

SCHERING PLOUGH CORP

Form 424B3

August 02, 2007

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Registration No. 333-145055**

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion: Dated August 2, 2007

Prospectus Supplement to Prospectus Dated August 2, 2007

50,000,000 Common Shares

Schering-Plough Corporation

Schering-Plough is offering 50,000,000 of its common shares.

Schering-Plough's common shares are listed on the New York Stock Exchange under the symbol SGP. The last reported price of the common shares on August 1, 2007 was \$29.38 per common share.

Concurrently with this offering, Schering-Plough is also conducting a separate registered public offering of 10,000,000 shares of % mandatory convertible preferred stock (11,500,000 shares of % mandatory convertible preferred stock if the underwriters exercise their option to purchase additional shares of mandatory convertible preferred stock in full). The shares of % mandatory convertible preferred stock will be offered pursuant to a separate prospectus supplement. This offering is not conditioned upon the successful completion of the offering of % mandatory convertible preferred stock.

See Risk Factors on page S-5 of this prospectus supplement to read about factors you should consider before buying common shares.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to the public	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Schering-Plough	\$	\$

To the extent the underwriters sell more than 50,000,000 common shares, the underwriters have the option to purchase up to 7,500,000 additional common shares from Schering-Plough at the initial price to the public less the underwriting discount.

The underwriters expect to deliver the common shares against payment in New York, New York on or about _____, 2007.

Goldman, Sachs & Co.
Global Coordinator

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

Citi

Morgan Stanley

BNP PARIBAS

Credit Suisse

JPMorgan

Daiwa Securities America Inc.

Santander Investment

Utendahl Capital Partners, L.P.

The Williams Capital Group, L.P.

Prospectus Supplement dated _____, 2007.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the heading **Where You Can Find More Information** .

If the information contained in this prospectus supplement varies from that contained in the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information provided in or incorporated by reference in this prospectus supplement or the accompanying prospectus. Schering-Plough has not authorized anyone else to provide you with different information. Schering-Plough is not making an offer of any securities in any state where the offer is not permitted. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of those documents and that any information Schering-Plough has incorporated by reference is accurate as of any date other than the date of the document incorporated by reference or such other date referred to in such document, regardless of the time of delivery of this prospectus supplement or any sale or issuance of a security.

Unless indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to Schering-Plough Corporation , Schering-Plough and the company or similar terms are to Schering-Plough Corporation and its consolidated subsidiaries, unless, in each case, the context clearly indicates otherwise.

Unless indicated otherwise, or the context otherwise requires, references in this prospectus supplement to the 2007 Preferred Stock mean the shares of mandatory convertible preferred stock offered in the concurrent offering, and references to the 2004 Preferred Stock mean the 6.00% Mandatory Convertible Preferred Stock issued by Schering-Plough on August 10, 2004, which will automatically convert into common shares on September 14, 2007, unless earlier converted, and that is listed on the New York Stock Exchange under the symbol SGP PrM .

The trademarks indicated by CAPITAL LETTERS in this prospectus supplement are the property of, licensed to, promoted or distributed by Schering-Plough Corporation, its subsidiaries or related companies. The trademarks indicated by ® in this prospectus supplement are the property of, licensed to, promoted or distributed by Organon BioSciences N.V., its subsidiaries or related companies.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus and other written reports and oral statements Schering-Plough makes from time to time may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations or forecasts of future

events. Schering-Plough uses words such as anticipate , believe , could , estimate , expect , forecast , project , potential , will , and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts.

In particular, forward-looking statements include statements relating to future actions; ability to access the capital markets; prospective products or product approvals; timing and conditions of regulatory approvals; patent and other intellectual property protection; future performance or results of

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current and anticipated products; sales efforts; research and development programs and anticipated spending; estimates of rebates, discounts and returns; expenses and programs to reduce expenses; the anticipated cost of and savings from reductions in work force; the outcome of contingencies such as litigation and investigations; growth strategy; expected synergies, cost savings and acquisition costs related to the planned Organon BioSciences acquisition; financial risks with respect to funding acquisitions; and financial results.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Actual results may vary materially from those anticipated in such forward-looking statements as a result of several factors, some of which are more fully described in the Risk Factors section beginning on page S-5 of this prospectus supplement and in the reports to the Securities and Exchange Commission incorporated by reference into this prospectus supplement and the accompanying prospectus, and there are no guarantees about the financial and operational performance or the performance of your investment. Schering-Plough does not assume the obligation to update any forward-looking statement for any reason.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the noon buying rate for euro, expressed in U.S. dollars per 1.00. The rates set forth below are provided solely for your convenience and were not used by us in the preparation of the Organon BioSciences combined financial statements and accompanying notes included in the accompanying prospectus or the unaudited pro forma condensed combined financial statements and accompanying notes included elsewhere in this prospectus supplement. The noon buying rate is the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

Noon Buying Rate

	Period End	Average⁽¹⁾	High	Low
Year:				
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2400	1.3476	1.1667
2006	1.3197	1.2665	1.3327	1.1860
2007 (through August 1, 2007)	1.3682	1.3421	1.3831	1.2904

⁽¹⁾ The average of the noon buying rate for euro on the last day of each full month during the relevant year or period.

The noon buying rate for euro on August 1, 2007 was \$1.3682.

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SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before buying Schering-Plough common shares. You should read the entire prospectus supplement and the accompanying prospectus carefully, including the section titled Risk Factors beginning on page S-5 of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

Schering-Plough Corporation

Overview

Schering-Plough is a global science-based company that discovers, develops and manufactures pharmaceuticals for three customer markets – human prescription, consumer and animal health. 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 consumer healthcare and animal health products. Schering-Plough also accesses external innovation via partnering, in-licensing and acquisition for all three customer markets.

Strategy Focused on Science

Earlier this decade, Schering-Plough experienced a number of business, regulatory, and legal challenges. In April 2003, the Board of Directors named Fred Hassan as the new Chairman of the Board and Chief Executive Officer of Schering-Plough Corporation. With support from the Board, he initiated a strategic plan, with the goal of stabilizing, repairing and turning around Schering-Plough in order to build long-term shareholder value. He also recruited a new senior executive team. That strategic plan, the Action Agenda, is a six- to eight-year, five-phase plan. In October 2006, Schering-Plough announced that it entered the fourth phase of the Action Agenda – Build the Base. During the Build the Base phase, Schering-Plough continues to focus on its strategy of value creation across a broad front, including:

growing the business;

penetrating new markets;

expanding the product portfolio for Schering-Plough's three customer markets – human pharmaceutical, consumer healthcare and animal health; and

discovering and developing or acquiring new products.

As part of the Build the Base phase, in March 2007 Schering-Plough announced its planned acquisition of Organon BioSciences N.V., referred to as Organon BioSciences or the OBS Group, for approximately \$11.0 billion in cash. This planned acquisition further supports Schering-Plough's value creation strategy.

A key component of the Action Agenda is applying science to meet unmet medical needs. Research and development activities focus on mechanisms to treat serious diseases. As a result, 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 been increasing its investment in research and development. Schering-Plough's progressing pipeline includes drug candidates across a wide range of therapeutic areas with more than 20 compounds now approaching or in Phase I development. As Schering-Plough continues to develop the later phase growth-drivers of

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the pipeline (e.g., thrombin receptor antagonist, golimumab, vicriviroc and HCV protease inhibitor), it anticipates higher spending on clinical trial activities.

As part of the Action Agenda, Schering-Plough is enhancing infrastructure, upgrading processes and systems and strengthening talent both the recruitment of talented individuals and the development of key employees. 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.

Schering-Plough's principal executive offices are located at 2000 Galloping Hill Road, Kenilworth, NJ 07033, and Schering-Plough's telephone number is (908) 298-4000. Schering-Plough was incorporated in New Jersey in 1970.

Concurrent Public Offering of 2007 Preferred Stock

Concurrently with this offering of common shares, Schering-Plough is offering 10,000,000 shares of 2007 Preferred Stock in a registered public offering (11,500,000 shares of 2007 Preferred Stock if the underwriters exercise their option to purchase additional 2007 Preferred Stock in full). The shares of 2007 Preferred Stock will be offered pursuant to a separate prospectus supplement. There is no assurance that the concurrent offering of 2007 Preferred Stock will be completed or, if completed, that it will be completed for the amounts contemplated. The completion of this offering of common shares is not conditioned on the completion of Schering-Plough's concurrent offering of 2007 Preferred Stock.

Planned Organon BioSciences Acquisition

On March 12, 2007, Schering-Plough announced that its board of directors approved the acquisition of Organon BioSciences, the human and animal health care businesses of Akzo Nobel N.V., referred to as Akzo Nobel, for approximately \$11 billion in cash. Schering-Plough believes the acquisition of Organon BioSciences will be a strong fit strategically, scientifically and financially.

Organon BioSciences will provide Schering-Plough with a strong base of products and businesses. Organon BioSciences' pharmaceutical business, Organon, includes leading products such as Puregon®/Follistim®, a follicle-stimulating hormone for infertility; Esmeron®/Zemuron®, a neuromuscular blocker used in surgical procedures; and NuvaRing® and Implanon® for contraception. In addition, Organon BioSciences' animal health business, Intervet, is one of the top three animal health care companies globally, based on 2006 revenues, with products treating a broad array of animals and disease states.

The acquisition is subject to certain closing conditions, including regulatory approvals from the United States Federal Trade Commission and the European Commission and completion of customary consultation procedures with the Works Council of Organon BioSciences in the Netherlands.

The transaction, which is expected to close by the end of 2007, is anticipated to be accretive to Schering-Plough's earnings per share in the first full year, excluding purchase-accounting adjustments and acquisition-related costs. Schering-Plough expects to achieve annual synergies of approximately \$500 million, however, it is expected that it will take three years from the closing of the acquisition to reach this level of synergies. Schering-Plough will finance the Organon BioSciences acquisition through a mix of cash, debt, and equity, including the net proceeds from this offering and the concurrent offering of 2007 Preferred Stock. Neither this offering nor the concurrent offering of 2007 Preferred Stock is conditioned upon the completion of the Organon BioSciences acquisition. For more information on the Organon BioSciences acquisition, see "Planned Acquisition of Organon BioSciences N.V." on page S-30.

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The Offering

Issuer	Schering-Plough Corporation.
Securities Offered	50,000,000 common shares.
Initial Offering Price	\$ for each common share.
Option to Purchase Additional Common Shares	To the extent the underwriters sell more than 50,000,000 common shares, the underwriters have the option to purchase up to 7,500,000 additional common shares from Schering-Plough at the initial price to the public, less the underwriting discounts, within 30 days from the date of this prospectus supplement.
Listing	Schering-Plough's common shares are listed on the New York Stock Exchange under the symbol "SGP".
Use of Proceeds	Schering-Plough intends to use the net proceeds from the sale of the common shares and the concurrent offering of 2007 Preferred Stock to fund a portion of the purchase price for the planned Organon BioSciences acquisition. If the Organon BioSciences acquisition is not completed, Schering-Plough will use the net proceeds from this offering for general corporate purposes, and Schering-Plough will have broad discretion in allocating the net proceeds from this offering. See "Use of Proceeds".

Unless otherwise stated, all information contained in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common shares.

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The following summary historical financial data have been derived from Schering-Plough's consolidated financial statements and should be read in conjunction with Schering-Plough's 2006 10-K and the second quarter 2007 10-Q, which are incorporated by reference into this prospectus supplement. Schering-Plough's unaudited financial information presented below for the six months ended June 30, 2007 and 2006 reflects all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of Schering-Plough's results of operations and financial position. Results for the six months ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year.

	As of and for the Six Months Ended June 30, 2007		As of and for the Year Ended December 31, 2006		
	2006	2005	2004	2003	2002
	(Unaudited)				
	(In millions, except per share data)				
Operating Results					
Net sales	\$ 6,153	\$ 5,369	\$ 10,594	\$ 9,508	\$ 8,272
Equity (income) from cholesterol joint venture	(978)	(666)	(1,459)	(873)	(347)
Income/(loss) before income taxes ⁽¹⁾	1,293	780	1,483	497	(168)
Net income/(loss) ⁽¹⁾⁽²⁾	1,103	630	1,143	269	(947)
Net income/(loss) available to common shareholders	1,060	587	1,057	183	(981)
Diluted earnings/(loss) per common share ⁽¹⁾	0.70	0.40	0.71	0.12	(0.67)
Basic earnings/(loss) per common share ⁽¹⁾	0.71	0.40	0.71	0.12	(0.67)
Research and development expenses	1,403	1,020	2,188	1,865	1,607
Depreciation and amortization expenses	243	251	568	486	453
Financial Position and Cash Flows					
Property, net	\$ 4,395	\$ 4,396	\$ 4,365	\$ 4,487	\$ 4,593
Total assets	17,061	15,367	16,071	15,469	15,911
Long-term debt	2,414	2,413	2,414	2,399	2,392
Shareholders' equity	8,870	7,968	7,908	7,387	7,556
Capital expenditures	275	192	458	478	489
Other Data					
Cash dividends per common share	\$ 0.12	\$ 0.11	\$ 0.22	\$ 0.22	\$ 0.22
Cash dividends paid on common shares	179	162	326	324	324
Cash dividends paid on preferred shares ⁽³⁾	43	43	86	86	30
Average shares outstanding used in calculating diluted earnings/(loss) per common share ⁽⁴⁾	1,579	1,487	1,491	1,484	1,472
Average shares outstanding used in calculating basic earnings/(loss) per common share	1,491	1,480	1,482	1,476	1,472
Common shares outstanding at period-end	1,496	1,481	1,487	1,479	1,474

⁽¹⁾ Operating results for the years ended 2006, 2005 and 2004 include special charges and manufacturing streamlining costs of \$248 million, \$294 million and \$153 million, respectively. Operating results for the six months ended June 30, 2007 and 2006 include special charges and manufacturing streamlining costs of \$12 million and \$138 million, respectively. See Note 2 to the Schering-Plough financial statements in the 2006

10-K incorporated by reference into this prospectus supplement for additional information on these charges that have been incurred in 2006, 2005, and 2004. See also Note 2 to the Schering-Plough financial statements in the second quarter 2007 10-Q incorporated by reference into this prospectus supplement for additional information on these charges that have been incurred in the six months ended June 30, 2007 and 2006.

- (2) In 2004, Schering-Plough recorded the tax impact of the intended repatriation of funds under the American Jobs Creation Act of 2004.
- (3) Reflects dividends paid on the 2004 Preferred Stock.
- (4) The increase in average diluted shares outstanding for the six months ended June 30, 2007 was due to the 2004 Preferred Stock being dilutive under accounting rules. The 2004 Preferred Stock was not dilutive with respect to prior periods.

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RISK FACTORS

Schering-Plough's business faces significant risks. Before you invest in the common shares, you should carefully consider all of the information included or incorporated by reference in this prospectus supplement and in the accompanying prospectus. In addition, you should carefully consider the following risks in addition to the risks and uncertainties described in Schering-Plough's reports to the SEC incorporated by reference into this prospectus supplement and the accompanying prospectus as the same may be updated from time to time.

Schering-Plough's future operating results and cash flows may differ materially from the results described in the accompanying prospectus and the documents incorporated by reference 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 prospectus supplement and the accompanying prospectus and the documents incorporated by reference.

Risks Related to the Planned Organon BioSciences Acquisition

The acquisition of Organon BioSciences is subject to certain closing conditions, including regulatory approvals, that could delay or prevent the completion of the acquisition or change the anticipated structure of the acquisition, which could impact anticipated cost savings from synergies, projected accretion to earnings from the transaction and results of future operations.

The completion and structure of the Organon BioSciences acquisition is subject to certain outside factors, including regulatory approvals from the European Commission and the Federal Trade Commission; and completion of the consultation processes with the Works Council of Organon BioSciences in the Netherlands.

Schering-Plough expects that the outcome of these proceedings will not impact the anticipated synergies and earnings accretion that Schering-Plough currently expects to achieve upon the acquisition of Organon BioSciences, the integration of the businesses of Schering-Plough and Organon BioSciences, or its plans to complete the acquisition no later than the end of 2007. For example, one of the possible outcomes is that Schering-Plough could be required to divest certain businesses or products; however, Schering-Plough expects that all such divestitures in the aggregate will not be material. However, until all regulatory and Works Councils proceedings are concluded, there are no assurances that the outcome of these proceedings will occur in accordance with these expectations.

In addition, the failure to complete the acquisition as currently contemplated could negatively affect Schering-Plough's stock price, future business and results of operations. The current market price of Schering-Plough's common shares may reflect a market assumption that the acquisition will occur, and a failure to complete the acquisition could result in a decline in the market price of Schering-Plough's common shares.

In the event that the Organon BioSciences acquisition does not close by December 30, 2007, Schering-Plough could incur material damages.

Schering-Plough currently anticipates that it will receive any necessary regulatory approvals and satisfy other closing conditions in sufficient time to close the acquisition of Organon BioSciences on or before December 30, 2007, as required by the binding offer from Schering-Plough to Akzo Nobel. However, were certain regulatory approvals not

obtained by that date as a result of a failure by Schering-Plough to use its reasonable best efforts and Schering-Plough does not close by

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that date, then Schering-Plough might be liable for damages relating to its breach of its obligations to complete the transaction by December 30, 2007, and such damages could be material.

Schering-Plough will face financial risks in funding the acquisition, which may have a material impact on results of operations and cash flows.

Schering-Plough intends to fund the acquisition purchase price with a mix of cash, proceeds from the issuance of common shares in this offering and from the concurrent offering of the 2007 Preferred Stock, and debt (in one or more series of unsecured debt of varying maturities).

Schering-Plough has obtained a fully committed \$1.1 billion bridge facility to fund any portion of the acquisition cost that has not been provided from the above sources by the acquisition closing date. The bridge facility must be repaid within a year of the acquisition closing date.

The ability to complete the anticipated issuances of debt and equity securities to fund the acquisition and/or repay the bridge facility, and the terms of the issuances, will depend upon market conditions, and unfavorable conditions could increase costs beyond what is anticipated. Such costs could have a material adverse impact on cash flows or the results of operations or both.

Further, the purchase price is significant and this use of funds will impact the availability of cash flows from operations and the capacity for future issuances of debt or equity or both, all of which could reduce Schering-Plough's flexibility to pursue future acquisitions and other opportunities. In addition, higher debt levels may make Schering-Plough more vulnerable to general adverse economic conditions.

Schering-Plough's credit ratings are currently under review due to the potential for increased debt levels relating to the acquisition, and the credit ratings could decline below their current levels. The impact of such decline could reduce the availability of commercial paper borrowing and could increase the interest rate on Schering-Plough's short and long-term debt. Any such increase in cost would negatively impact future cash flows and results of operations.

The integration of the businesses of Schering-Plough and Organon BioSciences to create a combined company will be a complex process, subject to unforeseen developments, which could impact anticipated cost savings from synergies, expected accretion to earnings and results of future operations.

