plan pursuant to which such amounts were originally maintained. Notwithstanding the preceding sentence, a Participant's Cash LTIP Rollover Account shall be subject to a vesting schedule as follows:

(i) 25% of the Cash LTIP Rollover Credit shall vest immediately;

(ii) The next 50% of the Cash LTIP Rollover Credit shall vest on December 31, 2007; and

(iii) The remaining 25% of the Cash LTIP Rollover Credit shall vest on December 31, 2008.

A Participant's Cash LTIP Rollover Credit shall vest fully if the Participant retires, incurs a Disability, dies or in the event of a change of control of the Company (as defined in the Cash LTIP). If the Participant leaves the Company for any other reason, he or she shall forfeit any unvested portion of the Cash LTIP Rollover Account. Any deemed earnings on a Cash LTIP Rollover Credit shall vest in the same proportion as the rest of the Cash LTIP Rollover Credit. A Participant's vested Cash LTIP Rollover Credit shall be subject to his or her distribution election applicable to the year in which the Cash LTIP Rollover Credit is made to the Plan.

(e)Performance Plan Rollover Credits. With respect to any Eligible Employee who participates in the Performance Plan, on or around March 15, 2007, the Company shall credit the

Fair Market Value (as defined in the Performance Plan) of each Eligible Employee's vested Share Units (as defined in the Performance Plan) to the Participant's Account under the Plan. Once the deferral referenced in this paragraph becomes effective, (i) any amounts deferred pursuant to this paragraph shall be deemed to be invested in this Plan in accordance with the Participant's latest effective elections applicable to new contributions; and (ii) any such deferrals shall be subject to the terms and conditions of this Plan (including those terms governing distribution, withdrawal, and deemed investment) and shall not be subject to the terms and conditions of, or payable from, the plan pursuant to which such amounts were originally maintained. Notwithstanding the preceding sentence, a Participant's Performance Plan Rollover Account shall be subject to a vesting schedule as follows:

(i) 25% of the Performance Plan Rollover Credit shall vest immediately;

(ii) The next 50% of the Performance Plan Rollover Credit shall vest on December 31, 2007; and

(iii) The remaining 25% of the Performance Plan Rollover Credit shall vest on December 31, 2008.

A Participant's Performance Plan Rollover Account shall vest fully if the Participant retires, incurs a Disability, dies or in the event of a change of control of the Company (as defined in the Performance Plan). If the Participant leaves the Company for any other reason, he or she shall forfeit any unvested portion of the Performance Plan Rollover Account. Any deemed earnings on a Performance Plan Rollover Credit shall vest in the same proportion as the rest of the Performance Plan Rollover Credit. A Participant's vested Performance Plan Rollover Credit shall be subject to his or her distribution election applicable to the year in which the Performance Plan Rollover Credit is made to the Plan.

3.05Tax Withholding. Except as otherwise provided in Section 3.04, to the extent that the Employer is required to withhold any taxes or other amounts from a Participant's Compensation subject to a Deferral Election pursuant to any state, federal, or local law, such amounts shall be withheld only from his or her Compensation before any Elective Deferral Credits are credited to his or her Account.

ARTICLE 4
BENEFIT ACCOUNTS

4.01Valuation of Account. As of each Valuation Date, a Participant's Account shall consist of the balance of the Participant's Account as of the immediately preceding Valuation Date, plus the Participant's Elective Deferral Credits, Bonus Elective Deferral Credits, Employer Contribution Credits, Non-Qualified Defined Benefit Plan Rollover Credits, Non-Qualified Defined Contribution Plan Rollover Credits, Prior Plan Stock Rollover Credits, Performance Plan Rollover Credits and Cash LTIP Rollover Credits that are credited pursuant to Article III since the immediately preceding Valuation Date, plus or minus deemed investment gain or loss credited as of such Valuation Date pursuant to Section 4.02, minus the aggregate amount of distributions, if any, made from such Account since the immediately preceding Valuation Date.

4.02Crediting of Deemed Investment Return. As of each Valuation Date, each Participant's Account shall be increased or decreased by the amount of deemed investment gain or loss earned since the immediately preceding Valuation Date. Deemed investment return shall be credited at the Investment Return Rate as of such Valuation Date based upon the average balance of the Participant's Account since the immediately preceding Valuation Date, but after such Accounts have been adjusted for any contributions or distributions to be credited or deducted for such period or with such other method as the Investment Committee shall deem appropriate. Deemed investment return for the period prior to the first Valuation Date applicable to an Account shall be deemed earned ratably over such period. Until a Participant or his or her Beneficiary receives his or her entire Account, the unpaid balance thereof shall earn a deemed investment return as provided in this Section 4.02.

4.03Statement of Accounts. The Committee shall provide to each Participant, within 30 days after the close of each calendar quarter, a statement setting forth the balance of such Participant's Account as of the last day of the preceding calendar quarter and showing all adjustments made thereto during such calendar quarter.

4.04Vesting of Amounts. Except with respect to Cash LTIP Rollover Credits and Performance Plan Rollover Credits, a Participant shall be 100 percent vested in the amounts credited to his or her Account.

4.05Deemed Investments.

(a) New Money and Reallocation Elections. A Participant may direct that the amounts credited to his or her Account under Article III be deemed invested in one or more of the investment options listed in Exhibit A, in increments of whole percentages or whole dollars (a "New Money Election"). In the event that a Participant fails to designate a New Money Election, new deferrals credited to the Participant's Account shall be deemed to be invested in the Treasury Money Market Fund or such other fund as the Committee shall designate. Unless determined otherwise by the Committee, a Participant may not make more than one New Money Election per calendar quarter. A Participant also may direct that amounts previously credited to his or her Account and deemed invested in one or more of the investment options listed in Exhibit A, be transferred, in increments of whole percentages or whole dollars between and among the then available investment options listed in Exhibit A (a "Reallocation Election"). Unless determined otherwise by the Committee, a Participant may not make more than one Reallocation Election per calendar quarter. A New Money Election or a Reallocation Election must be filed with the Committee in accordance with uniform rules established by the Committee. A Reallocation Election shall not change a Participant's existing New Money election. The effective date of any New Money Election or Reallocation Election shall be the Valuation Date on which such election is received by the Committee in accordance with uniform rules established by the Committee.

(b)Insider Trading Restrictions. The Company reserves the right to refuse to honor any Participant direction related to deemed investments, including deemed contributions to, distributions from, and transfers among investment options, and any other circumstances where the Committee deems it necessary or desirable to refuse to honor such a direction in order to ensure or facilitate compliance with applicable law including U.S. or other securities laws, or the

Company's insider trading policies and practices. The Company, however, does not assume any responsibility for compliance by officers or others with any such laws, and any failure by the Company to delay or dishonor any such direction shall not be deemed to increase the Company's legal exposure to the Participant or third parties.

(e) Prior Plan Stock Rollover Account. Notwithstanding the foregoing, a Participant's Prior Plan Stock Rollover Account shall always be deemed invested in the Schering-Plough Common Stock Investment Option.

ARTICLE 5
PAYMENT OF BENEFITS

5.01 Distributions.

(a) Reasons other than Death, Disability, or Change in Control. At the time at which his or her initial deferral election is made, each Participant may elect to commence receiving distributions of the balance of his or her Account (i) on or about the first day of any month elected by the Participant, provided that such day is no less than three years from the day on which the election is made; (ii) with respect to a Participant who elects a single sum payment, within 60 days following the termination of his or her employment or, with respect to distributions in any form other than a single sum, the first day of the month that is at least 60 days following the termination of his or her employment; or (iii) the earlier of (i) or (ii); subject to any delays under Section 5.03. Elections made during Open Enrollment or, in the case of a newly eligible Participant, within 30 days of such Participant's eligibility date, shall be immediately effective. Distributions under this Section 5.01(a) may be made in any form permissible under Section 5.02. Except as otherwise provided in Sections 5.01(b) and (c), in the event that a Participant fails to elect when to commence distribution of his or her Account or such an election is not yet effective, the balance of his or her Account shall be distributed within 60 days after the Participant's termination of employment, subject to any delays under Section 5.03.

Notwithstanding the foregoing, effective for deferrals made in the 2006 Plan Year and thereafter, a Participant must make a distribution election (relating to the timing and form of the distribution) during each Open Enrollment applicable to any deferrals made in such Plan Year only (a "Class Year"). In the event a Participant does not make a distribution election during an Open Enrollment for a Class Year, the distribution election that applied to the deferrals in the prior Class Year shall apply to the deferrals in the current Class Year, to the extent permitted by law.

With respect to Participants who participated in the Plan during the 2004 Plan Year and/or 2005 Plan Year, the distribution election that he or she elected during the applicable Open Enrollment shall apply to deferrals made during these Plan Years and shall continue to apply to future Class Years until he or she makes a new distribution election. If a Participant has not participated in the Plan previously and does not make a distribution election, he or she shall be deemed to have elected a lump sum payment within 60 days following the termination of his or her employment.

(b) Death. Notwithstanding Section 5.01(a), in the event of a Participant's death before the distribution of all of his or her Class Years have commenced, his or her Beneficiary shall receive the Value of his or her entire Account balance in cash in a lump sum within 60 days following the date of the Participant's death. Also notwithstanding Section 5.01(a), in the event of a Participant's death after he or she has commenced receiving installment payments relating to a Class Year, the Participant's Beneficiary shall receive a lump sum cash distribution of the remaining Value of the installment payments as soon as administratively practicable following the Participant's death, provided, however, that if the Participant so elected prior to his or her death, the Participant's Beneficiary shall continue to receive installment payments relating to such Class Year on the same schedule as the Participant was receiving.

(c) Disability. Notwithstanding Section 5.01(a), in the event that a Participant incurs a Disability before the distribution of a Class Year has commenced, the Company shall commence paying benefits relating to such Class Year to the Participant as soon as administratively feasible after the Participant becomes disabled, provided, however, that if the Participant so elects at least twelve months prior to the date of his or her Disability, he or she may commence receiving his or her amounts relating to a Class Year as of the later of the first day of the month following his or her 65th birthday or the first day of the month following the day on which his or her long-term disability payments under the Company's long-term disability plan cease. Distributions under this Section 5.01(c) may be made in any form permissible under Section 5.02 as elected by the Participant at least twelve months prior to the date of his or her Disability or within 30 days of the Participant becoming eligible to participate in the Plan.

