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Singapore: Merck and AstraZeneca have amended the option agreement related to their partnership known as AstraZeneca LP (AZLP). The updated agreement provides that AstraZeneca will not exercise its option to acquire Merck's remaining interest in AZLP in 2012 and provides AstraZeneca a new option to acquire Merck's partnership interest in June 2014. This amended agreement benefits both companies and provides clarity around the valuation process at the conclusion of the partnership.

As a result of the amended agreement, Merck will continue to record supply sales and equity income from the partnership for

the remainder of 2012 and 2013. In 2014, AstraZeneca now will have the option to purchase Merck's remaining interest in AZLP based in part on an agreed-upon calculation of the value of Merck's interest in Prilosec and Nexium. AstraZeneca's option is exercisable between March 1, 2014 and April 30, 2014. If AstraZeneca chooses to exercise this option, the closing date is expected to be June 30, 2014.

Under the amended agreement, the agreed-upon valuation for Merck's interest in Nexium and Prilosec for the 2014 exercise is a fixed sum of $327 million, subject to a true-up in 2018 based on actual sales from closing in 2014 to June 2018. Also, the exercise price will include an additional amount equal to a multiple of ten times Merck's average one percent annual profit allocation in the partnership for the three-years prior to exercise. The exercise price calculation also could include the net present value of up to five percent of future U.S. sales of Vimovo, subject to a sales threshold that has not yet been achieved plus certain additional amounts.

Merck previously assumed it would record sales and earnings contributions from AZLP only through Sept. 2012. The continuation of the partnership is expected to contribute approximately $200 million to Merck's revenues and approximately $0.03-0.05 in earnings per share to Merck in 2012 and does not change Merck's prior full-year guidance for 2012.

As a result of declining sales of Nexium and supply of bulk Nexium by third-party suppliers, the quarterly contribution to earnings in 2013 is expected to be lower than the fourth-quarter 2012 contribution. Merck expects to provide full-year 2013 guidance during its fourth-quarter 2012 earnings call.

"This amendment provides clarity about the valuation of this long and successful partnership and enhances our ability to drive Merck's performance through the impact of U.S. SINGULAIR patent expiration later this year," said Peter N. Kellogg, executive vice president and chief financial officer of Merck. "We are confident that we can achieve our 2012 targets, and this agreement will help partially offset the macroeconomic and market austerity pressures anticipated in 2013."