As the two companies are combined, the workforces of Schering-Plough and Organon BioSciences will face uncertainties in the interim period from the closing date until the completion of the integration phase. Although substantial efforts will be made to complete the integration phase as quickly as possible, it is difficult to predict how long the integration phase will last.

During the interim period from closing through completion of the integration phase, the workforces of both companies may need to learn 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 will be made to facilitate smooth integration planning and execution—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 anticipated cost savings from synergies, anticipated accretion to earnings from the transaction and the results of future operations.

Organon BioSciences currently is a subsidiary of Akzo Nobel, and Akzo Nobel performs certain functions for Organon BioSciences (including information technology, compensation, benefits and other human resources functions). Akzo Nobel and Organon BioSciences had made certain arrangements to separate those functions prior to the time Schering-Plough and Akzo Nobel agreed

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that Schering-Plough would purchase Organon BioSciences. To date, however, the separation has not been fully completed, and some separation activities are continuing. As a result, Organon BioSciences and Schering-Plough will need to depend on certain services and cooperation from Akzo Nobel for some period after the acquisition closing date to facilitate a smooth transition and complete separation. Unforeseen delays or complications in the transition and separation process or the lack of cooperation from Akzo Nobel could increase integration costs.

Schering-Plough has not completed an analysis of change of control or other contractual provisions that may result from the Organon BioSciences acquisition.

Certain of Organon BioSciences' licenses and collaboration, co-development, co-marketing and other agreements may have change of control provisions that may be triggered by the acquisition. Should the final negotiation of these matters result in a loss of rights under these agreements, profits may be materially and adversely affected.

The acquisition of Organon BioSciences would increase the concentration of Schering-Plough's global operations, particularly in Europe, which would increase the risk that negative events in Europe could have a negative impact on future results of operations.

The acquisition of Organon BioSciences would further expand Schering-Plough's global human pharmaceutical and animal health businesses, particularly in Europe. Schering-Plough operates in more than 120 countries, and the majority of Schering-Plough's profit and cash flow is generated from its non-U.S. operations. There are inherent risks in increasing the concentration in a particular geographic area. These risks include currency exchange rate volatility; increasing regulation of research and development, product marketing, and product pricing; economic destabilization; political instability or other disruption; or war, terrorism, or a natural disaster that resulted in disruption/destruction in a geographic region where there are substantial business operations. After the acquisition of Organon BioSciences businesses, Schering-Plough would become more vulnerable to these adverse risks were such events to occur in Europe.

The acquisition of Organon BioSciences would expand Schering-Plough's animal health business worldwide, which would increase the risk that negative events in the animal health industry could have a negative impact on future results of operations.

Through the acquisition of Organon BioSciences' animal health businesses, Schering-Plough's global animal health business will become a more significant business segment. The combined company's future sales of key animal health products could be adversely impacted by a number of factors including interruptions in manufacturing or supply, new competitive developments to treat the same conditions, technological advances, factors affecting production or marketing costs, or pricing actions by one or more of Schering-Plough's competitors. Further, 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, which could adversely impact Schering-Plough's results of operations. 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.

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Upon the acquisition of Organon BioSciences, Schering-Plough would increase its 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 E.U., 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 European Medicines Agency 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 vaccine candidates and FDA approval for the release of each manufactured lot.

Manufacturing biologics, especially in large quantities, is sometimes complex and may require the use of innovative technologies to handle living micro-organisms. 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.

Biologics are frequently costly to manufacture because the 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.

Upon the acquisition of Organon BioSciences, Schering-Plough would acquire marketed products and pipeline projects in therapeutic areas not currently covered by Schering-Plough's existing marketed products portfolio and pipeline projects, including women's health and fertility, anesthesia, and neuroscience, each of which carry unique risks and uncertainties which could have a negative impact on future combined results of operations.

Organon BioSciences markets products in therapeutic areas that are new to Schering-Plough. Each therapeutic area presents a different risk profile, including different benefits and safety issues that must be balanced by Schering-Plough and the regulators as various R&D 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 the 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 be material.

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If the Organon BioSciences acquisition does not close, Schering-Plough will have broad discretion to use the proceeds from this offering.

Because the closing of the Organon BioSciences acquisition is subject to a number of closing conditions as described above, Schering-Plough cannot assure you that the acquisition will close. If the acquisition does not close, the Board of Directors will have significant discretion to allocate the proceeds from this offering and the concurrent offering of 2007 Preferred Stock to other uses.

Risks Related to Schering-Plough

The risks and uncertainties described below related to Schering-Plough's existing business will continue to apply to the combined company after the closing of Schering-Plough's planned acquisition of Organon BioSciences. References to Schering-Plough in this section refer to Schering-Plough before the closing of the acquisition and the combined company from and after the closing of the acquisition.

Key Schering-Plough products generate a significant amount of Schering-Plough's profits and cash flows, and any events that adversely affect the market 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 is largely dependent upon the continued profitability of Schering-Plough's cholesterol franchise, consisting of VYTORIN and ZETIA. In addition, other key products such as REMICADE, NASONEX, PEGINTRON, TEMODAR, CLARINEX, and AVELOX account for a material portion of revenues. As a result of Schering-Plough's dependence on key products, any events that adversely affect the markets for these products could have a significant impact on results of operations. These events include loss of patent protection, increased costs associated with manufacturing, 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.

For example, the profitability of Schering-Plough's cholesterol franchise may be adversely affected by the introduction of multiple generic forms in December 2006 of two competing cholesterol products that lost patent protection earlier in 2006.

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 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 development and marketing of new products, and uncertainties in the regulatory and approval process may result in the failure of products to reach the market.

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;

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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. Upon the expiration or the successful challenge of Schering-Plough's patents covering a product, competitors may introduce lower-priced generic versions of that product, which may include Schering-Plough's well-established products. 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). Such generic competition could result in the loss of a significant portion of sales or downward pressures on the prices at which Schering-Plough offers formerly patented products, particularly in the U.S. Patents and patent applications relating to Schering-Plough's significant products are of material importance to Schering-Plough.

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' patents in the U.S., as well as the discussion of 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 loss of market exclusivity and render such patents invalid. An adverse result in a patent dispute involving patents held by a third party may preclude the commercialization of Schering-Plough's products, force Schering-Plough to obtain licenses in order to continue manufacturing or marketing the affected products, which licenses may not be available on commercially reasonable terms, negatively affect sales of existing products or result in injunctive relief and payment of financial remedies.

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. 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 or not infringed. 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. In recent years, 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. 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 Part II, Item 1, "Legal Proceedings" in the second quarter 2007 10-Q, for a list of current Paragraph IV certifications for Schering-Plough products.

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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 increased 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 is resulting in increased use of generics and increased purchasing power of those negotiating on behalf of Medicare recipients.

In addition to legislation concerning price controls, other trends that could affect Schering-Plough's business include legislative or regulatory action relating to pharmaceutical pricing and reimbursement, health care reform initiatives and drug importation legislation, involuntary approval of medicines for OTC use, consolidation among customers and trends toward managed care and health care costs containment. Increasingly, market approval or reimbursement of products may be impacted by health technology assessments, which seek to condition approval or reimbursement on an assessment of the impact of health technologies on the healthcare system.

In the U.S., as a result of the government's efforts to reduce Medicaid expenses, managed care organizations continue to grow in influence, and Schering-Plough faces increased pricing pressure as managed care organizations 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.

Government investigations against 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. Attorney's 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.

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

There are other legal matters in which adverse outcomes could negatively affect Schering-Plough's 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 could 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 its business.

Please refer to Legal Proceedings in Item 3 in Schering-Plough's 2006 10-K and Part II, Item 1 in Schering-Plough's second quarter 2007 10-Q for descriptions of significant pending litigation. For the combined company after the acquisition closing date, see also Note 27 of Organon BioSciences' combined financial statements for the years ended December 31, 2006, 2005 and 2004 and Note 17 to Organon BioSciences' unaudited condensed combined interim financial statements for the six months ended June 30, 2007 and 2006 included in the accompanying prospectus.

Schering-Plough is subject to governmental regulations, and the failure to comply with, as well as the costs of compliance of, these regulations may adversely affect Schering-Plough's financial position and results of operations.

Schering-Plough's manufacturing facilities and clinical/research practices 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 financial position, cash flows and results of operations. Failure to comply with regulations, which include pharmacovigilance reporting requirements and standards relating to clinical, laboratory and manufacturing practices, can result in delays in the approval of drugs, seizure or recalls of drugs, suspension or revocation of the authority necessary for the production and sale of drugs, fines and other civil or criminal sanctions.

For example, in May 2002, Schering-Plough agreed with the FDA to the entry of a Consent Decree to resolve issues related to compliance with current Good Manufacturing Practices at certain of Schering-Plough's facilities in New Jersey and Puerto Rico. The Consent Decree work placed significant additional controls on production and release of products from these sites, which increased costs and slowed production and led to a reduction in the number of products produced at the sites. Further, Schering-Plough's research and development operations were negatively impacted by the Consent Decree because these operations share common facilities with the manufacturing operations.

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

Developments following regulatory approval may decrease demand for 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;

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uncertainties concerning safety 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. These situations also have raised concerns among some prescribers and patients relating to the safety and efficacy of pharmaceutical products in general, which have negatively affected the sales of such products.

In addition, following the wake of recent product withdrawals of other companies and other significant safety issues, health authorities such as the U.S. Food and Drug Administration, the European Medicines Agency and the Pharmaceuticals and Medicines Device Agency 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 the prevalence of negative publicity regarding known side effects of any of Schering-Plough's products, it could significantly reduce demand for the product or may require Schering-Plough to remove the product from the market. 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 Partnership. 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.

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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.

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.

Schering-Plough operates in more than 120 countries, and the majority of Schering-Plough's profit and cash flow is generated from international operations. Acquisitions, such as the recently announced purchase of Organon BioSciences, would further expand the size, scale and scope of its 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.

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 and/or 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. Schering-Plough has entered into a foreign currency option to partially mitigate the currency exchange rate risk on the euro purchase price of the Organon BioSciences acquisition. In addition, Schering-Plough has entered into a series of interest rate swaps to partially mitigate interest rate risk associated with financing the purchase of Organon BioSciences. 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.

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

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relationship of insurance coverage to self-insurance varies accordingly. For certain products, third-party insurance may be cost prohibitive, available on limited terms or unavailable.

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 its jurisdictions. 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's 1997-2006 tax returns remain open for examination by the Internal Revenue Service. Schering-Plough may be challenged by the IRS and other tax authorities on positions it has taken in its income tax returns. Although 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, 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.

Risks Related to the Offering

The market price of the common shares may be volatile.

Schering-Plough cannot predict how the common shares will trade. From the beginning of 2005 to June 30, 2007, the reported high and low sales prices for the common shares ranged from a low of \$17.67 per share to a high of \$33.81 per share. The market price of the common shares will likely continue to fluctuate in response to a number of factors, including the following, most of which are beyond Schering-Plough's control:

- quarterly fluctuations in Schering-Plough's operating and financial results;
- developments related to investigations, proceedings or litigations that involve Schering-Plough;
- changes in financial estimates and recommendations by financial analysts;
- dispositions, acquisitions and financings;
- changes in the ratings of Schering-Plough's other securities;
- fluctuations in the stock price and operating results of the competitors;
- regulatory developments; and
- developments related to the pharmaceutical industry.

In addition, the stock markets in general, including the New York Stock Exchange, experience price and trading fluctuations. These fluctuations may result in volatility in the market prices of securities that could be unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the common shares.

Common shares eligible for future issuance or sale may cause the common share price to decline.

Issuances or sales of substantial numbers of additional common shares or the perception that such issuances or sales could occur, may cause prevailing market prices for the common shares to decline and may adversely affect the ability to raise additional capital in the financial markets at a time and price favorable to Schering-Plough. Subject to any anti-dilution adjustments, an additional to common shares will be issuable upon conversion of the 2007 Preferred Stock offered in the concurrent offering (and an additional to common shares if the underwriters

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exercise their option to purchase additional shares of 2007 Preferred Stock in full). Schering-Plough will reserve for issuance the maximum number of common shares issuable upon conversion of the 2007 Preferred Stock offered in the concurrent offering.

The issuance of preferred shares could adversely affect holders of common shares, which may negatively impact your investment.

Schering-Plough's board of directors is authorized to issue additional classes or series of preferred shares without any action on the part of the shareholders. The board of directors also has the power, without shareholder approval, to set the terms of any such classes or series of preferred shares that may be issued, including voting rights, dividend rights and preferences over the common shares with respect to dividends or upon the liquidation, dissolution or winding up of the business and other terms. If Schering-Plough issues preferred shares in the future that have preference over the common shares with respect to the payment of dividends or upon liquidation, dissolution or winding up, or if Schering-Plough issues preferred shares with voting rights that dilute the voting power of the common shares, the rights of holders of the common shares or the market price of the common shares could be adversely affected.

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USE OF PROCEEDS

Schering-Plough estimates that the net proceeds from the sale of the common shares will be approximately \$1.431 billion (based on an assumed offering price to the public of \$29.38 per common share, which was the closing price of Schering-Plough's common shares on the New York Stock Exchange on August 1, 2007), or \$1.646 billion if the underwriters exercise in full their option to purchase additional common shares, after deducting the underwriting discounts and estimated offering expenses payable by Schering-Plough. Concurrently with this offering, Schering-Plough is also offering 10,000,000 shares of 2007 Preferred Stock. Schering-Plough estimates that the net proceeds from the 2007 Preferred Stock offering, based upon an assumed public offering price of \$250 per share, will be approximately \$2.435 billion, or \$2.801 billion if the underwriters exercise in full their option to purchase additional 2007 Preferred Stock, after deducting the underwriting discounts and estimated offering expenses payable by Schering-Plough. Neither the completion of this offering nor the completion of the 2007 Preferred Stock offering is conditioned upon the other.

Schering-Plough intends to use the net proceeds from the sale of the common shares to fund a portion of the approximately \$11 billion purchase price (or \$15.1 billion based on the noon buying rate for euro on August 1, 2007) for the planned Organon BioSciences acquisition, which is expected to close by the end of 2007. Schering-Plough intends to fund the remainder of the acquisition price through a combination of the net proceeds from the concurrent offering of 2007 Preferred Stock, cash on hand and debt, which may include borrowings under a committed \$11 billion bridge facility.

If the planned Organon BioSciences acquisition is not completed, Schering-Plough will use the net proceeds from this offering for general corporate purposes, including:

- to acquire additional marketed products and pipeline projects (through acquisitions of companies or through product licenses which may include royalties, license fees and milestone payments),
- research and development costs,
- the repayment of debt,
- litigation costs, and
- other capital expenses and other operating expenses.

Schering-Plough will invest the net proceeds from this offering in U.S. dollar or foreign currency denominated short-term, interest-bearing, investment-grade obligations and bank deposits until they are applied as described above. If the planned Organon BioSciences acquisition is not completed, Schering-Plough will have broad discretion in allocating the net proceeds from this offering.

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Schering-Plough's common shares are traded on the New York Stock Exchange under the trading symbol "SGP". The high and low closing sales prices per share for the periods indicated were as follows, together with the dividends declared per common share for such periods:

	High	Low	Dividends Per Common Share
Year Ended December 31, 2004:			
First Quarter	\$ 18.97	\$ 15.96	\$.055
Second Quarter	18.70	16.10	.055
Third Quarter	19.98	17.55	.055
Fourth Quarter	21.76	19.05	.055
Year Ended December 31, 2005:			
First Quarter	\$ 21.41	\$ 17.68	\$.055
Second Quarter	20.94	17.89	.055
Third Quarter	22.45	18.48	.055
Fourth Quarter	21.76	19.05	.055
Year Ended December 31, 2006:			
First Quarter	\$ 20.93	\$ 18.00	\$.055
Second Quarter	20.00	18.25	.055
Third Quarter	22.09	18.60	.055
Fourth Quarter	23.90	21.25	.055
Year Ended December 31, 2007:			
First Quarter	\$ 25.51	\$ 22.75	\$.055
Second Quarter	33.34	25.42	.065
Third Quarter (through August 1, 2007)	32.83	28.54	

On August 1, 2007, the closing sale price of the common shares on the New York Stock Exchange was \$29.38 per share. At the close of business on June 30, 2007, there were 35,221 holders of record of the common shares.

DIVIDEND POLICY

Schering-Plough has regularly paid cash dividends and expects to continue to pay cash dividends. The current quarterly cash dividend is \$.065 per common share. Holders of common shares are entitled to share equally in the dividends that may be declared by Schering-Plough's board of directors, but only after payment of dividends required to be paid on outstanding shares of preferred stock. The continued declaration of dividends by the board of directors is subject to Schering-Plough's current and prospective earnings, financial condition, capital requirements and any other factors that the board of directors deems relevant. See "Description of Capital Stock" in the accompanying prospectus.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain U.S. federal income tax consequences relevant to the purchase, ownership and disposition of the common shares. The following summary is based upon current provisions of the Internal Revenue Code of 1986, as amended, referred to as the Code, Treasury Regulations and judicial and administrative authority, all of which are subject to change, possibly with retroactive effect. State, local and foreign tax consequences are not summarized, nor are tax consequences to special classes of investors including, but not limited to, tax-exempt organizations, insurance companies, banks or other financial institutions, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, dealers in securities, persons liable for the alternative minimum tax, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, and persons that will hold the common shares as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction. Tax consequences may vary depending upon the particular status of an investor. The summary is limited to taxpayers who will hold the common shares as capital assets (generally, held for investment) and who purchase the common shares in the initial offering at the initial offering price. Each potential investor should consult with its own tax adviser as to the federal, state, local, foreign and any other tax consequences of the purchase, ownership, conversion, and disposition of the common shares.

If an entity treated as a partnership for U.S. federal income tax purposes holds the common shares, the U.S. federal income tax treatment of the partnership and its partners will generally depend on the status of the partners and the activities of the partnership and its partners. A partner in a partnership holding the common shares should consult its own tax advisor with regard to the U.S. federal income tax treatment of an investment therein.

U.S. Holders

The discussion in this section is addressed to a holder of the common shares that is a U.S. holder for federal income tax purposes. You are a U.S. holder if you are a beneficial owner of the common shares that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States; (ii) a corporation created or organized in the United States or under the laws of the United States or of any State (or the District of Columbia); (iii) an estate whose income is subject to United States federal income tax regardless of its source; or (iv) a trust if (x) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (y) the trust has validly elected to be treated as a U.S. domestic trust.

Distributions

Distributions with respect to the common shares (other than certain stock distributions) will be taxable as dividend income when paid to the extent of Schering-Plough's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. To the extent that the amount of a distribution with respect to the common shares exceeds Schering-Plough's current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in such common shares and thereafter as capital gain.

