As filed with the Securities and Exchange Commission on February 28, 2012

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

FORM 10-K

(MARK ONE)

☑ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Fiscal Year Ended December 31, 2011

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File No. 1-6571

Merck & Co., Inc.

One Merck Drive
Whitehouse Station, N. J. 08889-0100
(908) 423-1000

Incorporated in New Jersey — *I.R.S. Employer Identification No. 22-1918501*

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

Title of Each Class	*Name of Each Exchange on which Registered*
Common Stock ($0.50 par value)	New York Stock Exchange

Number of shares of Common Stock ($0.50 par value) outstanding as of January 31, 2012: 3,044,008,396.

Aggregate market value of Common Stock ($0.50 par value) held by non-affiliates on June 30, 2011 based on closing price on June 30, 2011: $108,759,000,000.

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 that 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** ☑ **No** ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) 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 Exchange Act). Yes ☐ No ☑

Documents Incorporated by Reference:

Document	*Part of Form 10-K*
Proxy Statement for the Annual Meeting of Shareholders to be held May 22, 2012, to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year covered by this report	Part III

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PART I

Item 1. Business.

Merck & Co., Inc. ("Merck" or the "Company") is a global health care company that delivers innovative health solutions through its prescription medicines, vaccines, biologic therapies, animal health, and consumer care products, which it markets directly and through its joint ventures. The Company's operations are principally managed on a products basis and are comprised of four operating segments, which are the Pharmaceutical, Animal Health, Consumer Care and Alliances segments, and one reportable segment, which is the Pharmaceutical segment. The Pharmaceutical segment includes human health pharmaceutical and vaccine products marketed either directly by the Company or through joint ventures. Human health pharmaceutical products consist of therapeutic and preventive agents, generally sold by prescription, for the treatment of human disorders. The Company sells these human health pharmaceutical products primarily to drug wholesalers and retailers, hospitals, government agencies and managed health care providers such as health maintenance organizations, pharmacy benefit managers and other institutions. Vaccine products consist of preventive pediatric, adolescent and adult vaccines, primarily administered at physician offices. The Company sells these human health vaccines primarily to physicians, wholesalers, physician distributors and government entities. The Company also has animal health operations that discover, develop, manufacture and market animal health products, including vaccines, which the Company sells to veterinarians, distributors and animal producers. Additionally, the Company has consumer care operations that develop, manufacture and market over-the-counter, foot care and sun care products, which are sold through wholesale and retail drug, food chain and mass merchandiser outlets.

For financial information and other information about the Pharmaceutical segment, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8. "Financial Statements and Supplementary Data" below.

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Overview

During 2011, the Company focused on accelerating revenue growth, reducing costs to drive efficiencies, allocating resources to drive future growth by making strategic investments in product launches, as well as in the emerging markets, and advancing and augmenting its research and development pipeline.

Worldwide sales totaled $48.0 billion in 2011, an increase of 4% compared with $46.0 billion in 2010. Foreign exchange favorably affected global sales performance by 2%. The revenue increase was driven largely by growth in *Januvia* (sitagliptin) and *Janumet* (sitagliptin/metformin hydrochloride HCI), treatments for type 2 diabetes, *Singulair* (montelukast sodium), a medicine for the chronic treatment of asthma and the relief of symptoms of allergic rhinitis, *Isentress* (raltegravir), an antiretroviral therapy for use in combination therapy for the treatment of HIV-1 infection, *Gardasil* [human papillomavirus quadrivalent (types 6, 11, 16 and 18) vaccine, recombinant], a vaccine to help prevent certain diseases caused by four types of human papillomavirus ("HPV"), *Simponi* (golimumab), a treatment for inflammatory diseases, *RotaTeq* [Rotavirus Vaccine, Live, Oral, Pentavalent], a vaccine to help protect against rotavirus gastroenteritis in infants and children, *Zetia* (ezetimibe), a cholesterol absorption inhibitor, *Pneumovax* [pneumococcal vaccine polyvalent], a vaccine to help prevent pneumococcal disease, and *Bridion* (sugammadex), for the reversal of certain muscle relaxants used during surgery. In addition, revenue in 2011 benefited from higher sales of the Company's animal health products and from the launch of *Victrelis* (boceprevir), a treatment for chronic hepatitis C. These increases were partially offset by lower sales of *Cozaar* (losartan potassium) and *Hyzaar* (losartan potassium and hydrochlorothiazide), treatments for hypertension, which lost patent protection in the United States in April 2010 and in a number of major European markets in March 2010, as well as by lower sales of Caelyx, Subutex and Suboxone as the Company no longer has marketing rights to these products. Revenue was also negatively affected by lower sales of *Vytorin* (ezetimibe/simvastatin), a cholesterol modifying medicine, *Temodar* (temozolomide), a treatment for certain types of brain tumors, *ProQuad* [Measles, Mumps, Rubella and Varicella Virus Vaccine Live], a pediatric combination vaccine to help protect against measles, mumps, rubella and varicella, and *Varivax* [Varicella Virus Vaccine Live], a vaccine to help