(d) Change of Control. Each Participant may make a separate election regarding when the distribution of a Class Year(s) shall be paid following a Change of Control in the same manner provided under Section 5.01(a). Any such election shall supersede all other elections if a Change of Control occurs prior to the time when the Participant is in pay status under the Plan. Any such election must be made at least twelve months prior to the Change of Control to be effective (or within 30 days of the Participant becoming eligible to participate in the Plan). If a Participant makes such an election, he or she may change it only by electing a later date on which to receive a distribution. If the new date that the Participant elects turns out to be five or more years after the date on which the distribution of such Class Year(s) otherwise would have commenced as a result of the Change of Control under the Participant's prior distribution election, the new election shall be valid and the prior election shall be disregarded. If not, the distribution of the Class Year(s) shall begin as soon as administratively feasible following the Change of Control pursuant to the Participant's old distribution election.

(e)Changing Distribution Timing Elections. Except as otherwise provided in Section Sections 5.01(d) and (f), a Participant may change any of his or her distribution elections at any time; provided, however, any such change shall not become effective until twelve months after the date that such election change is made. Once a Participant selects a specific date for a distribution to begin, he or she may not change the timing of the distribution to an earlier date, and any later date that the Participant selects must be at least five years after the date on which the distribution would otherwise commence under the existing distribution election. If a Participant previously elected to commence the distribution of his or her benefits upon the termination of his or her employment or upon the earlier of his or her termination of employment or a specified date, any new distribution election shall be valid only if the new election is made

at least twelve months in advance of the date on which the benefits would otherwise commence under the existing distribution election and the date on which benefits will commence under the new election is at least five years after the date on which the benefits would have otherwise commenced under the existing distribution election.

(f) Notwithstanding the foregoing, pursuant to the rules set forth in IRS Notice 2007-86, a Participant who made a distribution election under this Section or Section 5.02 on or after January 1, 2006 but before January 1, 2009 will be permitted to revise such election provided that such revised election satisfies the following criteria: (i) with respect to an election to change a time of payment made on or after January 1, 2006 and on or before December 31, 2006, the election may apply only to amounts that would not otherwise be payable in 2006 and may not cause an amount to be paid in 2006 that would not otherwise be payable in 2006; (ii) with respect to an election to change a time of payment made on or after January 1, 2007 and on or before December 31, 2007, the election may apply only to amounts that would not otherwise be payable in 2007 and may not cause an amount to be paid in 2007 that would not otherwise be payable in 2007; (iii) with respect to an election to change a time of payment made on or after January 1, 2008 and on or before December 31, 2008, the election may apply only to amounts that would not otherwise be payable in 2008 and may not cause an amount to be paid in 2008 that would not otherwise be payable in 2008; and (iv) the revised election(s) are made during the Open Enrollment Periods prescribed by the Committee. A Participant may revise any distribution elections made on or after January 1, 2009 to the extent such revisions are permitted by future guidance and in accordance with any rules for such revisions established by the Committee.

5.02Form of Payment. Except as otherwise provided in Section 5.01, the benefits payable pursuant to Section 5.01 shall be paid in cash in one of the following forms, as elected by the Participant in his or her distribution election in connection with each Class Year:

(a) Installments. Annual payments of a fixed amount that shall amortize the amount relating to the Class Year as of the payment commencement date over a period not to exceed 20 years (together, in the case of each annual payment, with deemed earnings thereon credited after the payment commencement date pursuant to Section 5.01).

(b) Single Sum Distribution. A single sum payment to the Participant or Beneficiary, as applicable.

In the event a Participant has never made a distribution election, his or her entire Account balance shall be distributed in a single sum distribution.

(c) Changing Distribution Form Elections. Except as otherwise provided in Section 5.01(f), a Participant may change a previous distribution election from installments to a lump sum provided that the subsequent election is made at least twelve months in advance of the date that the installments would have commenced otherwise and the lump sum is payable no earlier than five years after the installments were to commence otherwise.

5.03Commencement of Benefits to 162(m) Covered Employees and 409A Specified Employees. The distribution of a Covered Employee's benefit applicable to a Class Year shall be made upon the later of (a) the date elected by the Covered Employee for the distribution of his

or her Class Year to commence and (b) April 1 of the year following the Covered Employee's termination of employment. In the event a Class Year is payable on account of the separation of service of a Specified Employee, the Committee shall delay the distribution of the lump sum payment or the commencement of installment payments, as applicable, for a period of six months following the separation from service, during which time earnings shall still accrue in accordance with the applicable deemed investments.

5.04Small Benefit. In the event the Committee determines that the Value of a Participant's Account is $5,000 or less at the time of such Participant's termination of employment, or the Value of the balance of the Participant's Account payable to any Beneficiary is $5,000 or less at the time of the Participant's death, the Committee shall pay the benefit in the form of a lump sum, notwithstanding any provision of the Plan or a Participant's election to the contrary. Such lump sum payment shall be equal to the Value of the balance of the Participant's Account or the portion thereof payable to a Beneficiary.

5.05Hardship Withdrawal. In the event that the Committee receives a written request of a Participant or Beneficiary that the Participant or Beneficiary has suffered an unforeseeable financial emergency, the Committee shall cease the Participant's Base Compensation Deferrals and Bonus Deferrals. In the event the cessation of deferrals alleviates the circumstances giving rise to the need for the withdrawal the Participant may resume Base Compensation Deferrals or Bonus Deferrals as of the first day of the Plan Year following the cessation; provided the Participant makes a timely deferral election in accordance with Article 3 with respect to such amounts. To the extent that the cessation of deferrals will not alleviate the circumstances giving rise to the need for the withdrawal, the Committee shall determine, in its sole discretion, whether the Participant or Beneficiary has suffered an unforeseeable financial emergency. Employer shall pay to the Participant or Beneficiary, as soon as practicable following such determination, an amount necessary to meet the emergency (the "Hardship Withdrawal"), but not exceeding the aggregate balance of the Participant's or Beneficiary's Account as of the date of such payment. In that event, a Participant's Base Compensation Deferrals and Bonus Deferrals shall cease until the first day of the Plan Year following the last day of the twelve-month period after the Hardship Withdrawal is made. The amount of the Hardship Withdrawal shall be deducted from the earliest Class Year(s). For purposes of this Section 5.05, an "unforeseeable financial emergency" shall mean an event that the Committee determines to give rise to an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence as prescribed by Section 409A of the Code and the regulations promulgated thereunder. The amount of a Hardship Withdrawal may not exceed the amount that the Committee reasonably determines to be necessary to meet such emergency needs (including taxes incurred by reason of a taxable distribution). The amount of the benefit otherwise payable under the Plan to such Participant or Beneficiary shall be adjusted to reflect the early payment of the Hardship Withdrawal.

ARTICLE 6
BENEFICIARY DESIGNATION

6.01Beneficiary Designation. Each Participant shall have the sole right, at any time, to designate any person(s) or entity as his or her Beneficiary to whom payment under the Plan shall be made in the event of the Participant's death prior to complete distribution of his or her

Account. Any Beneficiary designation shall be made in a written instrument provided by the Committee. All Beneficiary designations must be filed in the manner required by the Committee and shall be effective only when received by the Committee.

6.02Change of Beneficiary Designation. Any Beneficiary designation may be changed by a Participant by the filing of a new Beneficiary designation, which shall cancel all Beneficiary designations previously filed. The designation of a Beneficiary may not be made or changed at any time without the consent of the applicable Participant except as required by a court of competent jurisdiction.

6.03No Designation. If all designated Beneficiaries predecease the Participant or if no designated Beneficiary is on file for the Participant at the time of the Participant's death, the Participant's Account shall be paid to the Participant's beneficiaries designated under the Savings Plan, or, if no such beneficiaries are alive, the Participant's estate.

6.04Effect of Payment. Payment to a Participant's Beneficiary (or, upon the death of a primary Beneficiary, to the contingent Beneficiary or, if none, to the Participant's beneficiary under the Savings Plan or, if none, to the Participant's estate) shall completely discharge the Employer's obligations under the Plan.

ARTICLE 7
ADMINISTRATION

7.01Committee. The Plan shall be administered by the Committee. The Committee shall have (a) complete discretion to supervise the administration and operation of the Plan, (b) complete discretion to adopt rules and procedures governing the Plan from time to time, and (c) sole authority to interpret the terms of the Plan.

7.02Investments. The Investment Committee shall have the sole discretion to choose the investment options available under the Plan and to change or eliminate such investment options, from time to time, as it deems appropriate.

7.03Binding Effect of Decisions. Any decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation, or application of the Plan shall be final and binding upon all persons having any interest in the Plan.

7.04Indemnification of Committee. The Company shall indemnify and hold harmless the members of the Committee and Investment Committee and their designees against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by any such member or designee of the Committee or Investment Committee.

ARTICLE 8
AMENDMENT AND TERMINATION OF PLAN

8.01Amendment. The Board of Directors of the Company or its delegate, on behalf of itself and of each Selected Affiliate may at any time amend, suspend, or reinstate any or all of the

provisions of the Plan, except that no such amendment, suspension, or reinstatement may adversely affect any Participant's Account, as it existed as of the day before the effective date of such amendment, suspension, or reinstatement, without such Participant's prior written consent. Written notice of any amendment or other action with respect to the Plan shall be given to each Participant.

8.02Termination. The Board of Directors of the Company or its delegate, on behalf of itself and of each Selected Affiliate, in its sole discretion, may terminate this Plan at any time and for any reason whatsoever. On and after Plan termination, the Committee shall take those actions necessary to administer any Accounts existing prior to the effective date of such termination; provided, however, that a termination of the Plan shall not adversely affect the value of a Participant's Account, the crediting of investment return under Section 4.02, or the timing or method of distribution of a Participant's Account, without the Participant's prior written consent.

ARTICLE 9
MISCELLANEOUS

9.01Funding. Participants, their Beneficiaries, and their heirs, successors, and assigns shall have no secured interest or claim in any property or assets of the Employer. The Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future. Notwithstanding the foregoing, in the event of a Change in Control, the Company shall create an irrevocable trust, or before such time the Company may create an irrevocable or revocable trust, to hold funds to be used in payment of the obligations of Employers under the Plan. In the event of a Change in Control or prior thereto, the Employers shall fund such trust in an amount equal to not less than the total value of the Participants' Accounts under the Plan as of the Valuation Date immediately preceding the Change in Control, provided that any funds contained therein shall remain available for the claims of the respective Employer's general creditors.

9.02Nonassignability. No right or interest under the Plan of a Participant or his or her Beneficiary (or any person claiming through or under any of them) shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance, or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Participant or Beneficiary. If any Participant or Beneficiary shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge, or otherwise encumber his or her benefits hereunder or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him or her, the Committee, in its discretion, may terminate his or her interest in any such benefit to the extent the Committee considers necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be effected by filing a written "termination declaration" with the Company's highest ranking human resources official and making reasonable efforts to deliver a copy to the Participant or Beneficiary whose interest is adversely affected (the "Terminated Participant").