Distributions constituting dividend income received by an individual in respect of the common shares before January 1, 2011 are generally subject to taxation at a maximum rate of 15%. Distributions on the common shares constituting dividend income paid to holders that are U.S. corporations will generally qualify for the dividends received deduction. A U.S. holder should consult its own tax advisor regarding the availability of the reduced dividend tax rate and the dividends received deduction in light of its particular circumstances.

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Dispositions

A U.S. holder will generally recognize capital gain or loss on a sale or exchange of the common shares equal to the difference between the amount realized upon the sale or exchange and the holder's adjusted tax basis in the shares sold or exchanged. Such capital gain or loss will be long-term capital gain or loss if the holder's holding period for the shares sold or exchanged is more than one year. Long-term capital gains of noncorporate taxpayers are generally taxed at a lower maximum marginal tax rate than the maximum marginal tax rate applicable to ordinary income. The deductibility of net capital losses by individuals and corporations is subject to limitations.

Information Reporting and Backup Withholding on U.S. Holders

Certain U.S. holders may be subject to backup withholding with respect to the payment of dividends on the common shares unless such U.S. holders provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against such holder's U.S. federal income tax, which may entitle the holder to a refund, provided that the holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a holder who is required to furnish information but does not do so in the proper manner. Holders are urged to consult their own tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury Regulations.

Non-U.S. Holders

The discussion in this section is addressed to holders of the common shares that are non-U.S. holders. You are a non-U.S. holder if you are not a U.S. holder or an entity treated as a partnership for U.S. federal income tax purposes.

Distributions

Generally, distributions treated as dividends as described above paid to a non-U.S. holder with respect to the common shares will be subject to a 30% U.S. withholding tax, or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are (i) effectively connected with a trade or business carried on by the non-U.S. holder within the United States (and the non-U.S. holder provides the payor with a Form W-8ECI (or other applicable form)) and (ii) if an income tax treaty applies, attributable to a U.S. permanent establishment or, in the case of an individual, a fixed base maintained by the non-U.S. holder. Dividends effectively connected with such trade or business, and, if an income tax treaty applies, attributable to such permanent establishment, will generally be subject to U.S. federal income tax on a net basis at applicable individual or corporate rates. A non-U.S. holder that is a corporation may be subject to a branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on the deemed repatriation from the United States of its effectively connected earnings and profits, subject to certain adjustments. Under applicable Treasury Regulations, a non-U.S. holder (including, in certain cases of non-U.S. holders that are entities, the owner or owners of such entities) will be required to satisfy certain certification requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty.

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Dispositions

A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the common shares so long as:

the gain is not effectively connected with a U.S. trade or business of the holder (or, if a tax treaty applies, the gain is not attributable to a U.S. permanent establishment or, in the case of an individual, a fixed base maintained by such non-U.S. holder); and

in the case of a non-resident alien individual, such holder is not present in the United States for 183 or more days in the taxable year of the sale or disposition and certain other conditions are met.

Information Reporting and Backup Withholding on Non-U.S. Holders

Payment of dividends, and the tax withheld with respect thereto, is subject to information reporting requirements. These information reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty or withholding was not required because the dividends were effectively connected with a trade or business in the United States conducted by the non-U.S. holder. Copies of the information returns reporting such dividends and withholding may also be made available under the provisions of an applicable income tax treaty or agreement to the tax authorities in the country in which the non-U.S. holder resides. U.S. backup withholding will generally apply on payment of dividends to non-U.S. holders unless such non-U.S. holders furnish to the payor a Form W-8BEN (or other applicable form), or otherwise establish an exemption.

Payment by a U.S. office of a broker of the proceeds of a sale of the common shares is subject to both backup withholding and information reporting unless the non-U.S. holder, or beneficial owner thereof, as applicable, certifies that it is a non-U.S. holder on Form W-8BEN (or other applicable form), or otherwise establishes an exemption. Subject to exceptions, backup withholding and information reporting generally will not apply to a payment of proceeds from the sale of the common shares if such sale is effected through a foreign office of a broker.

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against such holder's U.S. federal income tax, which may entitle the holder to a refund, provided that the holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a holder who is required to furnish information but does not do so in the proper manner. Holders are urged to consult their own tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury Regulations.

Table of Contents**UNDERWRITING**

Schering-Plough and the underwriters for the offering named below have entered into an underwriting agreement with respect to the common shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of common shares indicated in the following table. Goldman, Sachs & Co., Banc of America Securities LLC, Bear, Stearns & Co. Inc., Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Banc of America Securities LLC	
Bear, Stearns & Co. Inc.	
Citigroup Global Markets Inc.	
Morgan Stanley & Co. Incorporated	
BNP Paribas Securities Corp.	
J.P. Morgan Securities Inc.	
Credit Suisse Securities (USA) LLC	
Daiwa Securities America Inc.	
Santander Investment Securities Inc.	
Utendahl Capital Partners, L.P.	
The Williams Capital Group, L.P.	
Total	50,000,000

The underwriters are committed to take and pay for all of the common shares being offered, if any are taken, other than the common shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more common shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 7,500,000 common shares from Schering-Plough. They may exercise that option for 30 days. If any of the common shares are purchased pursuant to this option, the underwriters will severally purchase common shares in approximately the same proportion as set forth in the table above.

The following table shows the per common share and total underwriting discounts to be paid to the underwriters by Schering-Plough. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 7,500,000 additional common shares.

Paid by Schering-Plough	No Exercise	Full Exercise
Per Common Share	\$	\$
Total	\$	\$

Common shares will initially be offered at the initial price to the public set forth on the cover of this prospectus supplement. Any common shares sold by the underwriters to securities dealers may be sold at a discount of up to \$

per common share from the initial price to the public. If all of the common shares are not sold at the initial price to the public, the representatives may change the offering price and the other selling terms. The offering of the common shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

Subject to some exceptions, including with respect to the issuance of the 2007 Preferred Stock to be issued and sold in the concurrent public offering, and issuances or sales in connection with employee or director stock incentive or option plans, Schering-Plough has agreed with the underwriters, for a period of 90 days from the date of this prospectus supplement, not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of,

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any of the common shares, or any options or warrants to purchase any of the common shares, or any of the securities that are substantially similar to the common shares, including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive, the common shares or any substantially similar securities, without the prior written consent of the representatives of the underwriters.

In addition, subject to some exceptions, certain of Schering-Plough's executive officers, directors and significant holders have agreed with the underwriters, for a period beginning from the date of the preliminary prospectus supplement covering the common shares and the preliminary prospectus supplement covering the 2007 Preferred Stock in the concurrent offering and continuing to and including the date 90 days after the date of the final prospectus supplement covering the common shares and the final prospectus supplement covering the concurrent offering of the 2007 Preferred Stock, not to (i) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any of Schering-Plough's common shares, or any options or warrants to purchase any of Schering-Plough's common shares, or any securities convertible into, exchangeable for or that represent the right to receive common shares, in each case, whether now beneficially owned or hereinafter acquired by the executive officer, director or significant holder, or (ii) enter into any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the common shares even if such common shares would be disposed of by someone other than the executive officer, director or significant holder, in each case, without the prior written consent of the representatives of the underwriters.

In connection with the offering, the underwriters may purchase and sell common shares in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of common shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional common shares in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional common shares or purchasing common shares in the open market. In determining the source of the common shares to close out the covered short position, the underwriters will consider, among other things, the price of common shares available for purchase in the open market as compared to the price at which they may purchase common shares through the option to purchase additional common shares pursuant to the option granted to them. Naked short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing common shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common shares made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the common shares, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common shares. As a result, the price of the common shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

Schering-Plough estimates that its share of the total expenses of the offering, excluding underwriting discounts, will be approximately \$1,000,000.

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Schering-Plough has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Goldman, Sachs & Co. is currently acting as financial advisor to Schering-Plough, for which they are paid usual and customary fees. Banc of America Securities LLC is the administrative agent, and together with Citigroup Global Markets Inc. is a joint lead arranger and lender, under Schering-Plough's \$1.5 billion credit agreement entered into on May 19, 2004 and amended on December 29, 2005. Certain of the other underwriters or their affiliates are also lenders under the credit agreement. Additionally, Goldman, Sachs & Co., Banc of America Securities LLC, Bear, Stearns & Co. Inc., Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, BNP Paribas Securities Corp. and J.P. Morgan Securities Inc., or their respective affiliates, have committed to act as lenders under Schering-Plough's \$1.1 billion bridge facility.

In addition, the underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial banking or investment banking services for Schering-Plough, its subsidiaries or its affiliates for which they received or will receive customary fees and expenses.

Daiwa Securities America Inc. (DSA) has entered into an agreement with SMBC Securities, Inc. (SMBCSI) pursuant to which SMBCSI provides certain advisory and/or other services to DSA, including services with respect to this offering. In return for the provision of such services by SMBCSI to DSA, DSA will pay to SMBCSI a mutually agreed-upon fee.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospective Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- (d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the

same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State

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and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the common shares in, from or otherwise involving the United Kingdom.

Italy

The offering of the common shares has not been registered with CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no shares may be offered, sold or delivered, nor may copies of this document or of any other document relating to the shares be distributed in the Republic of Italy except: (i) to qualified investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No. 11522 of 1 July 1998, as amended; and (ii) in circumstances which are exempt from public offer rules pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the common shares or distribution of copies of this document or any other document relating to the shares in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993, as amended; and (b) in compliance with any other applicable laws and regulations.

France

This document is not being distributed in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code monétaire et financier*, and has therefore not been submitted to the *Autorité des Marchés Financiers* for prior approval and clearance procedure.

Each of the underwriters represents and agrees that it has not offered or sold and will not offer or sell, directly or indirectly, the common shares to the public in France, and has not distributed or caused to be distributed and will not distribute, or cause to be distributed to the public in France, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the shares, and that such offers, sales and distributions have been and will be made in France only to (a) providers of the investment service of portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account (other than individuals), all as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1 of the French *Code monétaire et financier*.

The common shares may be resold directly or indirectly only in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier*.

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Sweden

Each underwriter has represented and agreed that when an offer of shares to the public is made in Sweden, the guidelines enumerated for the European Economic Area apply, except that, with respect to paragraph (b), offers may only be made to legal entities who, for each of the last two financial years, fulfilled at least two of the following conditions: (1) an average of at least 250 employees, (2) a total balance sheet of more than 43,000,000 and (3) a net turnover of more than 50,000,000, as shown in its profit and loss account.

Switzerland

No public solicitation of investors or other offering or advertising activities in respect of the common shares can be carried out in Switzerland. The common shares may only be offered by way of private placement to banks, securities dealers or other regulated entities, to institutional investors with a professional treasury management, or to a limited number of other investors not exceeding 20.

Japan

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The common shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

Each underwriter has acknowledged that this prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the underwriters have represented and agreed that they have not offered or sold any common shares or caused the common shares to be made the subject of an invitation for subscription or purchase and will not offer or sell the common shares or cause the common shares to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant

to Section 275(1), or any person pursuant to

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Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

VALIDITY OF SECURITIES

McCarter & English, LLP is passing upon the validity of the issuance of the common shares in this offering. In addition, Susan Ellen Wolf, Esq., the Corporate Secretary, is passing upon certain matters related to this offering. Ms. Wolf is an officer of Schering-Plough and beneficially owns common shares and holds options to purchase additional common shares. Ms. Wolf is eligible to participate in the Schering-Plough Corporation 2006 Stock Incentive Plan and the Schering-Plough Employees' Saving Plan and may receive benefits under those plans. Shearman & Sterling LLP, New York, New York, is passing upon certain legal matters for the underwriters.

EXPERTS

The consolidated financial statements, the related financial statement schedule, and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus supplement and the accompanying prospectus by reference from Schering-Plough's 2006 10-K have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the consolidated financial statements and financial statement schedule and include an explanatory paragraph regarding Schering-Plough's adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share-Based Payment, and SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans; (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting; and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended March 31, 2007 and 2006, and June 30, 2007 and 2006, which is incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in Schering-Plough's first and second quarter 2007 10-Q, and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not reports or a part of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Securities Act.

WHERE YOU CAN FIND MORE INFORMATION

Schering-Plough files reports, proxy statements and other information with the SEC. You may read and copy any document Schering-Plough files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the SEC maintains a website that contains reports, proxy statements and other information that Schering-Plough electronically files. The address of the SEC's website is <http://www.sec.gov>. You may also inspect Schering-Plough's SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

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INCORPORATION OF INFORMATION SCHERING-PLOUGH FILES WITH THE SEC

The SEC allows Schering-Plough to incorporate by reference the information it files with them, which means:

incorporated documents are considered part of this prospectus;

Schering-Plough can disclose important information to you by referring you to those documents; and

information that Schering-Plough files with the SEC will automatically update and supersede this incorporated information.

Schering-Plough incorporates by reference the documents listed below, which were filed with the SEC under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act):

its 2006 10-K filed with the SEC on February 28, 2007;

its first quarter 2007 10-Q filed with the SEC on April 27, 2007;

its second quarter 2007 10-Q filed with the SEC on July 27, 2007;

its 8-K filed with the SEC on January 29, 2007;

its 8-K filed with the SEC on March 16, 2007;

its 8-K filed with the SEC on April 19, 2007;

its 8-K filed with the SEC on June 28, 2007;

its 8-K filed with the SEC on July 11, 2007;

its 8-K filed with the SEC on July 23, 2007;

the following sections of its Proxy Statement for the 2007 Annual Meeting of Shareholders on Schedule 14A filed with the SEC on April 20, 2007: Proposal One: Elect Eleven Directors for a One-Year Term , Section 16(a) Beneficial Ownership Reporting Compliance , Information About the Audit Committee of the Board of Directors and its Practices , Committees of the Board of Directors , Executive Compensation , Director Compensation , Stock Ownership , Certain Transactions , Procedures for Related Party Transactions and Director Independence Assessments , Director Independence , and Proposal Two: Ratify the Designation of Deloitte & Touche LLP to Audit Schering-Plough's Books and Accounts for 2007 ; and

the description of Schering-Plough's common shares contained in its Registration Statement on Form 8-A filed with the SEC on March 16, 1979, and any amendment or report filed for the purpose of updating such description.

Schering-Plough also incorporates by reference each of the following documents that Schering-Plough will file with the SEC after the date of this prospectus (excluding any portions of such documents that have been furnished but not

filed for purposes of the Exchange Act) until the offering of common shares pursuant to this prospectus supplement and the accompanying prospectus is complete:

reports filed under Section 13(a) and (c) of the Exchange Act;

definitive proxy or information statements filed under Section 14 of the Exchange Act in connection with any subsequent stockholders meeting; and

any reports filed under Section 15(d) of the Exchange Act.

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Schering-Plough does not incorporate by reference any information furnished under items 2.02 or 7.01 (or corresponding information furnished under item 9.01 or included as an exhibit) in any past or current Form 8-K filing (unless otherwise indicated).

You may request a copy of any filings referred to above (excluding exhibits not specifically incorporated by reference into the filing), at no cost, by contacting Schering-Plough in writing or by telephone (908-298-7436) at the following address: Investor Relations, Schering-Plough Corporation, 2000 Galloping Hill Road, Kenilworth, NJ 07033.

Documents may also be available on Schering-Plough's website at <http://www.schering-plough.com>. Please note that all references to <http://www.schering-plough.com> in this prospectus supplement are inactive textual references only and that the information contained on Schering-Plough's website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, or intended to be used in connection with the offering of the common shares.

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PLANNED ACQUISITION OF ORGANON BIOSCIENCES N.V.

On March 12, 2007, Schering-Plough announced that its board of directors approved the acquisition of Organon BioSciences, the human and animal health care businesses of Akzo Nobel, for approximately 11 billion in cash (\$15.1 billion based on the noon buying rate for euro on August 1, 2007). Schering-Plough believes the acquisition of Organon BioSciences will be a strong fit strategically, scientifically and financially.

Organon BioSciences will provide Schering-Plough with a strong base of products and businesses. Organon BioSciences pharmaceutical business, Organon, includes leading products such as Puregon®/Follistim®, a follicle-stimulating hormone for infertility; Esmeron®/Zemuron®, a neuromuscular blocker used in surgical procedures; NuvaRing®, Implanon®, Marvelon®/Desogen® and Mercilon®/Mirecette® for contraception; Livial® for menopause/osteoporosis; Ovestin® for menopause-related symptoms; and Remeron® and Tolvon® for depression.

In addition to the currently marketed products, Organon currently has five compounds in Phase III development, including:

Asenapine, a psychopharmacologic agent for the treatment of patients with schizophrenia and acute mania bipolar disorder;

Sugammadex, for the reversal of neuromuscular blockade induced during surgical procedures;

NOMAC/E2, an oral contraceptive product containing nomegestrol acetate, a novel progesterone, and estriadiol, a natural estrogen;

ORG36286, a long-acting recombinant follicle-stimulating hormone for infertility; and

Esmirtazapine (ORG50081), for the treatment of insomnia and potentially for hot flashes in menopausal women.

Organon BioSciences animal health business, Intervet, is one of the top three animal health care companies globally, based on 2006 revenues. The Intervet business has a strong science base. Intervet's products treat a broad array of animals and disease states. Intervet's products include Nobiva®, a range of canine vaccines; Panacur®, a de-wormer; Bovilis®, a bovine biological for disease control and eradication; and Nobilis®, a poultry vaccine to keep flocks free from infectious disease.

The transaction, which is expected to close by the end of 2007, is anticipated to be accretive to Schering-Plough's earnings per share in the first full year, excluding purchase-accounting adjustments and acquisition-related costs. Schering-Plough expects to achieve annual synergies of approximately \$500 million, however, it is expected that it will take three years from the closing of the acquisition to reach this level of synergies. Schering-Plough will finance the Organon BioSciences acquisition through a mix of cash, debt, and equity, including the net proceeds from this offering and the concurrent offering of 2007 Preferred Stock. Schering-Plough also has a committed 11 billion bridge facility. Any borrowings under the bridge facility may remain outstanding for up to one year following closing.

Schering-Plough and Organon have entered into a binding offer letter and have agreed to execute a fully negotiated share purchase agreement upon completion of customary consultation procedures involving the Works Council of Organon BioSciences in the Netherlands. The acquisition is also subject to certain closing conditions, including regulatory approvals from the United States Federal Trade Commission and the European Commission.

Under Dutch law, Organon BioSciences is required to seek the Works Council's advice regarding the planned acquisition by Schering-Plough. The initial advice from the Works Council was issued on July 27, 2007 and was positive, but contained a number of conditions which are now being negotiated by the parties. In addition, Organon BioSciences intends to provide the Works Council with a written response supporting its decision not to comply with certain of the conditions set forth in the Works

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Council's initial advice. The Works Council has the right to appeal with the appropriate appeals court in Amsterdam alleging that Organon BioSciences was not reasonable in determining to move forward with the transaction. The court can reject Organon BioSciences' decision to move forward only if the decision was manifestly unreasonable or if Organon BioSciences did not properly conduct the consultations with the Works Council or did not sufficiently consider the Works Council's position, in which case, a further appeal may be taken. If the court is of the opinion that this is not the case, then it would reject the Works Council's appeal.