prevent chickenpox (varicella). In addition, as discussed below, the ongoing implementation of certain provisions of U.S. health care reform legislation during 2011 resulted in further increases in Medicaid rebates and other impacts that reduced revenues. Additionally, many countries in the European Union (the "EU") have undertaken austerity measures aimed at reducing costs in health care and have implemented pricing actions that negatively impacted sales in 2011.

In April 2011, Merck and Johnson & Johnson ("J&J") reached an agreement to amend the agreement governing the distribution rights to *Remicade* (infliximab) and *Simponi*. This agreement concluded the arbitration proceeding J&J initiated in May 2009. Under the terms of the amended distribution agreement, Merck relinquished marketing rights for *Remicade* and *Simponi* to J&J in territories including Canada, Central and South America, the Middle East, Africa and Asia Pacific effective July 1, 2011. Merck retained exclusive marketing rights throughout Europe, Russia and Turkey (the "Retained Territories"). The Retained Territories represented approximately 70% of Merck's 2010 revenue of $2.8 billion from *Remicade* and *Simponi*. In addition, beginning July 1, 2011, all profits derived from Merck's exclusive distribution of the two products in the Retained Territories are being equally divided between Merck and J&J. J&J also received a one-time payment from Merck of $500 million in April 2011.

During 2011, the Company continued the advancement of drug candidates through its pipeline. *Victrelis*, the Company's innovative oral medicine for the treatment of chronic hepatitis C, was approved by the U.S. Food and Drug Administration (the "FDA") and the European Commission (the "EC"). The FDA also approved *Juvisync* (sitagliptin and simvastatin), a new treatment for type 2 diabetes that combines the active ingredient in the glucose-lowering medication *Januvia* with the cholesterol-lowering medication *Zocor* (simvastatin). In addition, the EC approved *Zoely* (NOMAC/E2), a monophasic combined oral contraceptive tablet for use by women to prevent pregnancy. Cubicin, an antibacterial agent with activity against methicillin-resistant Staphylococcus aureus ("MRSA"), for which the Company has licensed development and distribution rights in Japan, was approved for use in that country.

In February 2012, the FDA approved *Janumet XR* (sitagliptin and metformin HCI extended-release), a new treatment for type 2 diabetes that combines sitagliptin, which is the active component of *Januvia*, with extended-release metformin in a once-daily formulation; *Cosopt PF* (dorzolamide hydrochloride-timolol maleate ophthalmic solution) 2.0%/0.5%, Merck's preservative-free formulation of *Cosopt*, indicated for the reduction of elevated intraocular pressure in appropriate patients with open-angle glaucoma or ocular hypertension; and *Zioptan* (tafluprost ophthalmic solution), a preservative-free prostaglandin analogue ophthalmic solution.

The Company also received additional indications for several of its existing products. During 2011, the FDA approved an expanded age indication for *Zostavax* [Zoster Vaccine Live], a vaccine to help prevent shingles (herpes zoster), to include adults ages 50 to 59. In addition, the FDA approved *Sylatron* (peginterferon alfa-2b) for Injection for the adjuvant treatment of melanoma in patients with microscopic or gross nodal involvement. Also, *Simponi* received an indication in the EU for use in combination with methotrexate in adults with severe, active and progressive rheumatoid arthritis not previously treated with methotrexate, having been shown to reduce the rate of progression of joint damage as measured by X-ray and to improve physical function. In January 2012, the FDA approved the use of *Isentress*, in combination with other antiretroviral medicines, for the treatment of HIV-1 infection in pediatric patients two years of age and older and weighing at least 10 kg.

The Company currently has two candidates under review with the FDA: MK-8669, ridaforolimus, for the treatment of metastatic soft-tissue or bone sarcomas in patients who had a favorable response to chemotherapy and MK-0653C, *Zetia* combined with atorvastatin for the treatment of primary or mixed hyperlipidemia. MK-8669 is also under review in the EU.