As long as the Terminated Participant is alive, any benefits affected by the termination shall be retained by the Employer and, in the Committee's sole and absolute judgment, may be paid to or expended for the benefit of the Terminated Participant, his or her

spouse, his or her children, or any other person or persons in fact dependent upon him or her in such a manner as the Committee shall deem proper. Upon the death of the Terminated Participant, all benefits withheld from him or her and not paid to others in accordance with the preceding sentence shall be disposed of according to the provisions of the Plan that would apply if he or she died prior to the time that all benefits to which he or she was entitled were paid to him or her.

9.03Claims Procedure

(a) Claim. A person who believes that he or she is being denied a Supplemental Benefit to which he or she is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Committee, setting forth the claim.

(b) Claim Decision. Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within 90 days and shall, in fact, deliver such reply within such period. The Committee may, however, extend the reply period for an additional 90 days for reasonable cause.

(c) Information. If the claim is denied in whole or in part, the Claimant shall be provided an opinion, drafted in a manner calculated to be understood by the Claimant, setting forth:

(i) The specific reason or reasons for such denial;

(ii) The specific reference to pertinent provisions of this Plan upon which such denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary;

(iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review;

(v) The time limits for requesting a review under subsection (d) hereof; and

(vi) A statement of the Claimant's right to bring an action under Section 502 of ERISA upon a claim denial on review.

(d) Request for Review. Within 60 days after the receipt by the Claimant of the opinion described above, the Claimant may request in writing that the Committee review its determination. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred and estopped from challenging the determination.

(e)Review of Decision. Within 60 days after the Committee's receipt of a request for review, it shall review the initial determination. After considering all materials presented by

the Claimant, the Committee shall render an opinion, drafted in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan upon which the decision is based and a statement of the Claimant's right to bring an action under Section 502 of ERISA. If special circumstances require that the 60-day time period be extended, the Committee shall so notify the Claimant and shall render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

9.04Governing Law. The Plan is intended to constitute an unfunded plan providing retirement or deferred compensation benefits for officers and highly compensated employees exempt from the requirements of parts 2, 3, and 4 of ERISA. Except to the extent otherwise provided in ERISA and the Code, this Plan shall be construed, regulated, and administered under the laws of the State of New Jersey.

9.05Successors. The provisions of the Plan shall bind and inure to the benefit of the Company, its Selected Affiliates, and their respective successors and assigns. The term successors as used herein shall include any corporate or other business entity that, whether by merger, consolidation, purchase, or otherwise, acquires all or substantially all of the business and assets of the Company or a Selected Affiliate and successors of any such Company or other business entity.

9.06Right to Continued Service. Nothing contained herein shall be construed to confer upon any Eligible Employee the right to continue to serve as an Eligible Employee of the Employer or in any other capacity.

9.07Illegal or Invalid Provision. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced without regard to such illegal or invalid provision.

EXHIBIT A

The following are the investment options that are used in determining the Investment Return Rate under the Plan.

Account Name (Fund Code)

Vanguard 500 Index Fund Investor Shares (000040)

Vanguard Treasury Money Market Fund (000050) — Default Investment Election

Vanguard Life Strategy Growth Fund (000122)

Vanguard Wellington Fund Investor Shares (000021)

Vanguard Windsor Fund Investor Shares (000022)

Vanguard Explorer Fund Investor Shares (000024)

Vanguard ST Investment Grade Fund Investor Shares (000039)

Vanguard Life Strategy Income Fund (00007L)

Vanguard Life Strategy Conservative Growth Fund (00007M)

Vanguard Life Strategy Moderate Growth Fund (000914)

Vanguard IT Investment Grade Fund Investor Shares (000071)

Vanguard US Growth Fund Investor Shares (000023)

Vanguard International Growth Fund Investor Shares (000081)

Schering-Plough Company Stock Investment Option (000117)

SCHERING-PLOUGH CORPORATION

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(AMENDED AND RESTATED JANUARY 1, 2008)

PREAMBLE

Schering Corporation has adopted the Schering-Plough Corporation Supplemental Executive Retirement Plan to ensure the payment of a competitive level of retirement income to attract, retain, and motivate selected executives of the Corporation and its Affiliates. The Plan is intended to be a non-qualified, supplemental retirement plan that is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Corporation or its Affiliates pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA and, as such, to be exempt from the provisions of Parts 2, 3, and 4 of Subtitle B of Title I of ERISA. The Plan was originally effective as of January 1, 1983. The Plan was amended and restated in its entirety one time, January 1, 2005 prior to the instant amendment and restatement, which is effective January 1, 2008. This amendment and restatement only applies to employees of the Corporation or an Affiliate on or after that date. Except as otherwise defined herein, all capitalized terms shall have the meaning given to them in the Retirement Plan.

ARTICLE 1
DEFINITIONS

1.1 "Affiliate" means any corporation, partnership, or other organization controlled by or under common control with the Corporation.

1.2 "Average Final Earnings" means a Participant's or Former Participant's average annual Earnings during the sixty consecutive months for which his or her Earnings were highest during the last one hundred twenty consecutive months prior to his or her Separation from Executive Service.

1.3 "Board" means the Board of Directors of Schering-Plough Corporation.

1.4 "Bridged Participant" means a Participant in the Plan who experiences an involuntary Separation from Service during the period beginning on January 1, 2008 and ending on December 31, 2009 in connection with the OBS Integration or the Productivity Transformation Program and who executes and timely returns a release of claims against the Company in a format suitable to the Company.

1.5 "Change of Control" means Change of Control as defined in the Corporation's 2002 Stock Incentive Plan or any successor stock incentive plan.

1.6 "Change of Control Termination Date" means the date, following a Change of Control, as of which a Participant or Former Participant has a Separation from Service.

1.7 "Code" means the Internal Revenue Code of 1986, as amended.

1.8 "Committee" means the Committee provided for in Section 6 of the Plan.

1.9 "Corporation" means Schering-Plough Corporation, a New Jersey Corporation, and any successor or assigns thereto.

1.10 "Deferral Rate" means, for each calendar quarter, a rate equal to the actual yield on three-month U.S. Treasury bills as reported in the Wall Street Journal on the first business day of such calendar quarter.

1.11 "Early Retirement Date" means:

(a) with respect to any person who, prior to March 1, 2006, both attained age 55 and became a Participant of the Plan, the later of the Participant's attainment of age 55 and his or her Separation from Service; and

(b) with respect to any other person, the latest of his or her attainment of age 55 or, with respect to Bridging Participants his or her attainment of age 53, Separation from Service, and the date he or she completes five years of Eligibility Service under the Retirement Plan.

1.12 "Earnings" means Compensation under the Retirement Plan prior to the Participant's Separation from Executive Service plus, for periods prior to January 1, 2004, bonuses awarded for such periods under any executive or management incentive plan of the Corporation or an Affiliate; provided, however, that the amount of Earnings credited for any bonus earned in the calendar year in which the Participant's Separation from Executive Service occurs but not paid until after the Participant's Separation from Service shall be the estimated bonus as determined by the Committee.

1.13 "Effective Date" means January 1, 2008.

1.14 "Equivalent Actuarial Value" means the equivalent value when computed on the basis of the interest rate determined as of such date under the regulations of the Pension Benefit Guaranty Corporation for determining the present value of a lump sum distribution on plan termination that were in effect on September 1, 1993 and the 1994 Group Annuity Reserving mortality table. Notwithstanding the foregoing, effective January 1, 2006, Equivalent Actuarial Value shall be determined by using the market yield on U.S. Treasury securities at 10-year constant maturities (non-inflation issues adjusted to constant maturities), as set forth in Federal Reserve Statistical Release H.15 for the first business day of the month in which the Participant's Separation from Service occurs and the mortality table used to determine automatic lump sum cash outs under the Retirement Plan.

1.15 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.16 "Executive Status" means:

(a) prior to January 1, 2004, employment in E-Grade pay status; and

(b) on or after January 1, 2004:

(i) employment as a member of the Corporation's Executive Management Team or Operations Management Team; or

(ii) effective on and after January 1, 2005, solely with respect to an individual who did not become a Participant of the Plan prior to January 1, 2005, designation as a Participant of the Plan by the Chief Executive Officer of the Corporation.

Once a person attains Executive Status, he or she shall remain in Executive Status until his or her Separation from Executive Service.

1.17 "Former Participant" means a former employee or an employee who has been removed from Executive Status and on whose behalf a benefit is payable under the Plan.

1.18 "Other Retirement Income" means the employer-provided retirement income payable to a Participant, Former Participant or Beneficiary (as defined in the Retirement Plan) from the following sources:

(a) the Schering-Plough Retirement Benefits Equalization Plan, as amended from time to time;

(b) any other contract, agreement, or other arrangement with the Corporation or an Affiliate (excluding the Retirement Plan) to the extent, as solely determined by the Committee, it provides defined-benefit-type retirement or pension benefits; and

(c) any contract, agreement, or other arrangement with the Corporation or an Affiliate to the extent it provides defined-contribution-type retirement or pension benefits which are the Participant's or Former Participant's primary source of retirement or pension benefits, as solely determined by the Committee.

1.19 "Participant" means an executive employee of the Corporation or an Affiliate who becomes a participant in the Plan pursuant to Section 2.

1.20 "Plan" means the Schering-Plough Corporation Supplemental Executive Retirement Plan, as amended from time to time.

1.21 "Retirement" means the Separation from Service of a Participant on or after his or her Normal Retirement Age, Early Retirement Date, or Change of Control Termination Date, or the deemed retirement of a Participant pursuant to an employment agreement between him or her and the Corporation or an Affiliate.

1.22 "Retirement Plan" means the Schering-Plough Corporation Retirement Plan, as amended from time to time.

1.23 "Retirement Plan Benefit" means the amount of benefit payable from the Retirement Plan to a Participant, Former Participant or Beneficiary.

1.24 "Separation from Executive Service" means the earlier of (i) the Participant's Separation from Service or (ii) the date the Chief Executive Officer of the Corporation determines that the individual is no longer entitled to participate in the Plan.

1.25 "Separation from Service" means "separation from service" as defined under Section 409A(a)(2)(A)(i) of the Code.