Schering-Plough has completed customary due diligence, however, Schering-Plough's access to some information during that process was limited because of antitrust regulations. Until Schering-Plough consummates the acquisition, Schering-Plough will not have complete access to information about Organon BioSciences. Further, because Organon BioSciences is not itself a public company, but part of the Akzo Nobel family of companies, public information about Organon BioSciences is limited. For historical financial information about Organon BioSciences, see Organon BioSciences' combined financial statements in the accompanying prospectus.

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SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined balance sheet and unaudited pro forma condensed statements of combined operations as of and for the six months ended June 30, 2007 and for the year ended December 31, 2006 have been prepared on a basis consistent with accounting principles generally accepted in the United States of America, referred to as U.S. GAAP, and applicable requirements of the Securities and Exchange Commission (SEC). The unaudited pro forma condensed combined financial statements are derived by applying pro forma adjustments to the combined historical financial statements of Schering-Plough and Organon BioSciences N.V., referred to as Organon BioSciences or the OBS Group, as the case may be, and which comprise the human and animal health businesses of Akzo Nobel N.V. Organon BioSciences' historical audited combined financial statements as of December 31, 2006 and 2005 and for each of the years in the three-year period ended December 31, 2006, and the historical unaudited condensed combined interim financial statements as of and for the six month periods ended June 30, 2007 and 2006, each of which have been prepared under International Financial Reporting Standards, as adopted by the European Union, referred to as IFRS, appear on pages F-1 to F-104 in the accompanying prospectus. The unaudited pro forma condensed statements of combined operations give effect to the following transactions as if such transactions had occurred on January 1, 2006. The unaudited pro forma condensed combined balance sheet gives effect to the following transactions as if such transactions had occurred on June 30, 2007:

The planned acquisition by Schering-Plough of Organon BioSciences, referred to as the Organon BioSciences acquisition, for aggregate cash consideration of approximately \$14.79 billion (approximately 11.00 billion).

The financing of the Organon BioSciences acquisition with aggregate proceeds of \$10.30 billion from the following financing transactions:

Issuance of the 2007 Preferred Stock for net proceeds of \$2.44 billion;

Issuance of common shares for net proceeds of \$1.46 billion; and

Draw down of debt under a committed bridge facility in the amount of \$6.40 billion.

The use of existing Schering-Plough cash, cash equivalents and short-term investments of \$4.49 billion to fund the purchase price.

The pro forma adjustments are based upon available information, preliminary estimates and certain assumptions that Schering-Plough believes are reasonable based on information currently available, and are described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed statements of combined operations should not be considered indicative of actual results that would have been achieved had the Organon BioSciences 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.

The acquisition of Organon BioSciences is currently under regulatory review, and a share purchase agreement has not been executed between Akzo Nobel and Schering-Plough. Further, Schering-Plough has not completed an analysis of change of control or other contractual provisions that may result from the acquisition. As a result, pro forma adjustments related to the following matters have not been included in the unaudited pro forma condensed combined financial statements:

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The effects of business or product divestitures required to obtain regulatory clearance. Currently such divestitures are not expected to be material in the aggregate.

The effects of change of control or other contractual provisions. Should the final negotiation of these matters result in a loss of rights under these contracts, profits may be materially and adversely affected.

In addition, final agreements have not been reached on the transfer of Organon BioSciences pension and other post-employment and post-retirement assets and liabilities from Akzo-Nobel to

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SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

Schering-Plough. As a result, these unaudited pro forma condensed combined financial statements reflect a reasonable allocation of such assets and liabilities and related expense amounts made by Organon BioSciences management as described in Note 21 to the Organon BioSciences combined financial statements for the years ended December 31, 2006, 2005 and 2004 included in the accompanying prospectus. Such allocations may not be indicative of the actual separation of the pension and other post-employment and post-retirement assets and liabilities.

The Organon BioSciences acquisition will be accounted for using the purchase method of accounting in conformity with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations as issued by the Financial Accounting Standards Board (FASB) in the U.S. Under this method, the purchase price and transaction related costs will be allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired (including identifiable intangible assets) will be allocated to goodwill.

In connection with the preliminary purchase price allocation, Schering-Plough has made estimates of the fair values of assets and liabilities based upon assumptions that Schering-Plough believes are reasonable. The allocation of purchase price for acquisitions requires use of accounting estimates and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values. Schering-Plough's process for estimating the fair values of in-process research and development, identifiable intangible assets and certain tangible assets requires significant estimates and assumptions including, but not limited to, determining the timing and estimated costs to complete the in-process projects, projecting regulatory approvals, estimating future cash flows and developing appropriate discount rates.

The allocation of purchase price is subject to finalization of Schering-Plough's analysis of the fair value of the assets acquired and liabilities assumed as of the acquisition date. The final allocation of the purchase price may result in additional adjustments to the recorded amounts of assets and liabilities and may also result in adjustments to depreciation, amortization and in-process research and development. These adjustments could result in material increases or decreases to net income available to common shareholders. Further revisions to the purchase price allocation will be made as additional information becomes available.

Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted upon completion of the final valuation. Such adjustments could be material. The final valuation is expected to be completed as soon as practicable but no later than 12 months after the consummation of the Organon BioSciences acquisition.

The U.S. GAAP historical Organon BioSciences amounts included in the unaudited pro forma condensed combined balance sheet as of June 30, 2007 and the unaudited pro forma condensed statement of combined operations for the six months ended June 30, 2007 are derived from the Organon BioSciences unaudited IFRS condensed combined interim balance sheet and statement of income presented in Euro as of and for the six months ended June 30, 2007 converted to U.S. GAAP and translated to U.S. Dollars. The U.S. GAAP historical Organon BioSciences amounts included in the unaudited pro forma condensed statement of combined operations for the year ended December 31, 2006 are derived from the Organon BioSciences audited IFRS statement of income presented in Euro for the year ended December 31, 2006 converted to U.S. GAAP and translated to U.S. Dollars.

A reconciliation of Organon BioSciences combined net income and combined invested equity between U.S. GAAP and IFRS as of and for the year ended December 31, 2006 have been included as Note 32 to the Organon BioSciences

historical audited combined financial statements included in the accompanying prospectus.

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SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

A reconciliation of Organon BioSciences' unaudited combined net income and combined invested equity between U.S. GAAP and IFRS as of and for the six months ended June 30, 2007 has been included as Note 21 to the Organon BioSciences historical unaudited condensed combined interim financial statements included in the accompanying prospectus.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only. They do not purport to present what Schering-Plough's results of operations or financial condition would have been had these transactions actually occurred on the dates indicated, nor do they purport to represent Schering-Plough's results of operations for any future period or financial condition for any future date. Furthermore, no effect has been given in the unaudited pro forma condensed statements of combined operations for synergistic benefits that may be realized through the combination of Schering-Plough and Organon BioSciences or the costs that have been or may be incurred in integrating their operations.

The unaudited pro forma condensed combined financial statements should be read in conjunction with Schering-Plough's historical consolidated financial statements and related notes thereto, Management's Discussion and Analysis of Financial Condition and Results of Operations included in Schering-Plough's 2006 10-K and second quarter 2007 10-Q, which are incorporated by reference into this prospectus supplement, and Organon BioSciences historical audited combined financial statements as of December 31, 2006 and 2005 and for each of the years in the three-year period ended December 31, 2006 and historical unaudited condensed combined interim financial statements as of June 30, 2007 and for the six months ended June 30, 2007 and 2006 included in the accompanying prospectus.

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2007
(in millions)**

	U.S. GAAP Historical		Pro Forma Adjustments		Pro Forma
	Schering-	Organon	(See Note 3)		Condensed
	Plough	BioSciences	Financing	Purchase	Combined
		(See Note 2)		Accounting	
			Increase/(Decrease)		
ASSETS					
Cash, cash equivalents and short-term investments	\$ 6,234	\$ 154	\$ 10,300(a)	\$ (14,792)(b)	\$ 1,896
Accounts receivable, net	2,119	1,058			3,177
Receivables from related parties, net		509		(509)(c)	
Inventories	1,723	1,180		745(d)	3,648
Deferred income taxes	234	34			268
Prepaid expenses and other current assets	993	35			1,028
Total current assets	11,303	2,970	10,300	(14,556)	10,017
Property, plant and equipment, net	4,395	1,499		672(e)	6,566
Goodwill	210	540		3,633(f)	4,383
Other intangible assets, net	265	113		5,337(g)	5,715
				3,000(h)	
				(3,000)(h)	
Other assets	888	556			1,444
Total assets	\$ 17,061	\$ 5,678	\$ 10,300	\$ (4,914)	\$ 28,125
LIABILITIES AND SHAREHOLDERS EQUITY					
Accounts payable	\$ 1,334	\$ 817	\$	\$	\$ 2,151
Payables to related parties		1,570		(1,570)(c)	
Short-term borrowings and current portion of long-term debt	246	186			432
U.S., foreign and state income taxes	169	177			346
Other accrued liabilities	2,178	51		500(i)	2,729
Total current liabilities	3,927	2,801		(1,070)	5,658

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Long-term debt	2,414	76	6,400(a)		8,890
Deferred income taxes	111	76		1,544(j)	1,731
Other long-term liabilities	1,739	337			2,076
Total long-term liabilities	4,264	489	6,400	1,544	12,697
Mandatory convertible preferred shares	1,438		2,500(a)		3,938
Common shares	1,021		25(a)		1,046
Paid-in capital	1,921		1,375(a)		3,296
Invested equity		2,388		(2,388)(k)	
Retained earnings	10,723			(3,000)(h)	7,723
Accumulated other comprehensive loss	(773)				(773)
Treasury shares	(5,460)				(5,460)
Total shareholders equity	8,870	2,388	3,900	(5,388)	9,770
Total liabilities and shareholders equity	\$ 17,061	\$ 5,678	\$ 10,300	\$ (4,914)	\$ 28,125

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**UNAUDITED PRO FORMA CONDENSED STATEMENT OF COMBINED OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(in millions, except per share amounts)**

	U.S. GAAP Historical		Pro Forma Adjustments (See Note 3)		Pro Forma Condensed Combined
	Schering Plough	Organon BioSciences (See Note 2)	Financing Increase/(Decrease)	Purchase Accounting	
Net sales	\$ 6,153	\$ 2,468	\$	\$	\$ 8,621
Cost of sales	1,913	766		245(l)	2,924
Selling, general and administrative	2,572	855			3,427
Research and development	1,403	442			1,845
Other (income)/expense, net	(62)	25	268(m)		231
Special and acquisition related charges	12				12
Equity income	(978)	(1)			(979)
Income before income taxes	1,293	381	(268)	(245)	1,161
Income tax expense/(benefit)	190	74	(54)(n)		210
Net income	1,103	307	(214)	(245)	951
Preferred stock dividends	43		75(o)		118
Net income available to common shareholders	\$ 1,060	\$ 307	\$ (289)	\$ (245)	\$ 833
Diluted earnings per common share	\$ 0.70				\$ 0.53(p)
Basic earnings per common share	\$ 0.71				\$ 0.54(p)
Weighted average shares outstanding:					
Diluted	1,579				1,564
Basic	1,491				1,541

Table of Contents**SCHERING-PLOUGH CORPORATION**

**UNAUDITED PRO FORMA CONDENSED STATEMENT OF COMBINED OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006
(in millions, except per share amounts)**

	U.S. GAAP Historical		Pro Forma Adjustments (See Note 3)		Pro Forma Condensed Combined
	Schering Plough	Organon BioSciences (See Note 2)	Financing Increase/(Decrease)	Purchase Accounting	
Net sales	\$ 10,594	\$ 4,643	\$	\$	\$ 15,237
Cost of sales	3,697	1,498		490(l)	5,685
Selling, general and administrative	4,718	1,694			6,412
Research and development	2,188	781			2,969
Other (income)/expense, net	(135)	23	537(m)		425
Special and acquisition related charges	102				102
Equity income	(1,459)	(3)			(1,462)
Income before income taxes	1,483	650	(537)	(490)	1,106
Income tax expense/(benefit)	362	9	(108)(n)		263
Net income before cumulative effect of a change in accounting principle	1,121	641	(429)	(490)	843
Cumulative effect of a change in accounting principle, net of tax	(22)				(22)
Net income	1,143	641	(429)	(490)	865
Preferred stock dividends	86		150(o)		236
Net income available to common shareholders	\$ 1,057	\$ 641	\$ (579)	\$ (490)	\$ 629
Diluted earnings per common share:					
Earnings available to common shareholders before cumulative effect of a change in accounting principle	\$ 0.69				\$ 0.39
Cumulative effect of a change in accounting principle	0.02				0.02

Diluted earnings per common share	\$ 0.71	\$ 0.41(p)
Basic earnings per common share:		
Earnings available to common shareholders before cumulative effect of a change in accounting principle	\$ 0.69	\$ 0.39
Cumulative effect of a change in accounting principle	0.02	0.02
Basic earnings per common share	\$ 0.71	\$ 0.41(p)
Weighted average shares outstanding:		
Diluted	1,491	1,541
Basic	1,482	1,532

Table of Contents**SCHERING-PLOUGH CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****1. DESCRIPTION OF THE PLANNED ORGANON BIOSCIENCES ACQUISITION AND BASIS OF PRESENTATION**

On March 12, 2007, Schering-Plough announced its plan to acquire Organon BioSciences for approximately 11.00 billion in cash. The transaction is subject to certain closing conditions, including regulatory approvals, and is expected to close by the end of 2007.

The Organon BioSciences acquisition will be accounted for in accordance with U.S. GAAP using the purchase method of accounting. Under this method, the purchase price and transaction related costs are allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired (including identifiable intangible assets) is allocated to goodwill.

This allocation of the purchase price is subject to finalization of Schering-Plough's analysis of the fair value of the assets acquired and liabilities assumed as of the Organon BioSciences acquisition date. The final allocation of the purchase price may result in additional adjustments to the recorded amounts of assets and liabilities and may also result in adjustments to depreciation, amortization and in-process research and development. The adjustments arising out of the finalization of the purchase price allocation will not impact cash flows. However, such adjustments could result in material increases or decreases to net income available to common shareholders. Further revisions to the purchase price allocation will be made as additional information becomes available.

Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted upon completion of the final valuation. Such adjustments could be material. The final valuation is expected to be completed as soon as practicable but no later than 12 months after the consummation of the Organon BioSciences acquisition.

The unaudited pro forma condensed combined balance sheet gives effect to the Organon BioSciences acquisition and related financing as if it had occurred on June 30, 2007. The historical unaudited condensed combined balance sheet for Organon BioSciences at June 30, 2007, prepared in accordance with IFRS and presented in Euro, has been converted to U.S. GAAP and has been translated to U.S. Dollars using a rate of \$1.35, which approximates the Euro conversion rate to U.S. Dollars at June 30, 2007. The unaudited pro forma condensed statement of combined operations for the six months ended June 30, 2007 and the twelve months ended December 31, 2006, gives effect to the Organon BioSciences acquisition and related financing as if it had occurred on January 1, 2006. The historical combined statement of income for Organon BioSciences for the six months ended June 30, 2007 and the twelve months ended December 31, 2006, prepared in accordance with IFRS and presented in Euro, have been converted to U.S. GAAP and have been translated to U.S. Dollars using exchange rates of \$1.33 and \$1.25, respectively, which approximates the average Euro conversion rate to U.S. Dollars for the applicable period.

The estimated purchase price was calculated as follows:

(in millions, except exchange rate)

Consideration in Euro	11,000(1)
Exchange rate in U.S. Dollars per 1.00 Euro	\$ 1.35

Consideration in U.S. Dollars	\$ 14,850
Transaction costs	50

Estimated purchase price including net debt assumed	\$ 14,900
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- (1) Includes 80 million (approximately \$108 million using the June 30, 2007 exchange rate of 1.00 = \$1.35) of net debt assumed by Schering-Plough.

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Table of Contents**SCHERING-PLOUGH CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)**

The preliminary allocation of the purchase price as of June 30, 2007 is summarized below:

Preliminary Purchase Price Allocation as of June 30, 2007	Allocation of Purchase Price to Net Assets Acquired (in millions)
Identifiable intangible assets	\$ 5,450(1)
Property, plant and equipment	2,171
Inventories	1,925
Other non-current assets	196
Net working capital, excluding Inventories	28
Deferred income tax, net	(1,238)
Acquisition related liabilities	(500)
Other long-term liabilities	(413)
Goodwill	4,173
In-process research and development (IPR&D)	3,000(2)
Estimated purchase price to be allocated	\$ 14,792
Net debt assumed by Schering-Plough	108
Estimated purchase price including net debt assumed	\$ 14,900

(1) The allocation of the purchase price to intangible assets includes trade names, products and product rights, and other identifiable intangibles, with a composite estimated useful live of approximately 12 years.

(2) The amounts allocated to in-process research and development will be charged to the statement of operations in the period the Organon BioSciences acquisition is consummated. This IPR&D amount is excluded from the unaudited pro forma condensed statements of combined operations as this charge is not expected to have a continuing impact on operations.

2. HISTORICAL COMBINED FINANCIAL STATEMENTS OF ORGANON BIOSCIENCES

The historical combined financial statements of Organon BioSciences as of December 31, 2006 and 2005 and for each of the years in the three-year period ended December 31, 2006, prepared in accordance with IFRS, are included in the accompanying prospectus. A reconciliation of Organon BioSciences combined net income and combined invested equity between U.S. GAAP and IFRS as of and for the year ended December 31, 2006 has been included in Note 32 to those financial statements included in the accompanying prospectus.

The unaudited condensed combined interim financial statements of Organon BioSciences as of and for the six-month period ended June 30, 2007 have been prepared in accordance with IFRS. A reconciliation of Organon BioSciences combined net income and combined invested equity between U.S. GAAP and IFRS as of June 30, 2007 and for the six-month period ended June 30, 2007 has been included as Note 21 to those financial statements, included in the accompanying prospectus.

The amounts in the U.S. GAAP historical Organon BioSciences columns in the unaudited pro forma condensed combined financial statements were derived from the Organon BioSciences

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SCHERING-PLOUGH CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)

historical annual audited and unaudited condensed combined interim financial statements included in the accompanying prospectus and have been adjusted for the following:

U.S. GAAP adjustments applied to the Organon BioSciences IFRS financial statements, including but not limited to, adjustments related to business combinations, pensions and other postretirement benefits, the impairment of goodwill, research and development costs, differing treatment of subsequent events between U.S. GAAP and IFRS, tax on elimination of intercompany profits and deferred income taxes.

