MERCK & CO. NYSE-MRK

RECENT PRICE **37.16** | P/E RATIO **11.3** (Trailing: 12.0 / Median: 19.0) | RELATIVE P/E RATIO **0.66** | DIV'D YLD **4.1%** | **VALUE LINE**

TIMELINESS 3 Lowered 5/1/09
SAFETY 2 Raised 4/17/09
TECHNICAL 3 Lowered 1/1/10
BETA .80 (1.00 = Market)

2012-14 PROJECTIONS

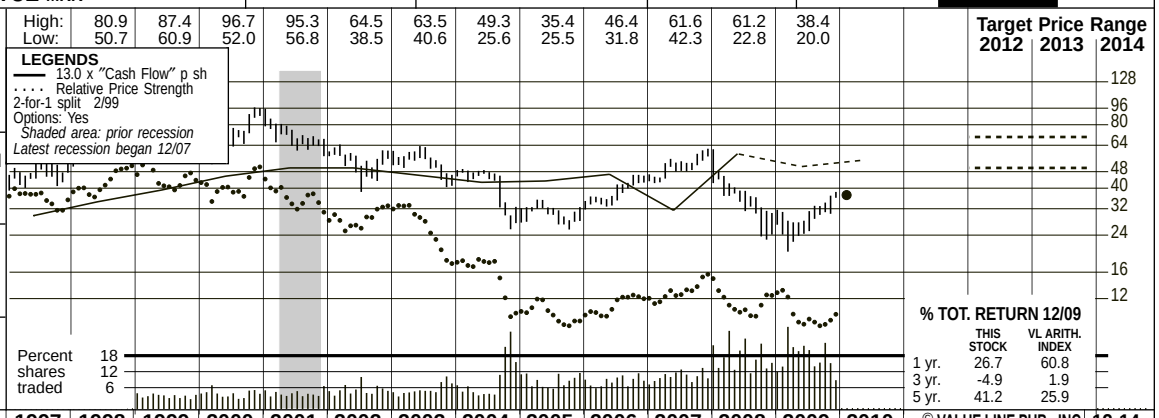
	Price	Gain	Ann'l Total Return
High	70	(+90%)	*20%*
Low	50	(+35%)	*11%*

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2009	2Q2009	3Q2009
to Buy	458	479	481
to Sell	542	481	467
Hld's(000)	1514068	1635292	1669040