1.26 "Service" means an individual's period of employment with the Corporation or an Affiliate as a Participant prior to his or her Separation from Executive Service for which benefits are accrued under the Retirement Plan; provided, however, that with respect to an individual who first became a Participant in the Plan prior to January 1, 2008 and completed at least 10 years of Benefit Service under the Retirement Plan, Service shall also include the individual's period of employment with the Corporation or an Affiliate for which benefits are accrued under the Retirement Plan prior to the date he or she

became a Participant of this Plan; and provided further, that with respect to an individual who first become a Participant in this Plan on or after January 1, 2005 but prior to January 1, 2008, Service shall also include the individual's Eligibility Service under the Retirement Plan prior to membership in the Retirement Plan, up to one year, if not otherwise included in his or her Service pursuant to the prior provisions of this Section 1.25. Notwithstanding anything to the contrary, with respect to an individual who first becomes a Participant in this Plan on or after January 1, 2008, Service shall mean only the individual's period of employment with the Corporation or an Affiliate as a Participant in the Plan prior to his Separation from Executive Service for which benefits are accrued under the Retirement Plan.

1.27 "Supplemental Benefit" means a supplemental retirement benefit or survivor benefit as determined under Article 4 or Article 5, respectively, as of any date of reference.

1.28 "Surviving Spouse" means a person of the opposite sex of the Participant or Former Participant who is the Participant's or Former Participant's husband or wife as provided in the Defense of Marriage Act of 1996, who has been married to the Participant throughout the one-year period ending on the Participant's date of death.

ARTICLE 2
ELIGIBILITY AND PARTICIPATION

2.1 Any person who was a Participant in the Plan immediately prior to the Effective Date shall continue to be a Participant as of the Effective Date, provided the person is in active employment with the Corporation or an Affiliate on the Effective Date.

2.2 Any person who does not become a Participant of the Plan pursuant to Section 2.1 shall become a Participant of the Plan on the later of:

(a) the first date he or she is in Executive Status; and

(b) the earlier of (i) the date he or she is credited with one (1) year of Eligibility Service under the Retirement Plan and (ii) the date he or she has attained age 40;

provided the person is in active employment with the Corporation or an Affiliate at that time.

2.3 A person who is on a leave of absence on the date he or she would otherwise become a Participant pursuant to Section 2.2 shall become a Participant on the date his or her leave of absence terminates and he or she resumes active employment.

ARTICLE 3
ELIGIBILITY FOR BENEFITS

3.1 Each Participant or Former Participant is eligible to commence receiving benefits under this Plan on the first day of the month coincident with or next following his or her Separation from Service.

ARTICLE 4
AMOUNT AND FORM OF RETIREMENT BENEFIT

4.1 Normal Retirement Date or Postponed Retirement Date. The Supplemental Benefit of a Participant or Former Participant whose Separation from Service occurs on or after his or

her Normal Retirement Age shall be calculated as an annual benefit payable monthly commencing on the first day of the calendar month coincident with or next following his or her Retirement equal to:

(a) the sum of:

(i) 2% of his or her Average Final Earnings multiplied by his or her years of Service up to twenty years, plus

(ii) 1% of his or her Average Final Earnings for each year of Service in excess of twenty years;

up to a maximum of 55% of Final Average Earnings, reduced by:

(b) his or her Other Retirement Income and Retirement Plan Benefit.

The annual benefit calculated under this Section 4.1 of a Participant or Former Participant who was in Executive Status prior to the Effective Date and who has completed 10 years of Service in Executive Status and reached age 60 on or prior to his or her Separation from Service shall not be less than an annual benefit payable monthly commencing on the first day of the calendar month coincident with or next following his or her Retirement equal to 35% of his or her Average Final Earnings reduced by his or her Other Retirement Income and Retirement Plan Benefit.

4.2 Early Retirement Date or Change of Control. The Supplemental Benefit of a Participant or Former Participant whose Separation from Service occurs prior to his or her Normal Retirement Date but on or after his or her Early Retirement Date or after a Change in Control shall be calculated as described in Section 4.1 above, but with reference to the Participant's Early Retirement Date or Change of Control Termination Date rather than his or her Normal Retirement Age and reduced by the reduction factor set forth in the following chart that corresponds to the Participant's age at his or her Early Retirement Date or Change of Control Termination Date, as applicable:

Age at Early Retirement Date or Change of Control Termination Date	Reduction Factor
64	0%
63	0%
62	0%
61	0%
60	0%
59	4%
58	8%
57	12%
56	16%
55	20%
54 (Bridging Participants only)	20%
53 (Bridging Participants only)	20%

Age at Change of Control Termination Date	Reduction Factor
54	25.5%
53	31%
52	36%
51	40%
50	44%
49	48%
48	51%
47	54%
46	57%
45	59.5%
44	62%
43	64%
42	66%
41	68%
40	70%
39	71.5%
38	73%
37	74%
36	75%
35	76%

The annual benefit calculated under this Section 4.2 of a Participant or Former Participant who was in Executive Status prior to the Effective Date and who has completed 10 years of Service in Executive Status and reached age 60 on or prior to his or her Separation from Service shall not be less than an annual benefit payable monthly commencing on the first day of the calendar month coincident with or next following his or her Retirement equal to 35% of his or her Average Final Earnings reduced by his or her Other Retirement Income and Retirement Plan Benefit.

4.3 Other Termination. The Supplemental Benefit of a Participant or Former Participant whose Separation of Service occurs for a reason other than Retirement, disability, death, or following a Change of Control, shall be calculated as an annual benefit payable monthly commencing on the first day of the calendar month coincident with his or her Normal Retirement Date.

4.4 Disability. In the event that a Participant or Former Participant has become totally and permanently disabled for the purposes of the Corporation's long-term disability program, disability retirement benefits shall be payable under this Plan, and shall be determined pursuant to Section 4 hereof, with Earnings (as defined herein) and Service deemed to have continued for such period, if any, as shall be applicable under the disability retirement benefit provisions of the Retirement Plan.

4.5 Pre-March 1, 1987 Provisions. For the purpose of determining Supplemental Benefits under the foregoing paragraphs of this Section 4:

(a) Service prior to March 1, 1987, for all executives who were Participants in the Plan on January 1, 1983, shall be deemed to be in an E-grade pay status; and

(b) in no event shall the Supplemental Benefit of an actively employed executive participating in the Plan on March 1, 1987, be less than the Supplemental Benefit that would be payable if such Supplemental Benefit were determined under the provisions of the Plan as in effect immediately prior to such date and the executive's earnings and service as of February 28, 1987.

4.6 Form of Payment. Supplemental Benefits shall be payable in a lump sum as soon as administratively practicable following the Participant's Separation from Service. Such lump sum shall be of Equivalent Actuarial Value to the benefit calculated under Sections 4.1, 4.2, 4.3, 4.4, and 4.5 above that would have been provided commencing as of the Participant's Normal Retirement Date, or the first day of the month following the Participant's Separation from Service, if later. Notwithstanding the preceding sentence, in the case of a Participant whose Separation from Service is on or after his or her Early Retirement Date, the lump sum shall be of Equivalent Actuarial Value to the benefit that would have been calculated under Sections 4.1, 4.2, 4.4, and 4.5 above that would have provided commencing on the first day of the month following the Participant's Separation from Service. Notwithstanding the foregoing, the portion of the Supplemental Benefit that is accrued after December 31, 2004, for any Participant who is a specified employee as defined in Section 409A of the Code, shall be delayed for a period of six (6) months following such Participant's Separation from Service. If a Participant or a Former Participant has a Separation from Service by Retirement and dies before receiving full payment of his or her Supplemental Benefit, payment of the Supplemental Benefit shall be made to his or her Beneficiary, subject to Section 5. Payment made in accordance with this Section 4.6 shall constitute full and complete satisfaction of the Corporation's obligation in respect thereof. A Participant may elect to defer receipt of his or her Supplemental Benefit in accordance with the terms of the Savings Advantage Plan to the extent that such plan complies with Section 409A of the Code in a manner that will not result in the incurrence of Section 409A excise taxes to the Participant.

4.7 Section 162(m) of the Code. The Committee may, in its sole discretion, defer the payment of any lump sum to a Participant or a Former Participant who is a "covered employee" as defined in Section 162(m) of the Code, if such payment would be subject to such Section's limitation on deductibility; provided, however, that such payment shall not be deferred to a date later than the earliest date in the year in which such payment would not be subject to such limitation; and further provided that the Corporation shall, at the time of payment of any amount so deferred, pay interest thereon from the due date thereof at the Deferral Rate, compounded quarterly.

4.8 Delayed Payment. If a lump sum payment to a Participant or Former Participant, or the Beneficiary thereof, including a payment delayed pursuant to Section 4.6, commences later than the 15th day of the month following the month in which the Participant's Separation from Service occurs, the Corporation shall, at the time of payment of such lump sum, pay interest thereon from the 15th day of the month following the month in which the Participant's Separation from Service occurs to the date payment is issued at the Deferral Rate, compounded quarterly.

4.9 Forfeitability. Except as otherwise provided herein, the Supplemental Benefit of each Participant and Former Participant under the Plan shall at all times be 100 percent vested and nonforfeitable.

4.10 Offset. If any Retirement Plan Benefit or Other Retirement Income is payable to a Participant, Former Participant or Beneficary, and the form of such Retirement Plan Benefit or Other Retirement Income is other than a lump sum or such Retirement Income or Other Retirement Benefit is paid at a time other than when the Supplemental Benefit is paid under this Plan, such Retirement Plan Benefit or Other Retirement Income shall be converted to a lump sum of Equivalent Actuarial Value for purposes of determining the offset applied under this Plan. The Committee shall be empowered to make such additional equitable adjustments to accomplish the purposes of the foregoing as the Committee in its sole discretion shall determine.

4.11 Enhanced or Reduced Benefits. Notwithstanding the forgoing and subject to the approval of the Corporation's Chief Executive Officer, an employment or similar agreement between a Participant and the Corporation may enhance or reduce the benefit provided to or on behalf of such Participant under this Plan. In no event will an enhanced benefit be separately paid under both an employment or similar agreement and this Plan in a manner that results in a duplicative benefit.