Currency amounts have been translated from Euro to U.S. Dollars (at the rates specified in Note 1 to these unaudited pro forma condensed combined financial statements in accordance with SFAS No. 52 Foreign Currency Translation.)

Schering-Plough is in the process of reviewing Organon BioSciences accounting policies and financial statement classifications. As a result of that review, it may become necessary to make reclassifications or adjustments to the consolidated financial statements of Schering-Plough on a prospective basis.

3. PRO FORMA ADJUSTMENTS

Pro forma condensed combined balance sheet adjustments

(a) Reflects the following financing transactions:

Issuance of the 2007 Preferred Stock for net proceeds of \$2.44 billion;

Issuance of common shares for net proceeds of \$1.46 billion; and

Draw down of debt under a committed bridge facility in the amount of \$6.40 billion. The bridge facility has been classified as long-term debt, reflecting Schering-Plough's intention to replace the bridge facility with long-term debt of varying maturities.

(b) Reflects use of cash, cash equivalents and short-term investments of \$14.79 billion, including the financing discussed in (a) above, to fund the purchase price.

(c) Reflects related party receivables, net and payables that will be settled as part of the transaction.

(d) Reflects the adjustment of the historical Organon BioSciences inventories to estimated fair value. Because this adjustment is directly attributed to the transaction and will not have a continuing impact, it is not reflected in the unaudited pro forma condensed statements of combined operations. However, this inventory adjustment will result in an increase in cost of sales in the periods subsequent to the consummation of the transaction during which the related inventories are sold.

(e) Reflects the adjustment to step-up the carrying values of the Organon BioSciences property, plant and equipment to estimated fair value.

(f) Reflects the addition of goodwill from the purchase price allocation of \$4.17 billion and the elimination of historical Organon BioSciences goodwill of \$540 million.

(g) Reflects the portion of the purchase price allocated to Organon BioSciences acquired identifiable intangible assets.

(h) Reflects the portion of the purchase price allocated to acquired in-process research and development projects that, as of the closing date of the Organon BioSciences acquisition, will not have reached technological feasibility and will have no alternative future use. Because this expense is directly attributable to the Organon BioSciences acquisition and will not have a continuing impact, it is not reflected in the unaudited pro forma condensed statements of combined operations. However, this

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SCHERING-PLOUGH CORPORATION

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL
STATEMENTS (Continued)**

item will be recorded as an expense in the financial statements of Schering-Plough in the period that the Organon BioSciences acquisition is completed.

(i) Reflects an estimate of acquisition-related liabilities.

(j) Reflects net deferred tax liabilities arising from the acquisition.

(k) Reflects the elimination of all components of the historical equity of Organon BioSciences.

Pro forma condensed statement of combined operations adjustments

(l) Reflects additional annual depreciation of \$45 million (\$23 million on a six-month basis) related to the fair value adjustment to depreciable property, plant and equipment depreciated over a weighted average useful life of approximately 15 years.

Also reflects annual amortization expense of \$445 million (\$222 million on a six-month basis) for identifiable intangible assets in connection with the Organon BioSciences acquisition at their estimated fair values.

(m) Adjustment reflects \$236 million (\$118 million on a six-month basis) of lower annual interest income due to the use of cash to fund the Organon BioSciences acquisition. An interest rate of 5.25%, which represents Schering-Plough's current weighted average interest rate, was used to estimate the reduction in interest income.

Also reflects the increase in annual interest expense of \$301 million, (\$150 million on a six-month basis). The interest rate used to calculate this adjustment was 4.7% and is based on the terms of the variable rate bridge facility as of June 30, 2007. A 1/8% increase in the bridge facility interest rate would increase annual interest expense by approximately \$8 million.

The bridge facility is expected to be refinanced into long-term debt of varying maturities. The adjustments included in the unaudited pro forma condensed statements of combined operations do not reflect the interest rates to be incurred upon the refinancing.

(n) Reflects the recognition of the income tax benefit of the above pro forma adjustments at an estimated tax rate of 25%.

(o) Reflects the additional Preferred Stock dividends resulting from the issuance of the 2007 Preferred Stock. This adjustment reflects a dividend rate of 6% consistent with the 2004 Preferred Stock.

(p) Earnings per share amounts are calculated using net income available to common shareholders as the numerator and reflect the following weighted average shares outstanding:

**Issuance
of**

Pro Forma

(all share amounts in millions)	Schering-Plough Historical	Common Shares	2004 Preferred Stock	Condensed Combined
For the year ended December 31, 2006:				
Diluted shares outstanding	1,491	50(1)		1,541
Basic shares outstanding	1,482	50(1)		1,532
For the six months ended June 30, 2007:				
Diluted shares outstanding	1,579	50(1)	(65)(2)	1,564
Basic shares outstanding	1,491	50(1)		1,541

- (1) 50 million of additional weighted average shares outstanding reflects an assumed Schering-Plough stock price of \$30.
- (2) 65 million common shares obtainable upon conversion of the 2004 Preferred Stock were dilutive to Schering-Plough's historical earnings per share for the six months ended June 30, 2007, but would not be dilutive to the pro forma condensed combined earnings per share and are therefore excluded from the computation. The 2007 Preferred Stock is assumed to be anti-dilutive to the pro forma condensed combined earnings per share and is therefore excluded from the computation for all periods presented.

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PROSPECTUS

Schering-Plough Corporation

**Debt Securities
Preferred Shares
Common Shares**

Schering-Plough may offer from time to time in one or more classes or series, together or separately:

debt securities;

preferred shares;

common shares; or

any combination of these securities.

Schering-Plough will provide specific terms of any securities that it offers for sale in supplements to this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement or a term sheet.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Schering-Plough may sell these securities on a continuous or delayed basis directly, through agents or underwriters as designated from time to time, or through a combination of these methods. Schering-Plough reserves the sole right to accept, and together with any agents, dealers and underwriters, reserves the right to reject, in whole or in part, any proposed purchase of securities. If any agents, dealers or underwriters are involved in the sale of any securities, the applicable prospectus supplement will set forth any applicable commissions or discounts. Schering-Plough's net proceeds from the sale of securities will also be set forth in the applicable prospectus supplement.

The date of this prospectus is August 2, 2007.

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ABOUT THIS PROSPECTUS

The information contained in this prospectus is not complete and may be changed. You should rely only on the information provided in or incorporated by reference in this prospectus and the applicable prospectus supplement. Schering-Plough has not authorized anyone else to provide you with different information. Schering-Plough is not making an offer of any securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front cover of those documents and that any information Schering-Plough has incorporated by reference is accurate as of any date other than the date of the document incorporated by reference or such other date referred to in such document, regardless of the time of delivery of this prospectus or any sale or issuance of a security.

This prospectus is part of a registration statement that Schering-Plough has filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf registration process, Schering-Plough may from time to time sell or issue, in one or more offerings, Schering-Plough s:

- debt securities, in one or more series, which may be senior debt securities or subordinated debt securities;
- preferred shares;
- common shares; or
- any combination of these securities.

This prospectus provides you with a general description of the securities Schering-Plough may offer. Each time Schering-Plough sells or issues securities, Schering-Plough will provide a prospectus supplement that will contain information about the terms of that specific offering of securities and the specific manner in which they may be offered. The prospectus supplement may also add to, update or change any of the information contained in this prospectus and, accordingly, to the extent inconsistent, the information in this prospectus is superseded by the information in the prospectus supplement. The prospectus supplement may also contain information about any material federal income tax considerations relating to the securities described in the prospectus supplement. You

should read both this prospectus and the applicable prospectus supplement together with the additional information described under "Where You Can Find More Information" before making an investment in Schering-Plough's securities.

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This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under **Where You Can Find More Information**.

Because Schering-Plough is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933, as amended, referred to as the Securities Act, Schering-Plough may add to and offer additional securities, including secondary securities, by filing a prospectus supplement with the SEC at the time of the offer.

The registration statement that contains this prospectus (including the exhibits to the registration statement) contains additional information about Schering-Plough and the securities offered under this prospectus. The registration statement can be read at the SEC website (<http://www.sec.gov>) or at the SEC offices listed under the heading **Where You Can Find More Information**.

You should rely only on the information contained or incorporated by reference or deemed to be incorporated by reference in this prospectus or in a prospectus supplement related to an offering prepared by or on behalf of Schering-Plough or used or referred to by Schering-Plough. Schering-Plough has not authorized anyone else to provide you with different or additional information. You should not rely on any other information or representations. Schering-Plough's affairs may change after this prospectus and any related prospectus supplement are conveyed. You should not assume that the information in this prospectus and any related prospectus supplement is accurate as of any date other than the dates indicated in such documents. You should read all information supplementing this prospectus.

All references to Schering-Plough Corporation, Schering-Plough and the company in this prospectus refer to Schering-Plough Corporation and its consolidated subsidiaries, unless, in each case, the context clearly indicates otherwise.

WHERE YOU CAN FIND MORE INFORMATION

Schering-Plough files reports, proxy statements and other information with the SEC. You may read and copy any document Schering-Plough files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the SEC maintains a website that contains reports, proxy statements and other information that Schering-Plough electronically files. The address of the SEC's website is <http://www.sec.gov>. You may also inspect Schering-Plough's SEC reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

INCORPORATION OF INFORMATION SCHERING-PLOUGH FILES WITH THE SEC

The SEC allows Schering-Plough to incorporate by reference the information it files with them, which means:

incorporated documents are considered part of this prospectus;

Schering-Plough can disclose important information to you by referring you to those documents; and

information that Schering-Plough files with the SEC will automatically update and supersede this incorporated information.

Schering-Plough incorporates by reference the documents listed below, which were filed with the SEC under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, (excluding any portions of such

documents that have been furnished but not filed for purposes of the Exchange Act):

its 2006 10-K filed with the SEC on February 28, 2007;

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its first quarter 2007 10-Q filed with the SEC on April 27, 2007;

its second quarter 2007 10-Q filed with the SEC on July 27, 2007;

its 8-K filed with the SEC on January 29, 2007;

its 8-K filed with the SEC on March 16, 2007;

its 8-K filed with the SEC on April 19, 2007;

its 8-K filed with the SEC on June 28, 2007;

its 8-K filed with the SEC on July 11, 2007;

its 8-K filed with the SEC on July 23, 2007;

the following sections of its Proxy Statement for the 2007 Annual Meeting of Shareholders on Schedule 14A filed with the SEC on April 20, 2007: Proposal One: Elect Eleven Directors for a One-Year Term ,

Section 16(a) Beneficial Ownership Reporting Compliance , Information About the Audit Committee of the Board of Directors and its Practices , Committees of the Board of Directors , Executive Compensation , Director Compensation , Stock Ownership , Certain Transactions , Procedures for Related Party Transactions and Director Independence Assessments , Director Independence , and Proposal Two: Ratify the Designation of Deloitte & Touche LLP to Audit Schering-Plough's Books and Accounts for 2007 ; and

the description of Schering-Plough's common shares contained in its Registration Statement on Form 8-A filed with the SEC on March 16, 1979, and any amendment or report filed for the purpose of updating such description.

Schering-Plough also incorporates by reference each of the following documents that Schering-Plough will file with the SEC after the date of this prospectus (excluding any portions of such documents that have been furnished but not filed for purposes of the Exchange Act):

reports filed under Section 13(a) and (c) of the Exchange Act;

definitive proxy or information statements filed under Section 14 of the Exchange Act in connection with any subsequent stockholders meeting; and

any reports filed under Section 15(d) of the Exchange Act.

Schering-Plough does not incorporate by reference any information furnished under items 2.02 or 7.01 (or corresponding information furnished under item 9.01 or included as an exhibit) in any past or current Form 8-K filing (unless otherwise indicated).

You may request a copy of any filings referred to above (excluding exhibits not specifically incorporated by reference into the filing), at no cost, by contacting Schering-Plough in writing or by telephone (908-298-7436) at the following address: Investor Relations, Schering-Plough Corporation, 2000 Galloping Hill Road, Kenilworth, NJ 07033.

Documents may also be available on Schering-Plough's website at <http://www.schering-plough.com>. Please note that all references to <http://www.schering-plough.com> in this prospectus and any prospectus supplement that accompanies this prospectus and the related registration statement are inactive textual references only and that the information contained on Schering-Plough's website is neither incorporated by reference into the registration statement or prospectus or any accompanying prospectus supplement nor intended to be used in connection with any offering hereunder.

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FORWARD-LOOKING STATEMENTS

This prospectus, the prospectus supplement, the documents incorporated by reference in this prospectus 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 relate to expectations or forecasts of future events. Schering-Plough uses words such as anticipate, believe, could, estimate, expect, forecast, project, intend, plan, potential, will, and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts.

In particular, forward-looking statements include statements relating to future actions; ability to access the capital markets; prospective products or product approvals; timing and conditions of regulatory approvals; patent and other intellectual property protection; future performance or results of current and anticipated products; sales efforts; research and development programs and anticipated spending; estimates of rebates, discounts and returns; expenses and programs to reduce expenses; the anticipated cost of and savings from reductions in work force; the outcome of contingencies such as litigation and investigations; growth strategy; expected synergies and financial results.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Schering-Plough's actual results may vary materially from those anticipated in such forward-looking statements as a result of many factors, some of which are more fully described in the following Risk Factors section, in the accompanying prospectus supplement and Schering-Plough's reports to the SEC incorporated by reference into this prospectus, and there are no guarantees with respect to Schering-Plough's performance. Schering-Plough does not assume the obligation to update any forward-looking statement for any reason.

RISK FACTORS

Schering-Plough's business faces significant risks. Before you invest in any of Schering-Plough's securities, in addition to the other information in this prospectus and in the accompanying prospectus supplement, you should carefully consider the risks and uncertainties identified in Schering-Plough's reports to the SEC incorporated by reference into this prospectus and the accompanying prospectus supplement. These risks may not be the only risks Schering-Plough faces. Additional risks that Schering-Plough does not yet know of or that Schering-Plough currently believes are immaterial or are based on assumptions that are later determined to be inaccurate also may impair Schering-Plough's business. If any of the risks described herein or in the accompanying prospectus supplement or Schering-Plough's reports to the SEC actually occur, Schering-Plough's business and operating results could be materially harmed. This could cause the value of the purchased securities to decline, and you may lose all or part of your investment.

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Schering-Plough is a global science-based company that discovers, develops and manufactures pharmaceuticals for three customer markets human prescription, consumer and animal health. 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 consumer healthcare and animal health products. Schering-Plough also accesses external innovation via partnering, in-licensing and acquisition for all three customer markets.

Schering-Plough's principal executive offices are located at 2000 Galloping Hill Road, Kenilworth, NJ 07033, and Schering-Plough's telephone number is (908) 298-4000. Schering-Plough was incorporated in New Jersey in 1970.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Schering-Plough's consolidated ratio of earnings to fixed charges for the six months ended June 30, 2007 and for the years ended December 31, 2002 through 2006 is set forth below. For the purpose of computing these ratios, earnings consist of income/(loss) before income taxes and equity income, plus fixed charges (other than capitalized interest and preference dividends), amortization of capitalized interest and distributed income of equity investee; and fixed charges and preferred stock dividends consist of interest expense, capitalized interest, preference dividends and one-third of rentals, which Schering-Plough believes to be a reasonable estimate of an interest factor on leases. Schering-Plough includes interest expense or interest income on unrecognized tax benefits as a component of income tax expense. The ratio was calculated by dividing the sum of the fixed charges into the sum of the earnings before taxes and fixed charges.

	Six Months Ended June 30, 2007	2006	Year Ended December 31,			2002
			2005	2004	2003	
Ratio of earnings to fixed charges and preferred stock dividends	7.4	5.1	1.6	(0.3)*	0.4**	33.2

* For the year ended December 31, 2004, earnings were insufficient to cover fixed charges and preferred stock dividends by \$322 million.

** For the year ended December 31, 2003, earnings were insufficient to cover fixed charges by \$70 million.

USE OF PROCEEDS

Unless the applicable prospectus supplement indicates otherwise, Schering-Plough currently intends to use the net proceeds from any sale of the offered securities for general corporate purposes, which may include, among other things, expenses to acquire additional marketed products and pipeline projects (through acquisitions of companies or through product licenses which may include royalties, license fees and milestone payments), research and development costs, litigation costs, the repayment of debt, other capital expenses and other operating expenses. Schering-Plough may temporarily invest funds that are not immediately needed for these general corporate purposes. If Schering-Plough intends to use the proceeds to repay outstanding debt, Schering-Plough will provide details about

the debt that is being repaid in the applicable prospectus supplement.

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DESCRIPTION OF CAPITAL STOCK

This section contains a description of Schering-Plough's capital stock. The following summary of the terms of Schering-Plough's capital stock is not meant to be complete and is qualified by reference to Schering-Plough's amended and restated certificate of incorporation, referred to as the certificate of incorporation, and Schering-Plough's amended and restated by-laws, referred to as the by-laws, which are incorporated by reference as exhibits into the registration statement of which this prospectus is a part.

As of June 30, 2007, Schering-Plough's authorized capital stock consisted of:

(i) 2,400,000,000 common shares, par value \$0.50 per share, of which:

1,496,297,204 were issued and outstanding,

547,238,751 were issued and held in treasury,

80,040,000 were reserved for issuance upon conversion of the 6.00% Mandatory Convertible Preferred Stock issued in 2004, referred to as the 2004 Preferred Stock, and

166,632,803 were reserved for issuance under stock incentive plans; and

(ii) 50,000,000 preferred shares, par value \$1.00 per share, of which:

28,750,000 were designated as the 2004 Preferred Stock (28,750,000 shares of 2004 Preferred Stock will automatically convert into common shares on September 14, 2007, unless earlier converted, and such preferred shares will become undesignated and available for issuance in the future),

12,000,000 were designated as Series A Junior Participating Preferred Stock (which, in connection with the expiration of Schering-Plough's shareholder rights plan on July 10, 2007, were redesignated as authorized but unissued preferred shares), and

9,250,000 which are undesignated.

Common Shares

Holders of Schering-Plough's common shares, subject to any preferential rights of the holders of any preferred shares, are entitled to participate equally and ratably in dividends when and as declared by Schering-Plough's board of directors. In the event of the liquidation or dissolution of Schering-Plough, holders of Schering-Plough's common shares are entitled to share ratably in the remaining assets of Schering-Plough available for distribution, subject to prior or equal distribution rights of any holders of preferred shares. Record holders of common shares are entitled to one vote per share for the election of directors and upon all matters on which holders of common shares are entitled to vote. Holders of Schering-Plough's common shares do not have cumulative voting rights. There are no preemptive or conversion rights applicable to Schering-Plough's common shares. All outstanding shares of Schering-Plough's common shares are fully paid and non-assessable.