1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
4.19	6.00	6.79	8.22	9.90	11.40	14.05	17.49	20.99	23.07	10.12	10.39	10.09	10.44	11.14	11.32	*11.05*	*14.45*	Sales per sh	*17.00*
1.23	1.47	1.63	1.91	2.28	2.65	3.02	3.51	3.85	3.85	3.56	3.29	3.34	3.59	2.42	4.48	*3.90*	*4.20*	"Cash Flow" per sh	*4.65*
1.17	1.19	1.35	1.60	1.92	2.15	2.45	2.90	3.14	3.14	2.92	2.61	2.53	2.52	1.49	3.64	*3.10*	*3.30*	Earnings per sh [A]	*3.50*
.52	.57	.62	.71	.85	.95	1.10	1.21	1.37	1.41	1.45	1.49	1.52	1.52	1.52	1.52	1.52	*1.52*	Div'ds Decl'd per sh [B]■	*1.52*
.40	.40	.41	.50	.61	.84	1.10	1.18	1.20	1.06	.86	.78	.64	.45	.47	.62	*.55*	*.55*	Cap'l Spending per sh	*.60*
4.00	4.46	4.78	4.96	5.28	5.42	5.69	6.43	7.06	8.11	7.01	7.83	8.21	8.10	8.37	8.90	*9.85*	*11.25*	Book Value per sh	*15.40*
2507.9	2495.7	2457.7	2413.2	2387.3	2360.5	2329.1	2307.6	2272.7	2245.0	2221.8	2208.6	2181.9	2167.8	2172.5	2107.7	*2110.0*	*2075.0*	Common Shs Outst'g [C]	*2050.0*
15.1	14.0	18.4	21.3	24.8	30.0	29.8	25.6	22.7	17.3	18.2	16.2	12.1	15.2	34.1	10.2	*9.5*		Avg Ann'l P/E Ratio	*17.0*
.89	.92	1.23	1.33	1.43	1.56	1.70	1.66	1.16	.94	1.04	.86	.64	.82	1.81	.62	*.56*		Relative P/E Ratio	*1.15*
2.9%	3.4%	2.5%	2.1%	1.8%	1.5%	1.5%	1.6%	1.9%	2.6%	2.7%	3.5%	5.0%	4.0%	3.0%	4.1%	4.1%		Avg Ann'l Div'd Yield	*2.6%*
32714	40363	47716	51790	22486	22939	22012	22636	24198	23850	*23350*	*30000*	Sales ($mill)	*35000*
27.7%	26.5%	24.1%	21.9%	44.1%	35.2%	35.2%	32.9%	31.4%	48.5%	*45.5%*	*37.5%*	Operating Margin	*35.0%*
1144.8	1277.3	1463.8	1488.3	1314.2	1450.7	1708.1	2268.4	1988.0	1631.2	*1700*	*1900*	Depreciation ($mill)	*2400*
5890.5	6821.7	7281.8	7149.5	6589.6	5813.4	5575.8	5513.0	3275.4	7808.4	*6540*	*6845*	Net Profit ($mill)	*7150*
31.7%	30.6%	30.0%	30.0%	27.2%	27.1%	29.1%	29.9%	2.8%	20.4%	*23.0%*	*24.0%*	Income Tax Rate	*25.0%*
18.0%	16.9%	15.3%	13.8%	29.3%	25.3%	25.3%	24.4%	13.5%	32.7%	*28.1%*	*22.8%*	Net Profit Margin	*20.5%*
2500.4	3643.8	1417.4	2458.7	1957.6	1731.1	7745.8	2507.5	2787.2	4986.2	*7000*	*8000*	Working Cap'l ($mill)	*8000*
3143.9	3600.7	4798.6	4879.0	5096.0	4691.5	5125.6	5551.0	3915.8	3943.3	*8200*	*8200*	Long-Term Debt ($mill)	*8500*
13242	14832	16050	18201	15576	17288	17917	17560	18185	18758	*20800*	*23300*	Shr. Equity ($mill)	*31600*
36.6%	37.7%	35.5%	31.5%	32.4%	26.9%	24.9%	24.5%	15.5%	34.8%	*23.0%*	*22.0%*	Return on Total Cap'l	*18.5%*
44.5%	46.0%	45.4%	39.3%	42.3%	33.6%	31.1%	31.4%	18.0%	41.6%	*31.5%*	*29.5%*	Return on Shr. Equity	*22.5%*
24.9%	27.1%	25.8%	21.7%	21.4%	14.5%	12.4%	12.5%	NMF	24.1%	*16.0%*	*16.0%*	Retained to Com Eq	*13.0%*
44%	41%	43%	45%	49%	57%	60%	60%	101%	42%	*49%*	*46%*	All Div'ds to Net Prof	*43%*

CAPITAL STRUCTURE as of 9/30/09
Total Debt $9071.5 mill. **Due in 5 Yrs** $3100 mill.
LT Debt $8204.7 mill. **LT Interest** $200.0 mill. (28% of Cap'l)

Pension Assets-12/08 $5.9 bill. **Oblig.** $7.1 bill.

Pfd Stock None

Common Stock 2,109,178,112 shs.

MARKET CAP: $78 billion (Large Cap)

CURRENT POSITION ($MILL.)	2007	2008	9/30/09
Cash Assets	8230.8	5486.4	22256.3
Receivables	3636.2	3778.9	3803.9
Inventory (LIFO)	1881.0	2283.3	2096.3
Other	1297.4	7756.3	1512.3
Current Assets	15045.4	19304.9	29668.8
Accts Payable	624.5	617.6	568.4
Debt Due	1823.6	2297.1	866.8
Other	9810.1	11404.0	6590.5
Current Liab.	12258.2	14318.7	8025.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Sales	1.0%	-9.5%	*7.5%*
"Cash Flow"	4.5%	-1.5%	*5.0%*
Earnings	3.0%	-3.5%	*5.5%*
Dividends	6.0%	1.5%	*NMF*
Book Value	5.0%	2.5%	*10.5%*