ARTICLE 5
SURVIVING SPOUSE BENEFIT

5.1 Upon the death of a Participant or Former Participant while employed by the Corporation or an Affiliate who has at least 5 years of Eligibility Service under the Retirement Plan, his or her Surviving Spouse shall be entitled to a survivor benefit under this Plan based upon the Participant's or Former Participant's Supplemental Benefit immediately prior to his or her death, but without any reduction factor, in accordance with the following schedule:

Age and Service at Time of Death	Survivor Benefit
a. Age 55 or more with 5 or more years of Eligibility Service.	50% of the Participant's or Former Participant's Supplemental Benefit.
b. Ages 50 through 54 with 5 or more years of Eligibility Service, and age plus years of Eligibility Service equal 65.	50% of the Participant's or Former Participant's Supplemental Benefit multiplied by 80.0%.
c. Below age 50 with 5 or more years of Eligibility Service, and age plus years of Eligibility Service equal 65.	50% of the Participant's or Former Participant's Supplemental Benefit multiplied by 53.1%.

less any Retirement Plan Benefit or Other Retirement Income payable to the Surviving Spouse whether or not the Participant or Former Participant has elected or has been deemed to have elected to have such benefit or retirement income paid to his or her Surviving Spouse.

5.2 Upon the death of any Participant or Former Participant who does not have at least 5 years of Eligibility Service, his or her Surviving Spouse shall be entitled to a survivor benefit under this Plan based upon his or her Supplemental Benefit immediately prior to his or her death and computed as if he or she had retired on the day before his or her death and had elected a 50% Qualified Joint and Survivor Annuity (as defined in the Retirement Plan) for the benefit of his or her Surviving Spouse. Such survivor benefit under this Plan shall be reduced by any Retirement Plan Benefit and Other Retirement

Income payable to the Surviving Spouse whether or not the Participant or Former Participant has elected or has been deemed to have elected to have such benefit or retirement income paid to his or her Surviving Spouse.

5.3 A Surviving Spouse's benefits provided under Section 5.1 or 5.2 shall be paid in a lump sum as of the first day of the month following the month in which the Participant or Former Participant dies. Such lump sum shall be of Equivalent Actuarial Value to the benefit calculated under Section 5.1 or 5.2 that would have been provided commencing as of the Participant's Normal Retirement Date, or the first day of the month following the Participant's date or death, if later. Notwithstanding the preceding sentence:

(a) in the case of a Participant whose date of death is on or after his or her attainment of age 55 and who, prior to March 1, 2006, both became a Participant of the Plan and attained age 55, or

(b) in the case of a Participant whose date of death is on or after the later of his or her attainment age 55 and completion of five years of Eligibility Service:

the lump sum shall be of Equivalent Actuarial Value to the benefit that would have been provided commencing on the first day of the month following the Participant's date of death.

ARTICLE 6
COMMITTEE

6.1 Committee. The Plan shall be administrated by the Committee, which shall consist of such persons as may be appointed by the Chief Executive Officer of the Corporation. The Committee shall have (a) complete discretion to supervise the administration and operation of the Plan, (b) complete discretion to adopt rules and procedures governing the Plan from time to time, and (c) sole authority to give interpretive rulings with respect to the Plan.

6.2 Binding Effect of Decisions. Any decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation, or application of the Plan shall be final and binding upon all persons having any interest in the Plan.

6.3 Indemnification of Committee. The Corporation shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by any such member.

ARTICLE 7
AMENDMENT AND TERMINATION OF PLAN

7.1 Amendment. The Board, or the Board's delegate, on behalf of itself and of each Affiliate, may at any time amend, suspend, or reinstate any or all of the provisions of the Plan, except that no such amendment, suspension, or reinstatement may adversely affect any Participant's or Former Participant's vested Supplemental Benefit, as it existed immediately before the effective date of such amendment, suspension, or reinstatement, without such Participant's or Former Participant's prior written consent. Written notice of any amendment or other action with respect to the Plan shall be given to each Participant.

7.2 Termination. The Board, or the Corporation's delegate on behalf of itself and of each Affiliate, in its sole discretion, may terminate this Plan at any time and for any reason whatsoever. On and after Plan termination, the Committee shall take those actions necessary to administer any Supplemental Benefits existing prior to the effective date of such termination; provided, however, that a termination of the Plan shall not adversely affect the value of a Participant's or Former Participant's Supplemental Benefit, or the timing or method of distribution of a Participant's or Former Participant's Supplemental Benefit, without the Participant's or Former Participant's prior written consent.

ARTICLE 8
MISCELLANEOUS

8.1 Funding. Participants, their Beneficiaries, and their heirs, successors, and assigns shall have no secured interest or claim in any property or assets of the Corporation. The Corporation's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Corporation to pay money in the future.

8.2 Expenses. All expenses of administering the Plan shall be borne by the Corporation, to the extent they are not paid from any trust fund established by the Corporation to help defray the costs of providing Plan benefits.

8.3 Nonassignability. No right or interest under the Plan of a Participant, Former Participant, or his or her Beneficiary (or any person claiming through or under any of them) shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance, or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Participant, Former Participant or Beneficiary.

8.4 Claims Procedure.

(a) Claim. A person who believes that he or she is being denied a Supplemental Benefit to which he or she is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Committee, setting forth the claim.

(b) Claim Decision. Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within 90 days and shall, in fact, deliver such reply within such period. If special circumstances require that the 90-day time period be extended, the Committee shall so notify the Claimant and shall render the decision as soon as possible, but no later than 180 days after receipt of the request for review.

(c) Information. If the claim is denied in whole or in part, the Claimant shall be provided an opinion, using language calculated to be understood by the Claimant, setting forth:

(i) The specific reason or reasons for such denial;

(ii) The specific reference to pertinent provisions of this Plan on which such denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary;

(iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review;

(v) The time limits for requesting a review under subsection (c) and for review under subsection (d) hereof; and

(vi) A statement of the Claimant's right to bring an action under Section 502 of ERISA upon a claim denial on review.

(d) Request for Review. Within 60 days after the receipt by the Claimant of the opinion described above, the Claimant may request in writing that the Committee review its determination. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred

and estopped from challenging the determination.

(e) Review of Decision. Within 60 days after the Committee's receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, the Committee shall render an opinion, drafted in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan upon which the decision is based and a statement of the Claimant's right to bring an action under Section 502 of ERISA. If special circumstances require that the 60-day time period be extended, the Committee shall so notify the Claimant and shall render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

8.5 Limitation of Rights of Participants and Former Participants. Nothing in this Plan shall be construed as conferring upon any Participant or Former Participant any right to continue in the employment of the Corporation or an Affiliate, nor shall it interfere with the rights of the Corporation or an Affiliate to terminate the employment of any Participant or Former Participant and/or to take any personnel action affecting any Participant or Former Participant without regard to the effect which such action may have upon such Participant or Former Participant as a recipient or prospective recipient of Supplemental Benefits under the Plan. Any amounts payable hereunder shall not be deemed salary or other compensation to a Participant or Former Participant for the purposes of computing benefits to which the Participant or Former Participant may be entitled under any other arrangement established by the Corporation or Affiliate for the benefit of its employees.

8.6 No Limitation on Actions of Corporation or Affiliates. Nothing contained in the Plan shall be construed to prevent the Corporation or an Affiliate from taking any action that is deemed by it to be appropriate or in its best interest. No Participant or other person shall have any claim against the Corporation or an Affiliate as a result of such action.

8.7 Obligations to Corporation. If a Participant or Former Participant becomes entitled to a distribution of a Supplemental Benefit under the Plan, and if at such time the Participant or Former Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Corporation or an Affiliate, the Corporation or Affiliate may offset such amount owed to it against the amount of benefits otherwise distributable. Such determination shall be made by the Committee.

8.8 Captions. The captions contained herein are for convenience only and shall not control or affect the meaning or construction hereof.

8.9 Governing Law. The Plan is intended to constitute an unfunded plan providing retirement or deferred compensation benefits for officers and highly compensated employees exempt from the requirements of parts 2, 3, and 4 of Subtitle B of Title I of ERISA. Except to the extent otherwise provided in ERISA and the Code, this Plan shall be construed, regulated, and administered under the laws of the State of New Jersey.

8.10 Successors. The provisions of the Plan shall bind and inure to the benefit of Schering Corporation, the Corporation, and the Affiliates, and their respective successors and assigns. The term successors as used herein shall include any corporate or other business entity that, whether by merger, consolidation, purchase, or otherwise, acquires all or substantially all of the business and assets of Schering Corporation, the Corporation, or an Affiliate and successors of any such Corporation or other business entity.

8.11 Illegal or Invalid Provision. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced without regard to such illegal or invalid provision.

8.12 Protective Provisions. Each Participant shall cooperate with the Corporation or an Affiliate by furnishing any and all information requested by the Corporation or Affiliate to facilitate the payment of benefits hereunder.

8.13 Withholding Taxes. The Corporation may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Corporation is required by any law or regulation of any governmental authority, whether Federal, state, or local, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to, or on behalf of, the Participant. Each Participant, Former Participant and Beneficiary, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

8.14 Inability to Locate Participant, Former Participant, or Beneficiary. In the event that the Committee is unable to locate a Participant, Former Participant or Beneficiary within two years following the date he or she was to commence receiving payment, the entire Supplemental Benefit payable shall be forfeited. If, after such forfeiture, the Participant, Former Participant or Beneficiary later claims such Supplemental Benefit, such Supplemental Benefit shall be reinstated without interest or earnings thereon and paid pursuant to the terms of the Plan.

8.15 Facility of Payment. If, in the opinion of the Committee, a person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of illness, accident, or any other reason, any payment due the person, unless prior claim therefore shall have been made by a duly qualified guardian or other duly appointed and qualified representative of such person, may be paid to some member of the person's family, or to some other party who, in the opinion of the Committee, has incurred expenses for such person. Any such payment shall be a payment for the account of such person and shall be a complete discharge of liability under the Plan.

8.16 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Corporation's Senior Vice President of Human Resources, or to such other

entity as the Committee may designate from time to time. Such notice shall be deemed given as to the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

SCHERING-PLOUGH RETIREMENT BENEFITS EQUALIZATION PLAN

(As Amended and Restated to January 1, 2008)

I. Purpose of Plan

The purpose of this Plan is to provide a means of equalizing the benefits of those employees participating in the Schering-Plough Corporation Retirement Plan (the "Retirement Plan") whose benefits under the Retirement Plan are or will be limited by application of the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code of 1986 or as subsequently amended (the "Code").

II. Administration of the Plan

The Plan shall be administered by the Secretary of Schering-Plough Corporation (the "Company") or its delegate (the "Secretary"), and all questions arising in connection with the Plan shall be determined by the Compensation Committee of Schering-Plough Corporation or its delegate (the "Committee"). The Secretary and the Committee may employ and rely upon such legal counsel, such actuaries, such accountants, and such agents as they may deem advisable. Decisions of the Committee shall be conclusive and binding upon all persons. The Committee may delegate in writing part or all of its authority under this Plan to such party or parties as it may deem necessary or appropriate.