Preferred Shares

Schering-Plough's certificate of incorporation provides that its board of directors is authorized to issue preferred shares from time to time in one or more series without stockholder approval. Subject to limitations prescribed by law and Schering-Plough's certificate of incorporation, the board of directors may fix for any series of preferred shares the number of shares of such series and the voting powers, designations, preferences, rights, qualifications, limitations and restrictions of such series.

Schering-Plough's certificate of incorporation provides that whenever Schering-Plough is in default as to accrued dividends on preferred shares in an amount equivalent to six quarterly dividends, the holders of preferred shares, voting separately as a class, will be entitled to elect two directors at the next annual or special meeting of Schering-Plough's shareholders. The right of holders

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of preferred shares to elect two directors will continue until dividends in default on the preferred shares have been paid in full or declared and a sum sufficient for the payment thereof has been set aside. During any time that the holders of preferred shares, voting as a class, are entitled to elect two directors, as described in this paragraph, the holders of any series of preferred shares normally entitled to participate with the holders of the common shares in the election of directors shall not be entitled to participate with the holders of the common shares in the election of such directors.

For any series of preferred shares that Schering-Plough may issue pursuant to this prospectus, Schering-Plough's board of directors will determine and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, as well as whether such dividends are cumulative or non-cumulative and participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series;

the rights and preferences, if any, of holders of shares of such series upon Schering-Plough's liquidation, dissolution or winding up of its affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

whether and upon what terms a sinking fund will be used to purchase or redeem the shares;

any limitations on Schering-Plough's ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on Schering-Plough's ability to issue additional shares of such series or other securities; and

any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

When Schering-Plough issues preferred shares under this prospectus and any applicable prospectus supplement, the shares will be fully paid and non-assessable and will not have, or be subject to, any preemptive or similar rights.

Anti-takeover Protections

The following discussion summarizes certain provisions of the New Jersey Business Corporation Act, as amended, referred to as the NJBCA, and of Schering-Plough's certificate of incorporation and by-laws, which may have the effect of prohibiting, raising the costs of, or otherwise impeding, a change of control of Schering-Plough, whether by merger, consolidation or sale of assets or stock (by tender offer or otherwise), or by other methods.

Limits on Shareholder Action by Written Consent; Special Meetings

Schering-Plough's certificate of incorporation and by-laws provide that, subject to the rights of the holders of any series of preferred shares then outstanding, any action required or permitted to be taken by Schering-Plough's shareholders must be effected at a duly called annual or special meeting of shareholders and may not be effected by any consent in writing by such shareholders unless all of the shareholders entitled to vote on the matter consent in writing. Schering-Plough's certificate of incorporation and by-laws also provide that the affirmative vote of the holders of more than 50% of the voting power of all of the shares entitled to vote generally in the election of directors, voting together as a single class, will be required to amend Schering-Plough's certificate of incorporation or by-laws with respect to shareholder action by written consent.

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Except as otherwise provided by the NJBCA, under Schering-Plough's by-laws, a special meeting of shareholders may only be called by the Chairman of Schering-Plough's board of directors, Schering-Plough's Chief Executive Officer or board of directors and shall be held at such time and such place and for such purpose(s) as stated in the notice of the meeting. No business other than that stated in the notice of meeting may be transacted at any special meeting.

The above provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by the Chairman of Schering-Plough's board of directors, Chief Executive Officer or board of directors.

Corporation's Best Interest

Under the NJBCA, the director of a New Jersey corporation may consider, in discharging his or her duties to the corporation and in determining what he or she reasonably believes to be in the best interest of the corporation, any of the following (in addition to the effects of any action on shareholders): (i) the effects of the action on the corporation's employees, suppliers, creditors and customers, (ii) the effects of the action on the community in which the corporation operates, and (iii) the long-term as well as the short-term interest of the corporation and its shareholders, including the possibility that these interests may be best served by the continued independence of the corporation. If, on the basis of the foregoing factors, the board of directors determines that any proposal or offer to acquire the corporation is not in the best interest of the corporation, it may reject such proposal or offer, in which event the board of directors will have no duty to remove any obstacles to, or refrain from impeding, such proposal or offer.

Required Vote for Authorization of Certain Actions; Anti-Greenmail Provisions

Under the NJBCA, the consummation of a merger or consolidation of a New Jersey corporation organized subsequent to January 1, 1969, such as Schering-Plough, requires the approval of such corporation's board of directors and the affirmative vote of a majority of the votes cast by each of the holders of shares of the corporation entitled to vote thereon and any class or series entitled to vote thereon as a class, unless such corporation is the surviving corporation, and: (i) such corporation's certificate of incorporation is not amended, (ii) the stockholders of the surviving corporation whose shares were outstanding immediately before the effective date of the merger will hold the same number of shares, with identical designations, preferences, limitations and rights, immediately after the merger or consolidation, as the case may be, and (iii) the number of voting shares and participating shares outstanding after the merger will not exceed by more than 40% the total number of voting or participating shares of the surviving corporation immediately before the merger. Similarly, in the case of a New Jersey corporation organized subsequent to 1969, such as Schering-Plough, a sale of all or substantially all of a corporation's assets other than in the ordinary course of business, or a voluntary dissolution of a corporation, requires the approval of such corporation's board of directors and the affirmative vote of a majority of the votes cast by each of the holders of shares of the corporation entitled to vote thereon and any class or series entitled to vote thereon as a class.

Schering-Plough's certificate of incorporation contains an anti-greenmail provision pursuant to which Schering-Plough or its subsidiaries may not purchase shares of voting stock from a 5% or greater shareholder at a per share price in excess of the market price unless (a) approved by the affirmative vote of the holders of the amount of voting power of the voting stock equal to the sum of the voting power of such 5% or greater shareholder and a majority of the voting power of the remaining outstanding shares of voting stock, voting together as a single class, or (b) the purchase is made pursuant to an offer made available to all holders of the same class of stock or an open market purchase.

No Rights Plan in Effect

The preferred share purchase right (commonly known as a poison pill) that Schering-Plough declared as a dividend on each share of its common stock on June 24, 1997 expired on July 10, 2007. The Schering-Plough board of directors

committed to Schering-Plough's shareholders that no

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new shareholder rights plan will be adopted in the future, unless the plan is submitted to shareholders for approval within 12 months of adoption. This commitment is reflected in the Schering-Plough Corporate Governance Guidelines.

Restrictions on Business Combinations with Certain Stockholders

The NJBCA provides that no corporation organized under the laws of New Jersey with its principal executive offices or significant operations located in New Jersey (a resident domestic corporation) may engage in any business combination (as defined in the NJBCA) with any interested stockholder (generally a 10% or greater stockholder) of such corporation for a period of five years following such interested stockholder's stock acquisition, unless such business combination is approved by the board of directors of such corporation prior to the stock acquisition. A resident domestic corporation, such as Schering-Plough, cannot opt out of the foregoing provisions of the NJBCA.

In addition, no resident domestic corporation may engage, at any time, in any business combination with any interested stockholder of such corporation other than: (i) a business combination approved by the board of directors prior to the stock acquisition, (ii) a business combination approved by the affirmative vote of the holders of two-thirds of the voting stock not beneficially owned by such interested stockholder at a meeting called for such purpose, or (iii) a business combination in which the interested stockholder pays a formula price designed to ensure that all other stockholders receive at least the highest price per share paid by such interested stockholder.

In connection with business combinations with any 10% stockholder, Schering-Plough's certificate of incorporation contains provisions requiring the approval of more than 50% of the voting power of all of the then-outstanding shares of capital stock of the corporation entitled to vote in the election of directors, voting together as a single class. Any amendments or repeal of the business combination provisions require the affirmative vote of the holders of more than 50% of the voting power of all of the shares entitled to vote, voting together as a single class.

DESCRIPTION OF DEBT SECURITIES

Schering-Plough may issue debt securities from time to time in one or more series. The following description summarizes the general terms and provisions of the debt securities that Schering-Plough may offer pursuant to this prospectus. The specific terms relating to any series of debt securities that Schering-Plough may offer will be described in a prospectus supplement. Please read and rely on the prospectus supplement, which includes important information for investors evaluating an investment in a series of Schering-Plough debt securities. Because the terms of specific series of debt securities offered may differ from the general information that Schering-Plough has provided below, you should rely on information in the applicable prospectus supplement that contradicts any information below.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities will be governed by a document called an indenture . An indenture is a contract between a financial institution, acting on your behalf as trustee of the debt securities offered, and Schering-Plough. The debt securities will be issued pursuant to an indenture that Schering-Plough will enter into with a trustee. References to the indenture in this prospectus are to the indenture, dated November 26, 2003, as amended and restated, between Schering-Plough and The Bank of New York, as trustee, as may be supplemented by any supplemental indenture applicable to your debt securities. The trustee has two main roles. First, subject to some limitations on the extent to which the trustee can act on your behalf, the trustee can enforce your rights against Schering-Plough if Schering-Plough defaults on its obligations under the indenture. Second, the trustee performs certain administrative duties for Schering-Plough with respect to the debt securities. Unless otherwise provided in any applicable prospectus supplement, the following section is a summary of the principal terms and provisions that will be included in the indenture. The indenture has been filed as an exhibit incorporated by reference in the registration statement of which this prospectus is a part. If this

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summary refers to particular provisions of the indenture, such provisions, including the definitions of terms, are incorporated by reference in this prospectus as part of the summary. Schering-Plough urges you to read the indenture and any supplement thereto because these documents, and not this section or any description of the debt securities in any prospectus supplement, define your rights as a holder of debt securities.

In this **Description of Debt Securities** section, Schering-Plough refers to Schering-Plough Corporation, excluding its subsidiaries, unless otherwise expressly stated or the context otherwise requires.

General

The indenture does not limit the amount of debt that Schering-Plough may issue under the indenture or otherwise.

Under the indenture, Schering-Plough may issue the securities in one or more series. The securities may have the same or various maturities. The securities may be issued at par, at a premium or with original issue discount. Schering-Plough may also reopen a previous issue of securities and issue additional securities of the series.

The debt securities described in this prospectus and any prospectus supplement will be Schering-Plough's direct unsecured obligations. Senior debt securities will rank equally with Schering-Plough's other unsecured and senior indebtedness. Subordinated debt securities will be unsecured and subordinated in right of payment to the prior payment in full of all of Schering-Plough's unsecured and senior indebtedness. See **Subordination** below. Any of Schering-Plough's secured indebtedness will rank ahead of the debt securities to the extent of the assets securing such indebtedness. Also, Schering-Plough conducts operations primarily through its subsidiaries and substantially all of Schering-Plough's consolidated assets are held by its subsidiaries. Accordingly, Schering-Plough's cash flow and Schering-Plough's ability to meet its obligations under the debt securities will be largely dependent on the earnings of its subsidiaries and the distribution or other payment of these earnings to Schering-Plough in the form of dividends, loans or advances, and repayment of loans and advances from Schering-Plough. Schering-Plough's subsidiaries are separate and distinct legal entities and have no obligation to pay the amounts which will be due on Schering-Plough's debt securities or to make any funds available for payment of amounts which will be due on Schering-Plough's debt securities. Therefore, Schering-Plough's rights, and the rights of Schering-Plough's creditors, including the rights of the holders of the debt securities to participate in any distribution of assets of any of Schering-Plough's subsidiaries, if such subsidiary were to be liquidated or reorganized, is subject to the prior claims of the subsidiary's creditors. To the extent that Schering-Plough may be a creditor with recognized claims against its subsidiaries, Schering-Plough's claims will still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of the subsidiary that are senior to Schering-Plough.

Terms

The prospectus supplement relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include, among other terms, some or all of the following:

the title and type of the series;

the total principal amount;

the percentage of the principal amount at which the securities will be issued;

the dates on which the principal of the securities will be payable;

any payments due if the maturity of the securities is accelerated;

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- any interest rates or the method of determining the interest rates;
- the dates from which any interest will accrue or the method of determining those dates;
- the interest payment record and payment dates;
- whether the securities are redeemable at Schering-Plough's option;
- any sinking fund or other provisions that would obligate Schering-Plough to repurchase or otherwise redeem the securities;
- the option of either Schering-Plough or the holder to elect the currency (for example, U.S. dollars, euros, or other non-U.S. currency, currency unit or composite currency) of payment on the securities;
- the currency of the payment of principal, any premium, and any interest;
- any index or other method Schering-Plough will use to determine the amount of principal or any premium or interest;
- the form in which Schering-Plough will issue the securities (for example, registered or bearer book-entry form, or registered or bearer certificated form) and any restrictions related to the form;
- any covenants, defaults, events of default or provisions applicable to the securities;
- any special tax implications, including provisions for original issue discount securities, if offered;
- any provisions for convertibility or exchangeability of the debt securities into or for any other securities;
- any provisions granting special rights to the holders of the securities upon the occurrence of specified events;
- the denominations of the securities;
- whether the securities are subject to subordination and, if so, the subordination terms; and
- any other specific terms of the securities.

Schering-Plough may in the future issue debt securities other than the debt securities described in this prospectus. There is no requirement that any other debt securities be issued under the indenture. Thus, Schering-Plough may issue any other debt securities under other indentures or documentation containing provisions different from those included in the indenture or any series of securities issued pursuant to this prospectus.

Events of Default

When Schering-Plough uses the term "event of default" in the indenture, here are some examples of what is meant. An event of default occurs if:

Schering-Plough fails to make the principal or any premium payment on any debt security when due;

Schering-Plough fails to pay interest on any debt security for 45 days after payment was due;

Schering-Plough fails to make any sinking fund payment when due;

Schering-Plough fails to perform any other covenant in the indenture and this failure continues for 90 days after Schering-Plough receives written notice of it from the trustee or the holders of at least 25% in principal amount of outstanding debt securities of that series; or

Schering-Plough or a court takes certain actions relating to the bankruptcy, insolvency or reorganization of the company.

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The supplemental indenture or the form of security for a particular series of debt securities may include additional events of default or changes to the events of default described above. The events of default applicable to a particular series of debt securities will be described in the prospectus supplement relating to that series. A default under Schering-Plough's other indebtedness will not be a default under the indenture for the debt securities covered by this prospectus, and a default under one series of debt securities will not necessarily be a default under another series. The trustee may withhold notice to the holders of debt securities of any default (except for defaults that involve Schering-Plough's failure to pay principal or interest) if it considers such withholding of notice to be in the best interests of the holders.

If an event of default with respect to outstanding debt securities of any series occurs and is continuing, then the trustee or the holders of at least 25% in principal amount of outstanding debt securities of that series may declare, in a written notice, the principal amount (or specified amount) plus accrued and unpaid interest on all debt securities of that series to be immediately due and payable. If Schering-Plough or a court takes certain actions relating to the bankruptcy, insolvency or reorganization of the company, the principal amount plus accrued and unpaid interest on all debt securities will become immediately due and payable without any declaration or other act on the part of the trustee or holders of securities. At any time after a declaration of acceleration with respect to debt securities of any series has been made, the holders of a majority in principal amount (or specified amount) of the outstanding debt securities of that series, by written notice to Schering-Plough and the trustee, may rescind and annul such declaration and its consequences if:

Schering-Plough has paid or deposited with the trustee a sum sufficient to pay overdue interest and overdue principal other than the accelerated interest and principal; and

Schering-Plough has cured or the holders have waived all events of default, other than the non-payment of accelerated principal and interest with respect to debt securities of that series, as provided in the indenture.

Schering-Plough refers you to the prospectus supplement relating to any series of debt securities that are discount securities for the particular provisions relating to acceleration of a portion of the principal amount of the discount securities upon the occurrence of an event of default.

If a default in the performance or breach of the indenture shall have occurred and be continuing, the holders of not less than a majority in principal amount of the outstanding securities of all series, by notice to the trustee, may waive any past event of default or its consequences under the indenture.

However, an event of default cannot be waived with respect to any series of securities in the following two circumstances:

a failure to pay the principal of, and premium, if any, or interest on any security; or

a covenant or provision that cannot be modified or amended without the consent of each holder of outstanding securities of that series.

Other than its duties in case of a default, the trustee is not obligated to exercise any of its rights or powers under the indenture at the request, order or direction of any holders, unless the holders offer the trustee reasonable indemnity. If they provide this reasonable indemnity, the holders of a majority in principal amount outstanding of any series of debt securities may, subject to certain limitations, direct the time, method and place for conducting any proceeding or any remedy available to the trustee, or exercising any power conferred upon the trustee, for any series of debt securities.

Schering-Plough is required to deliver to the trustee an annual statement as to Schering-Plough's fulfillment of all of its obligations under the indenture.

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Defeasance

The term defeasance, as used in the indenture means discharge from some or all of its obligations under the indenture. If Schering-Plough deposits with the trustee sufficient cash or government securities to pay the principal, any premium, interest and any other sums due on the stated maturity date or a redemption date of the securities of a particular series, then at Schering-Plough's option:

Schering-Plough will be discharged from its obligations with respect to the securities of such series; or

Schering-Plough will no longer be under any obligation to comply with certain restrictive covenants under the indenture, and certain events of default will no longer apply to Schering-Plough.

If this happens, the holders of the securities of the affected series will not be entitled to the benefits of the indenture except for registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated securities. Such holders may look only to such deposited funds or obligations for payment.

To exercise the defeasance option, Schering-Plough must deliver to the trustee an opinion of counsel that the deposit and related defeasance would not cause the holders of the securities to recognize income, gain or loss for federal income tax purposes. Schering-Plough must also deliver any ruling received from or published by the United States Internal Revenue Service if Schering-Plough is discharged from its obligations with respect to the securities.

Modification of the Indenture

Under the indenture, Schering-Plough's rights and obligations, as well as the rights of the holders, may be modified if the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by the modification consent to the modification. However, none of the following modifications will be effective against any holder without its consent:

modification of the maturity date;

modification of the principal and interest payment terms;

modification of the currency for payment;

impairment of the right to sue for the enforcement of payment at the maturity of the debt security;

modification of any conversion rights; or

modification reducing the percentage required for modifications or modifying the foregoing requirements or reducing the percentage required to waive certain specified covenants.

In addition, no supplemental indenture shall adversely affect the rights of any holder of senior indebtedness with respect to subordination without the consent of such holder.

Subordination

The extent to which a particular series of subordinated debt securities may be subordinated to Schering-Plough's unsecured and senior indebtedness will be set forth in the prospectus supplement for any such series. The indenture may be modified by a supplemental indenture to reflect such subordination provisions.

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Form and Denomination of Debt Securities

Denomination of Debt Securities

Unless otherwise indicated in the applicable prospectus supplement, the debt securities will be denominated in U.S. dollars, in minimum denominations of \$1,000 and multiples thereof.

Registered Form

Schering-Plough may issue the debt securities in registered form. In that case, Schering-Plough may issue the securities either in book-entry form only or in certificated form. Schering-Plough will issue registered debt securities in book-entry form only, unless it specifies otherwise in the applicable prospectus supplement. Debt securities issued in book-entry form will be represented by global securities.