The Company currently has 19 candidates in Phase III development and anticipates filing a New Drug Application ("NDA") with the FDA with respect to certain of these candidates in 2012 including MK-4305, suvorexant, an investigational treatment for insomnia; MK-8616, *Bridion*, a medication for the reversal of certain muscle relaxants used during surgery; and V503, a nine-valent HPV vaccine. The Company also anticipates filings in 2013 for, among others, MK-0822, odanacatib, an investigational treatment for osteoporosis, and MK-0524A, *Tredaptive* (extended-release niacin/laropiprant/simvastatin), which is under development for the treatment of atherosclerosis.

Merck continues to pursue opportunities that have the potential to drive both near- and long-term growth. During 2011, the Company completed a variety of transactions including the acquisition of Inspire

Pharmaceuticals, Inc., a specialty pharmaceutical company focused on developing and commercializing ophthalmic products. Additionally, the Company entered into transactions designed to strengthen its presence in emerging markets in the longer term.

Merck continues to realize cost savings across all areas of the Company. These savings result from various actions, including the Merger Restructuring Program discussed below, previously announced ongoing cost reduction activities, as well as from non-restructuring-related activities. As of the end of 2011, the Company has realized approximately $2.9 billion in annual net cost savings from these activities since the merger of legacy Merck & Co., Inc. and Schering-Plough Corporation ("Schering-Plough") on November 3, 2009 (the "Merger").

In July 2011, the Company announced the latest phase of its global restructuring program (the "Merger Restructuring Program") that was initiated in conjunction with the integration of the legacy Merck and legacy Schering-Plough businesses. This Merger Restructuring Program is intended to optimize the cost structure of the combined company. As part of this latest phase, the Company expects to reduce its workforce measured at the time of the Merger by an additional 12% to 13% across the Company worldwide. A majority of the workforce reductions in this phase of the Merger Restructuring Program relate to manufacturing (including Animal Health), administrative and headquarters organizations. Previously announced workforce reductions of approximately 17% in earlier phases of the program primarily reflect the elimination of positions in sales, administrative and headquarters organizations, as well as from the sale or closure of certain manufacturing and research and development sites and the consolidation of office facilities. The Company will continue to hire employees in strategic growth areas of the business as necessary. The Company will continue to pursue productivity efficiencies and evaluate its manufacturing supply chain capabilities on an ongoing basis which may result in future restructuring actions. The Company recorded total pretax restructuring costs of $1.8 billion in 2011, $1.8 billion in 2010 and $1.5 billion in 2009 related to this program. The restructuring actions under the Merger Restructuring Program are expected to be substantially completed by the end of 2013, with the exception of certain actions, principally manufacturing-related, which are expected to be substantially completed by 2015, with the total cumulative pretax costs estimated to be approximately $5.8 billion to $6.6 billion. The Company estimates that approximately two-thirds of the cumulative pretax costs relate to cash outlays, primarily related to employee separation expense. Approximately one-third of the cumulative pretax costs are non-cash, relating primarily to the accelerated depreciation of facilities to be closed or divested. The Company expects the Merger Restructuring Program to yield annual savings by the end of 2013 of approximately $3.5 billion to $4.0 billion and annual savings upon completion of the program of approximately $4.0 billion to $4.6 billion.

During 2011, the Company continued to be affected by the U.S. health care reform legislation that was enacted in 2010 as additional provisions went into effect. Beginning in 2011, the law requires pharmaceutical manufacturers to pay a 50% discount to Medicare Part D beneficiaries when they are in the Medicare Part D coverage gap (i.e., the so-called "donut hole"). Approximately $150 million was recorded as a reduction to revenue in 2011 related to the estimated impact of this provision of health care reform. Also, the Company recorded $162 million of expenses for the annual health care reform fee, which the Company was required to pay beginning in 2011. The law also increased mandated Medicaid rebates, which reduced revenues by approximately $179 million and $170 million in 2011 and 2010, respectively.

Effective December 1, 2011, Richard T. Clark, chairman, retired from the Company and the Merck Board of Directors. Kenneth C. Frazier, Merck's president and chief executive officer, was elected by the Board to serve as chairman following Mr. Clark's retirement.

In November 2011, Merck's Board of Directors raised the Company's quarterly dividend to $0.42 per share from $0.38 per share.

Earnings per common share assuming dilution attributable to common shareholders ("EPS") for 2011 were $2.02, which reflect a net unfavorable impact resulting from acquisition-related costs, restructuring costs, as well as the charge related to the settlement of the arbitration proceeding with J&J discussed above, partially offset by the favorable impact of certain tax items and gains on the disposition of the Company's interest in the Johnson & Johnson°Merck Consumer Pharmaceuticals Company joint venture and the sale of certain manufacturing facilities and related assets. Non-GAAP EPS in 2011 were $3.77 excluding these items (see "Non-GAAP Income and Non-GAAP EPS" below).

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