III. Participation in the Plan

All members of the Retirement Plan shall become Participants in this Plan whenever their compensation or benefits under the Retirement Plan as from time to time in effect exceed the limitations on eligible compensation and/or benefits imposed by Sections 401 and 415 of the Code, respectively.

IV. Compensation and Benefit Limitations

For purposes of this Plan and the Retirement Plan, the limitations on eligible compensation under Section 401(a)(17) of the Code shall be deemed to be reached when a Participant's eligible compensation under the Retirement Plan, commencing January 1, 2008, exceeds $230,000 or such other amount as the Secretary of the Treasury shall pronounce. The limitations imposed by Section 415 of the Code shall be deemed to be reached when the benefits otherwise payable to the Participant in the Retirement Plan for a given plan year would exceed the maximum allowable under the Code. The limitations imposed by Section 401(a)(4) shall be deemed to be reached to the extent that any Participant's benefit in the Retirement Plan is reduced by virtue of the application of applicable nondiscrimination testing to the Participant's benefits under the Retirement Plan or to a voluntary early retirement program (or any similar program) under the Retirement Plan.

V. Amount of Supplemental Benefits

Each eligible member of the Retirement Plan and his or her beneficiaries shall receive a supplemental pension benefit (a "Supplemental Benefit") equal to the benefit which would have been payable to them under the Retirement Plan, without regard for any provision therein incorporating limitations imposed by Section 401 or 415 of the Code, to the extent that such benefit otherwise payable under the Retirement Plan exceeds the benefit limitations as described in Section IV of this Plan. For purposes of the preceding sentence, and solely with respect to a

Participant who also participates in the Schering-Plough Supplemental Executive Retirement Plan (the "SERP"), the benefit which would have been payable to such eligible member under the Retirement Plan without regard to the aforesaid limitations shall be calculated by substituting the eligible member's "Earnings" under the SERP for his or her "Compensation" under the Retirement Plan for periods prior to the eligible member's "Separation from Executive Service" under the SERP. Notwithstanding the foregoing, the benefit of any Participant in the Pilots' and Chauffeurs' Supplemental Retirement Plan (the "Pilots' Plan") under this Plan shall be reduced, but not below zero, by the benefit payable to such Participant under the Pilots' Plan.

VI. Form and Timing of Payment of Supplemental Benefit

1. Definitions. For purposes of this Article VI, the following words shall mean as follows:

"*Applicable Actuarial Assumptions*" shall mean the applicable interest rate and mortality table under the Retirement Plan except:

(i) with respect to the conversion of a SERP Eligible Participant's Supplemental Benefit to a lump sum (or, with respect to amounts that must be paid in a form that is equivalent to a form available under the Retirement Plan, the pre-conversion lump sum equivalent), that the interest rate and mortality table to be used shall be the interest rate and mortality table used to calculate the lump sum benefit in the SERP, and that the value of the early retirement subsidy provided under the Retirement Plan shall only be included in the value of the Supplemental Benefit provided under this Plan if the value of the early retirement subsidy is included in the lump sum supplemental benefit provided to the Participant or surviving spouse under the SERP;

(ii) with respect to the reconversion of that portion of a SERP Eligible Participant's Supplemental Benefit that is payable in a form available under the Retirement Plan, the interest rate and mortality table to be applied to convert the lump sum equivalent amount to the form of payment available under the Retirement Plan shall be the applicable interest rate and mortality table under the Retirement Plan;

(iii) with respect to any Participant who is not a SERP Eligible Participant, the interest rate and mortality table used to calculate the small benefit cash out pursuant to Section 5 below shall be the interest rate and mortality table used to calculate the automatic lump sum cash out under the Retirement Plan, and the value of the early retirement subsidy provided under the Retirement Plan shall only be included in the lump sum if the value of the early retirement subsidy would have been included in an automatic lump sum provided to the Participant or surviving spouse under the Retirement Plan at such time.

"*Change of Control*" shall mean a Change of Control as defined in the 2002 Stock Incentive Plan of Schering-Plough Corporation or its successor plan.

"*Change of Control Termination Date*" shall mean the date, following a Change of Control, as of which a Participant ceases to be an employee of the Company or any of its affiliates.

"*Deferral Rate*" shall mean, for each calendar quarter, a rate equal to the actual yield on three-month U.S. Treasury bills as reported in the Wall Street Journal on the first business day of such calendar quarter.

"*PTP Participant*" shall mean any Participant who is involuntarily terminated in connection with OBS Integration or the Productivity Transformation Program during the period commencing on January 1, 2008 and ending on December 31, 2009.

"*SERP Eligible Participant*" shall mean any Participant who is eligible to participate in the SERP at any time prior to the commencement of his or her Supplemental Benefit.

"*Separation from Service*" shall mean "separation from service" as defined in regulations under Section 409A(a)(2)(A)(i) of the Code.

2. Pre-1/1/09 Rules. Supplemental Benefits of a Participant who commences Retirement Plan benefits prior to January 1, 2009 shall be payable as follows (except as otherwise provided in this Article VI):

(a)Linked Benefit. Such Supplemental Benefit shall be payable at the same time and in the same form as applicable to such Participant's benefits under the Retirement Plan, including whatever optional benefits he or she may have elected, determined using the Applicable Actuarial Assumptions.

(b)BEP Only Accruals for SERP Eligible Participants. Notwithstanding Section 2(a), the portion of a SERP Eligible Participant's Supplemental Benefit that accrued during any period (after December 31, 2007) when such SERP Eligible Participant was not eligible to participate in the SERP shall be payable at the same time and in the same form as applicable to such Participant's benefits under the Retirement Plan, including whatever optional benefits he or she may have elected, determined using the Applicable Actuarial Assumptions. The amount of these benefits shall be determined by converting the Supplemental Benefit to a lump sum using the Applicable Actuarial Assumptions and reconverting such lump sum amount to the applicable form of benefit elected under the Retirement Plan using the Applicable Actuarial Assumptions.

3. Post-12/31/08 Rules. Supplemental Benefits of a Participant who does not commence Retirement Plan benefits before January 1, 2009 shall be payable as follows (except as otherwise specifically provided in this Article VI):

(a)General Rule. Except as otherwise provided herein, Supplemental Benefits of a Participant who does not commence Retirement Plan benefits before January 1, 2009 shall be payable in any such form that is available under the Retirement Plan as the Participant shall elect in the manner established by the Company (determined using the Applicable Actuarial Assumptions) and shall commence on the latest of (i) the Participant's Separation from Service; (ii) the first day of the month coincident with or next following the date on which the Participant reaches age 55; or (iii) January 1, 2009. If the Participant fails to elect the form of his or her Supplemental Benefit under this Section 3(a), he or she shall be deemed to have elected a life annuity (if the Participant is unmarried on the date on which his or her Supplemental Benefit commences) or a joint and 50% survivor annuity with the Participant's spouse as beneficiary (if the Participant is married on the date on which his or her Supplemental Benefit commences).

(b)BEP Only Accruals for SERP Eligible Participants. Except as otherwise provided herein, the portion of a SERP Eligible Participant's Supplemental Benefit that accrued during any period (after December 31, 2007) during which such SERP Eligible Participant was not eligible to participate in the SERP shall be payable in any such form that is available under the Retirement Plan as the Participant shall elect in the manner established by the Company (determined using the Applicable Actuarial Assumptions) and shall commence on the later of (i)

the Participant's Separation from Service; (ii) the first day of the month coincident with or next following the date on which the Participant reaches age 55; or (iii) January 1, 2009. The amount of these benefits shall be determined by converting the Supplemental Benefit to a lump sum using the Applicable Actuarial Assumptions and reconverting such lump sum amount to the applicable form of benefit elected at the time of benefit commencement using the Applicable Actuarial Assumptions. If the Participant fails to elect the form of his or her Supplemental Benefit under this Section 3(b), he or she shall be deemed to have elected a life annuity (if he or she is unmarried on the date on which his or her Supplemental Benefit commences) or a joint and 50% survivor annuity with the Participant's spouse as beneficiary (if the Participant is married on the date on which his or her Supplemental Benefit commences).

(c)Disability. Notwithstanding Sections 3(a) and 3(b), the Supplemental Benefit of a Participant who ceases to be employed by the Company and its affiliates on account of disability pursuant to the terms of the Retirement Plan and who does not commence Retirement Plan benefits before January 1, 2009 shall be payable in any such form that is available under the Retirement Plan as the Participant shall elect in the manner established by the Company (determined using the Applicable Actuarial Assumptions) and shall commence on the later of the date that the Participant attains age 65 or the Participant's Separation from Service. The provisions of this subsection (c) shall apply to the Supplemental Benefit of a Participant who recovers from a disability prior to attaining age 65 but is not restored to service with the Company or any of its affiliates. Any remaining payments of a Participant's Supplemental Benefit that commenced prior to the commencement of his benefit under the terms of the Retirement Plan pursuant to this subsection (c), shall be recalculated and appropriately increased or decreased upon payment of the Participant's benefit under the Retirement Plan. If the Participant fails to elect the form of his or her Supplemental Benefit under this Section 3(c), he or she shall be deemed to have elected a life annuity (if he or she is unmarried on the date on which his or her Supplemental Benefit commences) or a joint and 50% survivor annuity with the Participant's spouse as beneficiary (if the Participant is married on the date on which his or her Supplemental Benefit commences).

(d)PTP Participants. The Supplemental Benefit of a PTP Participant who does not commence Retirement Plan benefits before January 1, 2009 shall be payable as follows (except as otherwise provided in this Article VI):

(i) Grandfathered Benefit. With respect to the portion of the Supplemental Benefit that was accrued and vested prior to January 1, 2005, such Supplemental Benefit shall be payable at the same time and in the same form as applicable to such PTP Participant's benefits under the Retirement Plan, including whatever optional benefits he or she may have elected under the Retirement Plan, determined using the Applicable Actuarial Assumptions.

(ii) Non-Grandfathered Benefit. With respect to the portion of the Supplemental Benefit that was accrued or vested after December 31, 2004, such Supplemental Benefit shall be payable in any such form that is available under the Retirement Plan as the Participant shall elect in the manner established by the Company (determined using the Applicable Actuarial Assumptions) and shall commence on the later of (i) January 1, 2009 (or such later date as the Participant shall irrevocably elect during a special election period in the fall of 2008); or (ii) the date that the Participant attains age 55. If the Participant fails to elect the form of his or her Supplemental Benefit under this Section 3(d), he or she shall be deemed to have elected a life annuity (if the Participant is unmarried on the date on which his or her Supplemental Benefit commences) or a joint and 50% survivor annuity with the Participant's spouse as beneficiary (if the Participant is married on the date on which his or her Supplemental Benefit commences).