Bearer Form

Schering-Plough also will have the option of issuing debt securities in non-registered form, as bearer securities, if Schering-Plough issues the securities outside the United States to non-U.S. persons. In that case, the applicable prospectus supplement will set forth the mechanics for holding the bearer securities, including the procedures for receiving payments, for exchanging the bearer securities for registered securities of the same series and for receiving notices. The applicable prospectus supplement will also describe the requirements with respect to Schering-Plough's maintenance of offices or agencies outside the United States and the applicable U.S. federal tax law requirements.

Holder of Registered Debt Securities

Book-Entry Holders

Schering-Plough will issue registered debt securities in book-entry form only, unless Schering-Plough specifies otherwise in the applicable prospectus supplement. Debt securities held in book-entry form will be represented by one or more global securities registered in the name of a depositary or its nominee. The depositary or its nominee will hold such global securities on behalf of financial institutions that participate in such depositary's book-entry system. These participating financial institutions, in turn, hold beneficial interests in the global securities either on their own behalf or on behalf of their customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in global form, Schering-Plough will recognize only the depositary or its nominee as the holder of the debt securities, and Schering-Plough will make all payments on the debt securities to the depositary or its nominee. The depositary will then pass along the payments that it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners of the debt securities. The depositary and its participants do so under agreements they have made with one another or with their customers or by law; they are not obligated to do so under the terms of the debt securities or the terms of the indenture.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system, or that holds an interest through a participant in the depositary's book-entry system. As long as the debt securities are issued in global form, investors will be indirect holders, and not holders, of the debt securities.

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Street Name Holders

In the event that Schering-Plough issues debt securities in certificated form, or in the event that a global security is terminated, investors may choose to hold their debt securities either in their own names or in street name. Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account that he or she maintains at such bank, broker or other financial institution.

For debt securities held in street name, Schering-Plough will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities, and Schering-Plough will make all payments on those debt securities to them. These institutions will pass along the payments that they receive from Schering-Plough to their customers who are the beneficial owners pursuant to agreements that they have entered into with such customers or by law; they are not obligated to do so under the terms of the debt securities or the terms of the indenture. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

Registered Holders

Schering-Plough's obligations, as well as the obligations of the trustee and those of any third parties employed by the trustee or Schering-Plough, run only to the registered holders of the debt securities. Schering-Plough does not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means and who are, therefore, not the registered holders of the debt securities. This will be the case whether an investor chooses to be an indirect holder of a debt security, or has no choice in the matter because Schering-Plough is issuing the debt securities only in global form.

For example, once Schering-Plough makes a payment or gives a notice to the registered holder of the debt securities, Schering-Plough has no further responsibility with respect to such payment or notice even if that registered holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if Schering-Plough wants to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve Schering-Plough of the consequences of a default or of Schering-Plough's obligation to comply with a particular provision of an indenture), Schering-Plough would seek the approval only from the registered holders, and not the indirect holders, of the debt securities. Whether and how the registered holders contact the indirect holders is up to the registered holders.

Notwithstanding the above, references to you or your in this description of debt securities are to investors who invest in the debt securities being offered by this prospectus, whether they are the registered holders or only indirect holders of the debt securities offered. References to your debt securities in this prospectus means the series of debt securities in which you hold a direct or indirect interest.

Special Considerations for Indirect Holders

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, Schering-Plough urges you to check with that institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for its consent, as a registered holder of the debt securities, if ever required;

if permitted for a particular series of debt securities, whether and how you can instruct it to send you debt securities registered in your own name so you can be a registered holder of such debt securities;

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how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

Global Securities

A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms. Each debt security issued in book-entry form will be represented by a global security that Schering-Plough deposits with and registers in the name of a financial institution or its nominee that Schering-Plough selects. The financial institution that Schering-Plough selects for this purpose is called the depository. Unless Schering-Plough specifies otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for debt securities that Schering-Plough issues in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. Schering-Plough describes those situations below under **Special Situations When a Global Security Will Be Terminated**. As a result of these arrangements, the depository, or its nominee, will be the sole registered holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account either with the depository or with another institution that has an account with the depository. Thus, an investor whose security is represented by a global security will not be a registered holder of the debt security, but an indirect holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. The depository that holds the global security will be considered the registered holder of the debt securities represented by such global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain non-global certificates for his or her interest in the debt securities, except in the special situations described below under **Special Situations When a Global Security Will Be Terminated**.

An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as described under **Holders of Registered Debt Securities** above.

An investor may not be able to sell his or her interest in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

An investor may not be able to pledge his or her interest in the debt securities in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in the debt securities. Neither the trustee nor Schering-Plough have any responsibility for any aspect of the depositary's actions or

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for the depositary's records of ownership interests in a global security. Additionally, neither the trustee nor Schering-Plough supervise the depositary in any way.

DTC requires that those who purchase and sell interests in a global security that is deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt security. There may be more than one financial intermediary in the chain of ownership for an investor. Schering-Plough does not monitor and is not responsible for the actions of any of such intermediaries.

Special Situations When a Global Security Will Be Terminated

In a few special situations described below, a global security will be terminated and interests in the global security will be exchanged for certificates in non-global form, referred to as certificated debt securities. After such an exchange, it will be up to the investor as to whether to hold the certificated debt securities directly or in street name. Schering-Plough has described the rights of direct holders and street name holders under *Holder of Registered Debt Securities* above. Investors must consult their own banks or brokers to find out how to have their interests in a global security exchanged on termination of a global security for certificated debt securities to be held directly in their own names.

The special situations for termination of a global security are as follows:

if the depositary notifies Schering-Plough that it is unwilling, unable or no longer qualified to continue as depositary for that global security, and Schering-Plough does not appoint another institution to act as depositary within 90 days of such notification; or

if Schering-Plough notifies the trustee that it wishes to terminate that global security.

The applicable prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by such prospectus supplement. If a global security were terminated, only the depositary, and not Schering-Plough or the trustee, would be responsible for deciding the names of the institutions in whose names the debt securities represented by the global security would be registered and, therefore, who would be the registered holders of those debt securities.

Form, Exchange and Transfer of Registered Securities

If Schering-Plough ceases to issue registered debt securities in global form, it will issue them:

only in fully registered certificated form; and

in the denominations specified in the applicable prospectus supplement.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities at the trustee's office. Schering-Plough has appointed the trustee to act as its agent for registering debt securities in the names of holders transferring debt securities. Schering-Plough may appoint another entity to perform these functions or perform them itself.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if Schering-Plough's transfer agent is satisfied with the holders' proof of legal ownership.

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If Schering-Plough has designated additional transfer agents for your debt security, they will be named in the applicable prospectus supplement. Schering-Plough may appoint additional transfer agents or cancel the appointment of any particular transfer agent. Schering-Plough may also approve a change in the location of the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and Schering-Plough redeems less than all the debt securities of that series, Schering-Plough may block the transfer or exchange of those debt securities during the period beginning 15 days before the day Schering-Plough mails the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. Schering-Plough may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that Schering-Plough will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in global form, only the depositary will be entitled to transfer and exchange the debt security as described in this subsection because it will be the sole holder of the debt security.

Payment and Paying Agents

On each due date for interest payments on the debt securities, Schering-Plough will pay interest to each person shown on the trustee's records as owner of the debt securities at the close of business on a designated day that is in advance of the due date for interest. Schering-Plough will pay interest to each such person even if such person no longer owns the debt security on the interest due date. The designated day on which Schering-Plough will determine the owner of the debt security, as shown on the trustee's records, is also known as the record date. The record date will usually be about two weeks in advance of the interest due date.

Because Schering-Plough will pay interest on the debt securities to the holders of the debt securities based on ownership as of the applicable record date with respect to any given interest period, and not to the holders of the debt securities on the interest due date (that is, the day that the interest is to be paid), it is up to the holders who are buying and selling the debt securities to work out between themselves the appropriate purchase price for the debt securities. It is common for purchase prices of debt securities to be adjusted so as to prorate the interest on the debt securities fairly between the buyer and the seller based on their respective ownership periods within the applicable interest period.

Schering-Plough will make payments on a global security by wire transfer of immediately available funds directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under Global Securities above. Any other payments will be made as set forth in the applicable prospectus supplement.

If payment on a debt security is due on a day that is not a business day, Schering-Plough will make such payment on the next succeeding business day. The indenture will provide that such payments will be treated as if they were made on the original due date for payment. A postponement of this kind will not result in a default under any debt security or indenture, and no interest will accrue on the amount of any payment that is postponed in this manner.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Information Concerning the Trustee

The trustee, The Bank of New York (BONY), and certain of its affiliates have in the past and currently do provide banking, investment and other services to Schering-Plough. Those services

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include acting as a lender under Schering-Plough's revolving credit agreement; trustee under the indenture, dated as of November 26, 2003, under which Schering-Plough issued \$1.25 billion aggregate principal amount of 5.3% senior unsecured notes due 2013 and \$1.15 billion aggregate principal amount of 6.5% senior unsecured notes due 2033; a transfer agent for Schering-Plough's 2004 Preferred Stock and its common shares; and providing cash management services. Schering-Plough currently anticipates that BONY may continue to provide similar services in the future.

Governing Law

The indenture and the debt securities will be governed by, and construed in accordance with, the law of the State of New York.

PLAN OF DISTRIBUTION

Schering-Plough may sell the securities covered by this prospectus in any of the following methods:

through underwriters, dealers or remarketing firms;

directly to one or more purchasers, including to a limited number of institutional purchasers;

through agents; or

through a combination of any of the methods of sale.

Any such dealer or agent, in addition to any underwriter, may be deemed to be an underwriter within the meaning of the Securities Act. Any discounts or commissions received by an underwriter, dealer, remarketing firm or agent on the sale or resale of securities may be considered by the SEC to be underwriting discounts and commissions under the Securities Act.

Sale Through Underwriters

If underwriters are used in the sale of securities, such securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by one or more underwriters acting alone. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the securities described in the applicable prospectus supplement will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all such securities if any are purchased by them. Any public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Direct Sales

The securities may be sold directly by Schering-Plough. In the case of securities sold directly by Schering-Plough, no underwriters or agents would be involved.

Sale Through Agents

The securities may be sold through agents designated by Schering-Plough from time to time. Any agents involved in the offer or sale of the securities in respect of which this prospectus is being delivered, and any commissions payable

by Schering-Plough to such agents, will be set forth in the applicable prospectus supplement. Unless otherwise indicated in the applicable prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

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General Information

The terms of the offering of the securities with respect to which this prospectus is being delivered will be set forth in the applicable prospectus supplement and will include among other things:

the type of and terms of the securities offered;

the price of the securities;

the proceeds to Schering-Plough from the sale of the securities;

the names of the securities exchanges, if any, on which the securities are listed;

the name of any underwriters, dealers, remarketing firms or agents and the amount of securities underwritten or purchased by each of them;

any over-allotment options under which underwriters may purchase additional securities from Schering-Plough;

any underwriting discounts, agency fees or other compensation to underwriters or agents; and

any discounts or concessions which may be allowed or reallocated or paid to dealers.

Agents, dealers, underwriters and remarketing firms may be entitled, under agreements entered into with Schering-Plough to indemnification by Schering-Plough against certain civil liabilities, including liabilities under the Securities Act, or to contribution to payments they may be required to make in respect thereof.

Agents, dealers, underwriters and remarketing firms may be customers of, engage in transactions with, or perform services for Schering-Plough or Schering-Plough's subsidiaries in the ordinary course of business.

Unless otherwise indicated in the applicable prospectus supplement, all securities offered by this prospectus, other than Schering-Plough's common shares, which are listed on the New York Stock Exchange, will be new issues with no established trading market. Schering-Plough may elect to list any series of securities on an exchange, and in the case of Schering-Plough's common shares, on any additional exchange, but, unless otherwise specified in the applicable prospectus supplement, Schering-Plough shall not be obligated to do so. In addition, underwriters will not be obligated to make a market in any securities. No assurance can be given regarding the activity of trading in, or liquidity of, any securities.

VALIDITY OF SECURITIES

Unless otherwise indicated in a supplement to this prospectus, McCarter & English, LLP will pass upon the validity of the securities for Schering-Plough. In addition, Susan Ellen Wolf, Esq., Schering-Plough's Corporate Secretary, will pass upon certain matters related to this offering. Ms. Wolf is an officer of Schering-Plough and beneficially owns common shares and holds options to purchase additional common shares. Ms. Wolf is eligible to participate in the Schering-Plough Corporation 2006 Stock Incentive Plan and the Schering-Plough Employees' Saving Plan and may receive benefits under those plans.

EXPERTS

The consolidated financial statements, the related financial statement schedule, and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference from Schering-Plough's 2006 10-K have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the consolidated financial statements and financial statement schedule and include an explanatory paragraph regarding Schering-Plough's adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share-Based Payment, and SFAS No. 158, Employers' Accounting for Defined

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Benefit Pension and Other Postretirement Plans , (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended March 31, 2007 and 2006, and June 30, 2007 and 2006, which is incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports included in Schering-Plough's first and second quarter 10-Q, and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial information because those reports are not reports or a part of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Securities Act.

The combined financial statements of the OBS Group as of December 31, 2006 and 2005, and for each of the years in the three-year period ended December 31, 2006, have been included herein in reliance upon the report of KPMG Accountants N.V., an independent public accounting firm, appearing elsewhere in this prospectus, and upon the authority of said firm as experts in accounting and auditing.

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Table of Contents**OBS GROUP****COMBINED STATEMENTS OF INCOME**

(Amounts in millions of euros)

		For the Year Ended December 31,		
	Note	2006	2005	2004
Revenues	4,5	3,718	3,499	3,339
Cost of sales		(1,159)	(1,122)	(1,112)
<i>Gross profit</i>		2,559	2,377	2,227
Selling and distribution expenses	(1,137)		(1,055)	(1,060)
Research and development expenses	(612)		(544)	(555)
General and administrative expenses	(244)		(227)	(201)
Other operating income/(expense)	6	17	173	119
		(1,976)	(1,653)	(1,697)
<i>Operating income</i>		583	724	530
Financial expenses	7	(45)	(35)	(25)
Financial income	7	10	6	10
		(35)	(29)	(15)
<i>Operating income less net financing costs</i>		548	695	515
Share of profit of associates	14	2	2	1
<i>Profit before tax</i>		550	697	516
Income tax expense	8	(157)	(131)	(158)
<i>Profit for the period</i>		393	566	358
<i>Attributable to:</i>				
Equity holders of the OBS Group		393	566	358
Minority interest				
<i>Profit for the period</i>		393	566	358

The accompanying notes are an integral part of these combined financial statements.

Table of Contents**OBS GROUP****COMBINED BALANCE SHEETS**

(Amounts in millions of euros)

	Note	As of December 31,	
		2006	2005
ASSETS			
Property, plant and equipment, net	10	1,097	1,121
Intangible assets, net	11	145	164
Financial non-current assets:	12		
deferred tax assets	13	281	367
investments in associates	14	13	8
other investments	12	118	137
		412	512
Total non-current assets		1,654	1,797
Inventories, net	15	851	861
Income tax receivable	16	74	62
Receivables from related parties, net	3	11	6
Trade and other receivables, net	17	735	766
Cash and cash equivalents	18	239	59
Total current assets		1,910	1,754
Total assets		3,564	3,551
Invested Equity			
Owners' net investment (including cumulative translation reserves)	19	2,311	2,185
Minority interest			1
Total invested equity		2,311	2,186
LIABILITIES			
Borrowings	23	45	59
Deferred income	22		7
Deferred tax liabilities	13	25	36
Provisions	21	267	325
Total non-current liabilities		337	427
Borrowings	24	112	124
Deferred income	22	10	31
Income tax payable	16	133	194
Payables to related parties	3	5	7
Trade and other payables	25	611	553

Provisions	21	45	29
Total current liabilities		916	938
Total liabilities		1,253	1,365
Total invested equity and liabilities		3,564	3,551

The accompanying notes are an integral part of these combined financial statements.

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Table of Contents**OBS GROUP****COMBINED STATEMENTS OF CASH FLOWS**

(Amounts in millions of euros)

	For the Year Ended December 31,		
	2006	2005	2004
Profit for the period	393	566	358
<i>Adjustments to reconcile earnings to cash generated from operating activities:</i>			
Depreciation and amortization	181	188	164
Impairments		73	28
Gains on divestments	(8)	(23)	(10)
Share of profit of associates	(2)	(2)	(1)
Changes in deferred taxes (non-cash recognized in income)	58	6	74
Provisions expense (non-cash recognized in income)	42	44	131
Interest expense funded by Akzo Nobel	38	28	19
Corporate overhead costs funded by Akzo Nobel	30	27	24
Insurance expense funded by Akzo Nobel	28	29	27
Share-based payment costs funded by Akzo Nobel	5	3	4
Other	15	(29)	(13)
<i>Operating cash flow before changes in working capital and provisions</i>	780	910	805
(Increase) in trade and other receivables	(7)	(57)	(110)
(Increase)/decrease in inventories	(24)	79	11
Decrease/(increase) in other non-current assets	8	(3)	6
Increase/(decrease) in trade and other payables and provisions	26	(130)	(141)
Increase/(decrease) in income tax payables and receivables, net	17	(20)	(12)
	20	(131)	(246)
Cash generated from operating activities	800	779	559
Purchase of intangible assets	(8)	(51)	(19)
Capital expenditures	(162)	(163)	(157)
Proceeds from sale of property, plant and equipment		16	9
Acquisitions	(8)	(8)	
Proceeds from sale of interests	11	23	15
Other	(3)		(2)
Net cash used in investing activities	(170)	(183)	(154)

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Dividends paid to Akzo Nobel		(410)	(477)
Cash transfers (to)/from Akzo Nobel, net	(426)	(179)	150
Financing with affiliates			13
Bank overdrafts		(3)	(8)
(Decrease)/increase in borrowings	(20)	5	(75)
Net cash used in financing activities	(446)	(587)	(397)
<i>Net increase in cash and cash equivalents</i>	<i>184</i>	<i>9</i>	<i>8</i>
Effect of exchange rate changes on cash and cash equivalents	(4)	3	(1)
<i>Net increase in cash and cash equivalents</i>	<i>180</i>	<i>12</i>	<i>7</i>
Cash and cash equivalents at January 1	59	47	40
<i>Cash and cash equivalents at December 31</i>	<i>239</i>	<i>59</i>	<i>47</i>

The accompanying notes are an integral part of these combined financial statements.