Calendar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	5410	5772	5410	6044	22636
2007	5769	6112	6074	6243	24198
2008	5822	6052	5943	6033	23850
2009	5385	5900	6050	*6015*	*23350*
2010	*7050*	*7450*	*7700*	*7800*	*30000*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.78	.73	.51	.50	2.52
2007	.78	.77	.70	d.75	1.49
2008	1.52	.82	.51	.78	3.64
2009	.67	.74	.90	*.79*	*3.10*
2010	*.80*	*.80*	*.85*	*.85*	*3.30*

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.38	.38	.38	.38	1.52
2007	.38	.38	.38	.38	1.52
2008	.38	.38	.38	.38	1.52
2009	.38	.38	.38	.38	1.52
2010					

BUSINESS: Merck & Co., Inc. is a leading manufacturer of human and animal health care and specialty chemical products. Important product names include *Singulair* (asthma); *Vytorin*, *Zocor* (cholesterol-lowering agents); *Fosamax* (osteoporosis); *Crixivan* (HIV/AIDS); *Vasotec*, *Prinivil* (angiotensin converting enzyme (ACE) inhibitors for high blood pressure and angina); and *Prilosec* (gastro.). Medco acq. 11/93, spun off 8/03. R&D, 20.1% of sales; Estimated plant age: 24 yrs. Has 55,200 employees, about 200,000 stockholders. Capital World owns 4.8% of common, Officers and Directors own less than 1% of stock (3/09 proxy). Chrmn., Pres. & CEO: Richard T. Clark. Inc.: NJ. Addr.: P.O. Box 100, Whitehouse Station, NJ 08889. Tel. 908-423-1000. Internet: www.merck.com

Despite challenging economic conditions, Merck has performed well in 2009. The company posted third-quarter earnings of $0.90 a share, up 76% year over year. The figure excludes a $1.7 billion aftertax gain from the sale of Merial Limited, as well as restructuring charges and merger-related expenses. Revenues increased 2%, bolstered by the continued popularity of several key products; *Singulair*, $1.1 billion (up 5%), *Januvia*, $491 million (up 30%), and *Janumet*, $173 million (up 72%).

Merck will be losing exclusivity on some key products in 2010. Sales of *Cozaar* and *Hyzaar* (hypertension) are expected to decline considerably in the coming quarters. These medications will lose market exclusivity in the U.S. and major European regions during the first half of 2010, allowing for increased competition. Combined, these hypertension medications are Merck's second-highest selling product, behind *Singulair* (Respiratory). Their total expected sales for 2009 are $3.4 billion-$3.7 billion, or roughly 15% of total sales.

Merck's merger with Schering-Plough was finalized in the fourth quarter of 2009. Shareholders of both companies voted to approve the proposed merger back in August. Since then, plans progressed rather smoothly, with completion taking place in early November. The deal, priced at $41.1 billion, represents the second largest in the industry for 2009, behind Pfizer's $67 billion acquisition of Wyeth. In our view, Merck will benefit substantially from the move. Not only does the company acquire a number of valuable Schering-Plough products (further bolstering its already robust pipeline), it is also is expected to cut roughly 15% of the combined workforce, which ought to lead to considerable cost savings down the road.

These shares may interest long-term investors. With a successful execution of the Schering-Plough merger, we believe Merck's top- and bottom-line growth prospects improve considerably out to 2012-2014. Moreover, appreciation potential over this time is well above *The Value Line Investment Survey* median. The stock also possesses an Above-Average Safety rank and a strong dividend yield relative to its industry.

Michael Ratty *January 15, 2010*

(A) Based on avg. shares outstanding through 1997, diluted thereafter. May not sum due to rounding. Excludes nonrecurring gain (losses): '93, (46¢); '98, 1¢; '05, (43¢); '06, (13¢). Next egs. report due late Feb.
(B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	15
Earnings Predictability	70

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