(iii) SERP Eligible PTP Participant. The Supplemental Benefit of a PTP Participant who is also a SERP Eligible Participant and who does not commence Retirement Plan benefits before January 1, 2009 shall be payable in accordance with Section 3(d)(ii) above with regard to that portion of the Supplemental Benefit that accrued after December 31, 2007 during a period when the Participant was not eligible to participate in the SERP and in accordance with Section 4 below with regard to that portion of the Supplemental Benefit that accrued prior to January 1, 2008 or during periods in which the Participant was eligible to participate in the SERP.

4. SERP Accruals. Notwithstanding anything herein to the contrary other than Section 6 below, the portion of a SERP Eligible Participant's Supplemental Benefit (and any survivor's benefit payable to his or her surviving spouse under this Plan) that was accrued prior to January 1, 2008 or while such SERP Eligible Participant was participating in the SERP shall be paid in a lump sum (determined using the Applicable Actuarial Assumptions), as soon as administratively practicable after the Participant's Separation from Service (or death, as applicable). Any such Supplemental Benefit that is payable in a lump sum may be deferred in accordance with the terms of the Schering-Plough Corporation Savings Advantage Plan to the extent that such plan complies with Section 409A of the Code in a manner that will not result in the incurrence of Section 409A excise taxes to the Participant.

5. Small Benefit Cash Out. Notwithstanding anything herein to the contrary other than Section 4 above and 6 below, if, at any time, the present value of the aggregate of a Participant's remaining benefits under this Plan (and any remaining survivor benefit payable to his or her surviving spouse or beneficiary under this Plan) does not exceed $5,000 (determined using Applicable Actuarial Assumptions) such remaining benefits shall be paid (to the Participant or his or her surviving spouse or beneficiary, as applicable) in a single lump sum as soon as administratively practicable calculated using Applicable Actuarial Assumptions.

6. Specified and Covered Employees. Notwithstanding anything herein to the contrary, the Company shall defer payments under this Plan to any Participant that it reasonably believes is a "covered employee" as defined in Section 162(m) of the Code, if such payment would be subject to such Section's limitation on deductibility; provided, however, that such payment shall not be deferred to a date later than the earliest date in the year in which such payment would not be subject to such limitation. Notwithstanding anything herein to the contrary, any payment to be made to a specified employee (as that term is defined under Section 409A of the Code as applied to the Company's deferred compensation plans) that is triggered by a Separation from Service shall be delayed for a period of six months. If a lump sum payment to a Participant commences later than the 15th day of the month following the month in which the Participant's Separation from Service occurs, the Company shall, at the time of payment of such lump sum, pay interest thereon from the 15th day of the month following the month in which the Participant's Separation from Service occurs to the date payment is issued at the Deferral Rate, compounded quarterly. If an annuity payment commences later than the 15th day of the month following the month in which the Participant's Separation from Service occurs, the Company shall, at the time of the commencement of the annuity payments, pay in one lump sum the amount of the annuity payments that would have been paid had the payment not been delayed under this Section (and interest thereon at the aforementioned rate) from the 15th day of the month following the month in which the Participant's Separation from Service occurs to the date annuity payments commence.

7. Change of Control. Notwithstanding anything herein to the contrary other than Section 6 above, in the event that a SERP Eligible Participant experiences a Change of Control Termination Date, the Supplemental Benefit of such SERP Eligible Participant shall be paid in a lump sum (determined using Applicable Actuarial Assumptions) reduced by the factors set forth on Annex A hereto depending upon his or her age on the relevant Change of Control

Termination Date as soon as administratively possible following the Change of Control Termination Date.

8. Pre-Retirement Survivor Benefit. In the event that a Supplemental Benefit accrues as a result of the Participant's death prior to the commencement of benefits under the Retirement Plan, such Supplemental Benefit shall be payable to the Participant's surviving spouse (provided that the spouse is otherwise entitled to a pre-retirement death benefit under the Retirement Plan) as follows:

(a)Pre-1/1/09 Rules. If such a payment commences prior to January 1, 2009, the Supplemental Benefit shall be paid to the Participant's surviving spouse (provided that such spouse is eligible for a pre-retirement death benefit pursuant to the terms of the Retirement Plan) at the same time and in the same form as under the Retirement Plan (determined in accordance with the Applicable Actuarial Assumptions).

(b)Post-12/31/08 Rules. If such a payment commences after December 31, 2008, the Supplemental Benefit shall be paid to the Participant's surviving spouse in a single life annuity for the surviving spouse's lifetime (determined in accordance with the Applicable Actuarial Assumptions) and (i) with respect to Participants who are eligible for a pre-retirement death benefit in accordance with the criteria set forth in Section 4.06(b)(i) of the Retirement Plan such Supplemental Benefits shall commence on the Participant's date of death or, (ii) with respect to any other Participant, such Supplemental Benefit shall commence on the later of what would have been the Participant's Normal Retirement Date or the date of the Participant's death.

9. Actual Payment Date. To the extent permitted by Section 409A of the Code, payments shall be made as soon as administratively practicable after the date specified in this Article VI, and in any event within the same calendar year or, if later, by the fifteenth day of the third calendar month following such specified date (or as otherwise permitted under Section 409A of the Code).

VII. Miscellaneous

1. No Right of Employment. Neither the establishment of this Plan nor the participation therein shall confer upon any person any right to be continued as an employee of the Company or any affiliated company, and the Company reserves the right to discharge any employee whenever in its sole judgment the interest of the Company or any affiliated company so requires.

2. Plan Expenses. All expenses of administering this Plan shall be borne by the Company, to the extent they are not paid from any trust fund established by the Company to help defray the costs of providing Plan benefits.

3. Anti-alienation. No benefit under this Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, or subject to attachment, garnishment, or other legal process.

4. Incapacity. If, in the opinion of the Committee, a person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of illness, accident, or any other reason, any payment due the person, unless prior claim therefore shall have been made by a duly qualified guardian or other duly appointed and qualified representative of such person, may be paid to some member of the person's family, or to some other party who, in the opinion of the Committee, has incurred expense for such person. Any such payment shall be a payment for the account of such person and shall be a complete discharge of liability under the Plan.

5. Amendment. This Plan may be amended or terminated at any time by action of the Company's Board of Directors or its delegate. In the event of termination, no contributions shall be made thereafter, except for contributions that are due for a year preceding the year in which termination occurs and provided that no such amendment or termination shall affect any right or obligation with respect to any contribution theretofore made, or the rights of a participant, terminated participant, former participant or beneficiary to receive amounts credited to his account.

6. Top Hat Plan. The Plan is intended to constitute a nonqualified deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Title I of ERISA. Benefits payable under this Plan shall not be funded and shall be paid out of the general funds of the Company and/or its affiliates.

7. Payment of Taxes. The Company may withhold from any payment required to be made under the Plan any federal, state or local taxes required by law to be withheld with respect to such payment and such sums as the Company may reasonably estimate are necessary to cover any other amounts for which the Company may be legally liable and which may be assessed with regard to such payment.

8. Governing Law. The Plan shall be construed, administered, and enforced under ERISA and the laws of the State of New Jersey, except where ERISA controls.

9. Claims Procedure. A person who believes that he or she is being denied a Supplemental Benefit to which he or she is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Committee, setting forth the claim. Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within ninety days and shall, in fact, deliver such reply within such period. The Committee may, however, extend the reply period for an additional ninety days for reasonable cause. If the claim is denied in whole or in part, the Claimant shall be provided an opinion, using language calculated to be understood by the Claimant, setting forth: (i) the specific reason or reasons for such denial; (ii) the specific reference to pertinent provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary; (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; (v) the time limits for requesting a review under subsection (c) and for review under subsection (iv) hereof; and (vi) a statement of the Claimant's right to bring an action under Section 502 of ERISA upon a claim denial on review.

10. Request for Review. Within 60 days after the receipt by the Claimant of the opinion described above, the Claimant may request in writing that the Committee review its determination. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Committee. If the Claimant does not request a review of the initial determination within such 60-day period, the Claimant shall be barred and estopped from challenging the determination.

11. Review of Decision. Within 60 days after the Committee's receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, the Committee shall render an opinion, drafted in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan upon which the decision is based and a statement of the Claimant's right to bring an action under Section 502 of ERISA. If special circumstances require that the 60-day time period be extended, the Committee shall so notify the Claimant and shall render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

Annex A

Age on Change of Control Termination Date	Reduction Factor
64	4%
63	8%
62	12%
61	16%
60	20%
59	26.6%
58	32.5%
57	37.8%
56	42.6%
55	46.9%
54	50.9%
53	54.7%
52	58.3%
51	61.7%
50	64.9%
49	67.7%
48	70.1%
47	72.1%
46	74.0%
45	75.8%
44	77.5%
43	79.1%
42	80.6%
41	82.0%
40	83.3%
39	84.5%
38	85.6%
37	86.6%
36	87.6%
35	88.6%

Exhibit 12

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	2008(1)	2007(1)	2006	2005	2004
			(Dollars in millions)		
Income/(Loss) Before Income Taxes	$ 2,049	$ (1,215)	$ 1,483	$ 497	$ (168)
Less: Equity Income	1,870	2,049	1,459	873	347
Income/(Loss) Before Income Taxes and Equity Income	179	(3,264)	24	(376)	(515)
Add Fixed Charges:					
Preferred Stock Dividends	150	118	86	86	34
Interest Expense	536	245	172	163	168
One-third of Rental Expense	86	52	39	37	30
Capitalized Interest	19	18	13	14	20
Total Fixed Charges	791	433	310	300	252
Less: Capitalized Interest	19	18	13	14	20
Less: Preferred Stock Dividends	150	118	86	86	34
Add: Amortization of Capitalized Interest	12	15	10	10	9
Add: Distributed Income of Equity Investees	1,782	1,787	1,332	647	228
Earnings/(Loss) Before Income Taxes and Fixed Charges (other than Capitalized Interest)	$ 2,595	$ (1,165)	$ 1,577	$ 481	$ (80)
Ratio of Earnings to Fixed Charges	3.3	(2.7)*	5.1	1.6	(0.3)**

(1) Income/(loss) before income taxes includes the purchase accounting impacts of the OBS acquisition

* For the year ended December 31, 2007, earnings were insufficient to cover fixed charges by $1.6 billion.

** For the year ended December 31, 2004, earnings were insufficient to cover fixed charges by $332 million.

“Earnings” consist of income/(loss) before income taxes and equity income, plus fixed charges (other than capitalized interest and preferred stock dividends), amortization of capitalized interest and distributed income of equity investee. Schering-Plough includes interest expense or interest income on unrecognized tax benefits as a component of income tax expense. “Fixed charges” consist of interest expense, capitalized interest, preferred stock dividends and one-third of rentals which Schering-Plough believes to be a reasonable estimate of an interest factor on leases. Total rent expense was $258 million, $156 million, $118 million, $110 million and $100 million for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, respectively.

Exhibit 21

Schering-Plough Corporation and Subsidiaries
Subsidiaries of the Registrant As of
December 31, 2008

Subsidiaries of Registrant	State or Country of Incorporation or Organization
AESCA Pharma GmbH	Austria
Avondale Chemical Co. Ltd.	Ireland
Beneficiadora e Industrializadora S.A. de C.V.	Mexico
Brazil Holdings Ltd.	Bermuda
Dashtag	United Kingdom
Diosynth RTP Inc.	Delaware
Essex Chemie A.G.	Switzerland
Essex Holdings GmbH	Germany
Essex Italia S.p.A.	Italy
Essex Pharma GmbH	Germany
Fulford (India) Limited	India
Garden Insurance Company, Ltd.	Bermuda
Hydrochemie GmbH	Germany
Intervet do Brasil Veterinaria Ltda.	Brazil
Intervet Holding B.V.	Netherlands
Intervet Inc.	Delaware
Intervet International B.V.	Netherlands
Intervet International Inc.	U.S.A.
Intervet International GmbH	Germany
Intervet Mexico S.A. de C.V.	Mexico
Intervet Nederland B.V.	Netherlands
Intervet SA	France
Intervet UK Ltd.	United Kingdom
Laboratorios Intervet S.A.	Spain
N.V. Organon	Netherlands
Organon (Ireland) Ltd.	Ireland
Organon BioSciences B.V.	Netherlands
Organon BioSciences International B.V.	Netherlands
Organon BioSciences Nederland B.V.	Netherlands
Organon do Brasil Industria e Comércio Ltda.	Brazil
Organon Europe B.V.	Netherlands
Organon Holding B.V.	Netherlands
Organon Laboratories Ltd.	United Kingdom
Organon Participations B.V.	Netherlands
Organon S.A.	France
Organon USA Inc.	New Jersey
Scherico, Ltd.	Switzerland
Schering Bermuda Ltd.	Bermuda
Schering Corporation	New Jersey
Schering-Plough (Ireland) Company	Ireland
Schering-Plough (Proprietary) Limited	South Africa
Schering-Plough (Singapore) Pte. Ltd.	Singapore
Schering-Plough (Singapore) Research Pte. Ltd.	Singapore
Schering-Plough A/S	Denmark
Schering-Plough AB	Sweden
Schering-Plough Animal Health Kabushiki Kaisha	Japan
Schering-Plough B.V.	Netherlands
Schering-Plough C.A.	Venezuela
Schering-Plough Canada, Inc.	Canada
Schering-Plough Central East A.G.	Switzerland
Schering-Plough Corporation	New Jersey

Subsidiaries of Registrant	State or Country of Incorporation or Organization
Schering-Plough del Caribe, Inc.	New Jersey
Schering-Plough Farma Lda.	Portugal
Schering-Plough Farmaceutica Ltda.	Brazil
Schering-Plough HealthCare Products, Inc.	Delaware
Schering-Plough Holdings (Ireland) Company	Ireland
Schering-Plough Holdings France, SAS	France
Schering-Plough Holdings Limited	United Kingdom
Schering-Plough Home Again LLC	Delaware
Schering-Plough International C.V.	Netherlands
Schering-Plough International Finance Company B.V.	Netherlands
Schering-Plough International Holdings B.V.	Netherlands
Schering-Plough International, Inc.	Delaware
Schering-Plough Investments Company GmbH	Switzerland
Schering-Plough Kabushiki Kaisha	Japan
Schering-Plough Labo N.V.	Belgium
Schering-Plough Limited	United Kingdom
Schering-Plough Ltd.	Thailand
Schering-Plough Ltd.	Switzerland
Schering-Plough N.V./S.A.	Belgium
Schering-Plough Pharmaceutical Industrial and Trading S.A.	Greece
Schering-Plough Products Caribe, Inc.	Cayman Islands
Schering-Plough Products, Inc.	Delaware
Schering-Plough Products L.L.C.	Delaware
Schering-Plough Produtos Farmacuticos Ltda.	Brazil
Schering-Plough Pty. Limited	Australia
Schering-Plough S.A.	Colombia
Schering-Plough S.A.	France
Schering-Plough S.A.	Panama
Schering-Plough S.A.	Spain
Schering-Plough S.A. de C.V.	Mexico
Schering-Plough S.p.A.	Italy
Schering-Plough Saude Animal Industria E Comercio Ltda.	Brazil
Schering-Plough Tibbi Urunler Ticaret, A.S.	Turkey
Shanghai Schering-Plough Pharmaceutical Company, Ltd.	China
SOL Limited	Bermuda
S-P Holding GmbH	Austria
Summit Property Company LLC, The	Delaware
Theriak B.V.	Netherlands
Werthenstein Chemie A.G.	Switzerland
White Laboratories, Inc.	New Jersey
Zao Organon A/O	Russian Federation

In accordance with Item 601(b)(21) of Regulation S-K, the Registrant has omitted the names of particular subsidiaries because the unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not have constituted a significant subsidiary as of December 31, 2008.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 2-83963, No. 33-50606, No. 333-30331, No. 333-87077, No. 333-91440, No. 333-104714, No. 333-105567, No. 333-105568, No. 333-112421, No. 333-121089, No. 333-134281, and No. 333-153542 on Form S-8, Post Effective Amendment No. 1 to Registration Statements No. 2-84723 and No. 333-105567 on Form S-8, and Registration Statements No. 333-12909, No. 333-30355, and No. 333-145055 on Form S-3 of our reports dated February 27, 2009, relating to (i) the consolidated financial statements and financial statement schedule of Schering-Plough Corporation and subsidiaries (which report expressed an unqualified opinion and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) and (ii) the effectiveness of Schering-Plough Corporation and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K of Schering-Plough Corporation and subsidiaries for the year ended December 31, 2008.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 27, 2009

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 2-83963, 33-50606, 333-30331, 333-87077, 333-91440, 333-104714, 333-105567, 333-105568, 333-112421, 333-121089, 333-134281, and 333-153542 on Form S-8, Post Effective Amendment No. 1 to Registration Statement No. 2-84723 on Form S-8, Post Effective Amendment No. 1 to Registration Statement No. 333-105567 on Form S-8, and Registration Statements Nos. 333-12909, 333-30355, and 333-145055 on Form S-3 of Schering-Plough Corporation of our report dated February 26, 2009, relating to the combined financial statements of the Merck/Schering-Plough Cholesterol Partnership appearing in this Annual Report on Form 10-K of Schering-Plough Corporation for the year ended December 31, 2008.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
February 26, 2009

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned officers and/or directors of Schering-Plough Corporation, a New Jersey corporation (herein called the "Corporation"), does hereby constitute and appoint Robert Bertolini, Steven H. Koehler and Susan Ellen Wolf, or any of them, his or her true and lawful attorney or attorneys and agent or agents, to do any and all acts and things and to execute any and all instruments which said attorney or attorneys and agent or agents may deem necessary or advisable to enable the Corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations, requirements or requests of the Securities and Exchange Commission thereunder or in respect thereof in connection with the filing under said Act of the Annual Report of the Corporation on Form 10-K for the fiscal year ended December 31, 2008 (herein called the "Form 10-K"); including specifically, but without limiting the generality of the foregoing, the power and authority to sign the respective names of the undersigned officers and/or directors as indicated below to the Form 10-K and/or to any amendment of the Form 10-K and each of the undersigned does hereby ratify and confirm all that said attorney or attorneys and agent or agents, or any of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents this 27th day of February, 2009.

/s/ FRED HASSAN
Fred Hassan, Chairman of the Board and Chief Executive Officer

/s/ ROBERT J. BERTOLINI
Robert J. Bertolini, Executive Vice President and Chief Financial Officer

/s/ STEVEN H. KOEHLER
Steven H. Koehler, Vice President and Controller; Principal Accounting Officer

/s/ PATRICIA F. RUSSO
Patricia F. Russo, Director

/s/ HANS W. BECHERER
Hans W. Becherer, Director

/s/ JACK L. STAHL
Jack L. Stahl, Director

/s/ THOMAS J. COLLIGAN
Thomas J. Colligan, Director

/s/ CRAIG B. THOMPSON, M.D.
Craig B. Thompson, M.D., Director

/s/ C. ROBERT KIDDER
C. Robert Kidder, Director

/s/ KATHRYN C. TURNER
Kathryn C. Turner, Director

/s/ EUGENE R. MCGRATH
Eugene R. McGrath, Director

/s/ ROBERT F. W. VAN OORDT
Robert F. W. van Oordt, Director

/s/ CARL E. MUNDY, JR.
Carl E. Mundy, Jr., Director

/s/ ARTHUR F. WEINBACH
Arthur F. Weinbach, Director

/s/ ANTONIO M. PEREZ
Antonio M. Perez, Director

Exhibit 31.1

CERTIFICATION

I, Fred Hassan, certify that:

1. I have reviewed this annual report on Form 10-K of Schering-Plough Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ FRED HASSAN

Fred Hassan
Chairman of the Board and Chief Executive Officer

Date: February 27, 2009

Exhibit 31.2

CERTIFICATION

I, Robert J. Bertolini, certify that:

1. I have reviewed this annual report on Form 10-K of Schering-Plough Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT J. BERTOLINI

Robert J. Bertolini
Executive Vice President and Chief Financial Officer

Date: February 27, 2009

Exhibit 32.1

CERTIFICATION

I, Fred Hassan, Chairman of the Board and Chief Executive Officer of Schering-Plough Corporation, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended December 31, 2008 (the "Annual Report") which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Schering-Plough Corporation.

/s/ FRED HASSAN

Fred Hassan
Chairman of the Board and Chief Executive Officer

Dated: February 27, 2009

Exhibit 32.2

CERTIFICATION

I, Robert J. Bertolini, Executive Vice President and Chief Financial Officer of Schering-Plough Corporation, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended December 31, 2008 (the "Annual Report") which this statement accompanies fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Schering-Plough Corporation.

/s/ ROBERT J. BERTOLINI
Robert J. Bertolini
Executive Vice President and Chief Financial Officer

Dated: February 27, 2009