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Table of Contents**OBS GROUP****COMBINED STATEMENTS OF CHANGES IN INVESTED EQUITY**

(Amounts in millions of euros)

	Owners Net Investment	Cumulative Translation Reserves	Minority Interest	Total Invested Equity
<i>Balance at January 1, 2004</i>	1,591		1	1,592
Changes in exchange rates in respect of foreign operations		(48)		(48)
Net income/(expense) recognized directly in equity		(48)		(48)
Profit for the period	358			358
<i>Total income/(expenses)</i>	358	(48)		310
Dividend paid to Akzo Nobel	(477)			(477)
<i>Contributions attributed to:</i>				
Share-based payment costs funded by Akzo Nobel	4			4
Interest expense funded by Akzo Nobel	19			19
Corporate overhead costs funded by Akzo Nobel	24			24
Insurance expense funded by Akzo Nobel	27			27
Tax transfers from Akzo Nobel, net	302			302
Employee benefits and other non-cash transfers, net	29			29
Cash transfers from Akzo Nobel, net	150			150
<i>Balance at December 31, 2004</i>	2,027	(48)	1	1,980
Changes in exchange rates in respect of foreign operations		94		94
Net income/(expense) recognized directly in equity		94		94
Profit for the period	566			566
<i>Total income/(expenses)</i>	566	94		660
Dividend paid to Akzo Nobel	(410)			(410)
<i>Contributions attributed to:</i>				
Share-based payment costs funded by Akzo Nobel	3			3
Interest expense funded by Akzo Nobel	28			28
Corporate overhead costs funded by Akzo Nobel	27			27
Insurance expense funded by Akzo Nobel	29			29
Tax transfers to Akzo Nobel, net	(127)			(127)
Employee benefits and other non-cash transfers, net	175			175
Cash transfers to Akzo Nobel, net	(179)			(179)
<i>Balance at December 31, 2005</i>	2,139	46 (48)	1	2,186 (48)

Changes in exchange rates in respect of foreign operations

Net income/(expense) recognized directly in equity		(48)		(48)
Profit for the period	393			393
<i>Total income/(expenses)</i>	393	(48)		345
Change minority interests in subsidiaries			(1)	(1)
<i>Contributions attributed to:</i>				
Share-based payment costs funded by Akzo Nobel	5			5
Interest expense funded by Akzo Nobel	38			38
Corporate overhead costs funded by Akzo Nobel	30			30
Insurance expense funded by Akzo Nobel	28			28
Tax transfers to Akzo Nobel, net	112			112
Employee benefits and other non-cash transfers, net	(6)			(6)
Cash transfers to Akzo Nobel, net	(426)			(426)
<i>Balance at December 31, 2006</i>	2,313	(2)		2,311

The accompanying notes are an integral part of these combined financial statements.

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise stated)

Note 1 Business and Basis of Presentation

Business

In these combined financial statements, the human healthcare and animal healthcare activities of Akzo Nobel N.V. (Akzo Nobel) are together referred to as the healthcare activities and references to the OBS Group or Company mean those operating companies and other subsidiaries of Akzo Nobel that undertook the human and animal healthcare activities during the relevant periods covered by the combined financial statements.

The OBS Group is headquartered in Oss, The Netherlands.

The human healthcare business, Organon, specializes in the discovery, development, manufacturing and marketing of prescription medicines and products. Its core therapeutic areas of expertise are contraception, fertility, hormone therapy, mental health and anesthesia. Additionally, the Organon business includes Nobilon, a biotechnology company dedicated to exploring opportunities in the field of human vaccines.

The animal healthcare business, Intervet, offers a full range of veterinary vaccines and pharmaceuticals for a variety of animal species including poultry, pigs, cattle, sheep, goats, horses, cats, dogs and fish.

Following the announcement by Akzo Nobel that it intends to separate its healthcare activities from Akzo Nobel, Akzo Nobel incorporated Organon BioSciences N.V. (OBS N.V.) on September 1, 2006 as a public company with limited liability (naamloze vennootschap) incorporated under the laws of The Netherlands with an authorized share capital of EUR 225 thousand and an issued share capital of EUR 45 thousand.

On September 30, 2006 Akzo Nobel contributed to OBS N.V., through a contribution in kind, the shares of the two subholding companies, Organon BioSciences International B.V. and Organon BioSciences Nederland B.V., in exchange for 24,955,000 ordinary shares of OBS N.V. with a nominal value of EUR 1.00 (one euro) per share. As per the date of this contribution, OBS N.V. had an authorized share capital of EUR 125 million and an issued share capital of EUR 25 million.

These combined financial statements were authorized on July 30, 2007 by the Board of Management of the OBS N.V.

Table of Contents**OBS GROUP****NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**
(All amounts in millions of euros unless otherwise stated)***Basis of Presentation***

These combined financial statements reflect all of the assets, liabilities, revenues, expenses, and cash flows of the OBS Group. The significant legal entities forming part of the OBS Group are as follows:

Legal Entity	Country of Incorporation	Ownership
Organon BioSciences N.V.	The Netherlands	100.00%
Organon BioSciences Nederland B.V.(*)	The Netherlands	100.00%
Organon BioSciences International B.V. (**)	The Netherlands	100.00%
Intervet International B.V.	The Netherlands	100.00%
Intervet Inc.	USA	100.00%
Intervet International GmbH	Germany	100.00%
Intervet UK Ltd.	U.K.	100.00%
Laboratorios Intervet S.A.	Spain	100.00%
Hydrochemie GmbH	Germany	100.00%
Intervet Australia Pty Ltd.	Australia	100.00%
Intervet Deutschland GmbH	Germany	100.00%
Intervet Innovation GmbH	Germany	100.00%
Akzo Nobel Ltda (***)	Brazil	100.00%
Intervet Mexico S.A. de CV	Mexico	100.00%
Intervet S.A.	France	100.00%
Intervet Productions S.A.	France	100.00%
Intervet Pharma R&D S.A.	France	100.00%
Intervet (Italia) S.r.l.	Italy	100.00%
Intervet UK Production Ltd.	UK	100.00%
Intervet Holding B.V.	The Netherlands	100.00%
Intervet Nederland B.V.	The Netherlands	100.00%
Intervet KK	Japan	100.00%
Nobilon International B.V.	The Netherlands	100.00%
N.V. Organon	The Netherlands	100.00%
Organon (Ireland) Ltd. (****)	Ireland	100.00%
Organon International Inc.	USA	100.00%
Organon USA Inc.	USA	100.00%
Organon S.A.	France	100.00%
Nippon Organon KK	Japan	100.00%
Organon GmbH	Germany	100.00%
Organon Laboratories Ltd.	UK	100.00%
Organon Española S.A.	Spain	100.00%
Organon Italia S.p.A.	Italy	100.00%
Organon do Brasil Indústria e Comércio Ltda	Brazil	100.00%

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Organon Ilaclari A.S.	Turkey	100.00%
Organon Holding B.V.	The Netherlands	100.00%
Organon Nederland B.V.	The Netherlands	100.00%
Organon Canada Ltd.	Canada	100.00%
Multilan AG	Switzerland	100.00%
Diosynth RTP Inc.	USA	100.00%

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

(*) Formerly Akzo Nobel Pharma B.V.

(**) Formerly Akzo Nobel Pharma International B.V.

(***) Represents the Intervet division of Akzo Nobel Ltda, the combined financial statements only include those assets, liabilities, revenues, expenses and cash flows of this legal entity that pertain directly to healthcare activities. In June 2006 the Intervet division of this legal entity was incorporated in a separate entity (Intervet do Brasil Veterinaria Ltda), which is indirectly 100% owned by OBS N.V. The remaining business of Akzo Nobel Ltda is not related to healthcare activities and is not part of the spin-off healthcare activities.

(****) Including Organon Ireland Swiss Branch.

These combined financial statements exclude the assets, liabilities, revenues, expenses and cash flows of Akzo Nobel legal entities (and divisions thereof) not relating to the healthcare activities.

During 2006, the OBS Group divested Crina S.A., one of the remaining feed additives businesses held in the portfolio. During 2005, the OBS Group divested significant parts of its feed additives business to Biovet. In 2004, the OBS Group divested Dr. Bommeli AG, a business offering diagnostic reagents and testing kits for the control of livestock diseases. These combined financial statements reflect the revenues, expenses, and cash flows of these businesses up to the date of divestment.

The OBS Group has historically operated as an integrated part of Akzo Nobel and within the Akzo Nobel infrastructure. However, these combined financial statements have been prepared on a *carve-out* basis from the consolidated financial statements of Akzo Nobel to represent the financial position and performance of the OBS Group as if the OBS Group had existed as of and during the years ended December 31, 2006, 2005 and 2004, and as if International Accounting Standard (IAS) 27, *Consolidated and Separate Financial Statements*, has been applied throughout. The combined financial statements included herein may not necessarily be indicative of the OBS Group's financial position, results of operations, or cash flows had the OBS Group operated as a separate entity during the periods presented or for future periods.

As described above, these combined financial statements reflect the assets, liabilities, revenues, expenses, and cash flows of the OBS Group. Under the *carve-out* basis of presentation, these combined financial statements include allocations for various expenses, including corporate administrative expenses, as well as an allocation of certain assets and liabilities historically maintained by Akzo Nobel, but not recorded in the accounts of the OBS Group. These include, among other things, corporate overhead, interest expense, certain deferred and current income tax assets and liabilities, liabilities for certain compensation plans and contingent liabilities. The various allocation methodologies for corporate expenses, insurance, interest expense, share based payments, and pension and postretirement expenses are discussed in Notes 3, 3, 7, 20, and 21, respectively. Management of the OBS Group considers that such allocations have been made on a reasonable basis, but may not necessarily be indicative of the costs that would have been incurred if the OBS Group had operated on a stand-alone basis.

Akzo Nobel uses a centralized approach to manage cash and to finance many of its global operations. As a result, certain debt and cash and cash equivalents maintained at Akzo Nobel are not included in the accompanying combined financial statements. The combined statements of income include an allocation of Akzo Nobel's interest expense as discussed in Note 7. The OBS Group's financing requirements are represented by cash transactions with Akzo Nobel and are reflected in invested equity in the combined balance sheets.

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

The invested equity balance in these combined financial statements of the OBS Group constitutes Akzo Nobel's investment in the OBS Group and represents the excess of total assets over total liabilities. Invested equity includes the effects of carve-out allocations from Akzo Nobel and the funding of the OBS Group through the in-house banking cash pooling arrangements and loans to and from related parties with Akzo Nobel, and the OBS Group's cumulative net income, including income directly recognized in equity. As a consequence, invested equity does not constitute any contract that evidences a residual interest in the assets after deducting liabilities to which reference is made in IAS 32, *Financial Statements: Disclosure and Presentation*.

For those OBS Group companies located in countries where they were included in the tax grouping of other Akzo Nobel entities within the respective entity's tax jurisdiction, the current tax payable or receivable of these OBS Group companies represents the income tax amount to be paid to or to be received from the country tax leading holding company of Akzo Nobel. For the purpose of these combined financial statements it is assumed that only the current year is outstanding.

The combined statements of cash flows have been prepared under the indirect method in accordance with the requirements of IAS 7, *Cash Flow Statements*. The combined statements of cash flows exclude currency translation differences, which arise as a result of translating the assets and liabilities of non-euro companies to euros at year-end exchange rates (except for those arising on cash and cash equivalents) and have been adjusted for non-cash transactions.

Akzo Nobel and the OBS Group have identified certain issues and areas that, in preparation of and following the separation, require mutually agreeable arrangements between them. These issues and areas have been included in a separation agreement, which was signed on February 28, 2007. Note 31 provides further explanation on the separation agreement.

As a result of the foregoing, among other things, the combined financial statements may not necessarily be indicative of the OBS Group's financial position, results of operations, or cash flows had the OBS Group operated on a separate stand-alone basis during the periods presented, or for future periods. Furthermore, the combined financial statements do not reflect the financial impact of the actual separation of the OBS Group from Akzo Nobel.

These combined financial statements of the OBS Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). IFRS as adopted by the OBS Group does not differ from IFRS as provided by the International Accounting Standards Board (IASB). The accounting policies as set out below have been applied consistently in preparing the combined financial statements for the year ended December 31, 2006, 2005 and 2004, with the exception of IAS 32, *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* for financial instruments, which have been applied as from January 1, 2005. Management has determined that the effect of not applying IAS 32 and IAS 39 prior to January 1, 2005 is immaterial.

These combined financial statements are presented in euro, which is the functional currency of OBS N.V. and the OBS Group. All amounts are in millions of euros except headcount figures or unless otherwise stated. IFRS as applied by the OBS Group differs in certain significant respects from accounting principles generally accepted in the United States of America (US GAAP). The effects of the application of US GAAP are discussed in Note 32.

Note 2 Significant Accounting Policies

A summary of the significant accounting policies used in the preparation of the accompanying combined financial statements is presented below.

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

Principles of combination

These combined financial statements include the accounts of the OBS Group's operations controlled by Akzo Nobel and have been combined as if together for all periods presented.

All significant intercompany balances and transactions with combined entities have been eliminated. However, intercompany balances and transactions with Akzo Nobel, excluding the OBS Group, have not been eliminated, but are presented as balances and transactions with related parties.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the combined financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 29.

Management has also estimated the allocation of various expenses and certain assets and liabilities that have historically been maintained by Akzo Nobel as disclosed in Note 1 and throughout these combined financial statements.

Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the combined statements of income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

Assets and liabilities of foreign subsidiaries are translated into euros at exchange rates on the balance sheet date. Revenues and expenses are translated into euros at rates approximating the foreign exchange rates ruling at the dates of the transactions. Exchange differences resulting from translation into euros of shareholders' equities and of intercompany loans of a permanent nature with respect to subsidiaries outside the euro region are recorded within invested equity. Upon disposal or liquidation of a foreign entity, these cumulative translation adjustments are recognized as income or expense.

Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved, as well as the fair value adjustment of forward exchange contracts, are included in the combined statements of income.

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Table of Contents**OBS GROUP****NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)**
(All amounts in millions of euros unless otherwise stated)

Before being combined, the financial statements of subsidiaries established in hyperinflationary countries are adjusted for the effects of changing prices.

The main exchange rates against euros used in the preparation of the combined balance sheets and the combined statements of income are:

	Combined Balance Sheets		Combined Statements of Income		
	2006	2005	2006	2005	2004
USD	1.317	1.186	1.256	1.245	1.243
GBP	0.671	0.687	0.682	0.684	0.680
CHF	1.607	1.557	1.577	1.549	1.544

Valuation

The principles of valuation and determination of income used in these combined financial statements are based on historical costs, unless stated otherwise in the principles of valuation of assets and liabilities.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment recognized. The cost of self-constructed assets includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Interest incurred for the construction of any qualifying asset is capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of the related asset.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the OBS Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. The cost of other property, plant and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets. In the majority of cases the useful life of equipment and machinery is 10 years and the useful lives of buildings ranges between 20 and 30 years. Residual value is in the majority of cases determined to be insignificant. Depreciation methods, useful lives and residual values are reassessed annually.

Components of property, plant and equipment that have different useful lives are accounted for as separate items of property, plant and equipment.

Gains and losses on the sale of property, plant and equipment are included in the combined statements of income.

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

Leases

Leases of property, plant and equipment are classified as finance leases if the OBS Group has substantially all the risks and rewards of ownership. All other leases are accounted for as operating leases.

Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned to interest expense and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the OBS Group's share of the net identifiable assets at the date of acquisition. Goodwill related to an associate is included in the carrying amount of the investment. Separately recognized goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

Intangible assets with a finite life, such as licenses, know-how and intellectual property rights, are capitalized at historic cost, less accumulated amortization and any impairment recognized. Amortization is recognized in the combined statements of income on a straight-line basis over the estimated useful lives, which in the majority of cases are between 4 and 15 years.

Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the combined income statements as an expense as incurred. An intangible asset, however, is recognized if the OBS Group can demonstrate all of the following: (a) the technical feasibility of completing the product or process so that it will be available for use or sale; (b) its intention to complete the product or process and use or sell it; (c) its ability to use or sell product or process; (d) how the product or process will generate probable future economic benefits and demonstrate the existence of a market for the product or process; (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the product or process; and (f) its ability to reliably measure the expenditure attributable to the product or process during its development. Where the recognition criteria are met, capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. The capitalized development expenditure is amortized on a straight-line basis over its useful economic life. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads.

A development project involves a product candidate undergoing a high number of tests to illustrate its safety profile and the effect on human beings and animals prior to obtaining the necessary approval of the final product from the appropriate authorities. The future economic benefits associated with the individual development projects are

dependent on obtaining such approval. Considering the general risk related to the development of pharmaceutical products, management has concluded that the future economic benefits associated with the individual projects cannot be

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

estimated with sufficient certainty until the project has been finalized nor is the OBS Group technically feasible to bring the product to the market if it lacks the required regulatory approval. Development costs that meet the conditions mentioned above are capitalized; when these conditions are not met, all development costs are expensed as incurred. For the years prior to and for the years ended December 31, 2006, 2005 and 2004, the OBS Group has expensed all development costs.

Payments to in-license products and compounds from third parties, generally taking the form of up-front payments and milestones, are capitalized at historic cost and are recognized on a straight-line basis, over their useful lives.

Financial non-current assets

Interests in companies where the OBS Group can exercise significant influence but no control are treated as investments in associates and are stated at the amount of the OBS Group's share in equity from the date that significant influence commences until the date that significant influence ceases. The calculation of equity is based on IFRS as disclosed in these notes to the combined financial statements. When the share of losses exceeds the interest in the associate, the carrying amount is reduced to nil and recognition of future losses is discontinued, unless the OBS Group has incurred legal or constructive obligations on behalf of the associate.

Unrealized gains arising from transactions with associates are eliminated to the extent of the OBS Group's interest in the associate and are eliminated against the investment in the company. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Other financial non-current assets classified as available for sale are stated at fair value, with gains and losses resulting from changes in the fair value recognized directly in invested equity and impairment losses recognized in the combined statement of income. Upon derecognition of financial non-current assets classified as available for sale, the cumulative gain or loss previously recognized directly in equity is recognized in the combined statements of income. Other financial non-current assets classified as held to maturity are stated at amortized cost less impairment losses. Long-term receivables and loans to associates included within other financial non-current assets are carried at amortized cost (using the effective interest method), less impairment losses.

The fair value of financial instruments classified as available for sale is their quoted price at the balance sheet date.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined using the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes direct material and direct labor costs and certain overhead and production expenses.

Trade and other receivables

Trade and other receivables are stated at their amortized cost less impairment losses. Collectibility of accounts receivable is regularly reviewed and is based upon management's knowledge of customers and compliance with credit terms.

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments that are readily convertible into cash and have original maturities of three months or less. The OBS Group's reported cash and cash equivalents relate to local cash on hand or local cash in bank accounts of legal entities of the OBS Group. As discussed in Note 1 and Note 3 during the periods covered by these combined financial statements, treasury activities at Akzo Nobel were generally centralized such that cash collections by the OBS Group were automatically remitted to Akzo Nobel. Amounts remitted to Akzo Nobel are not included in cash and cash equivalents.

Impairment

The carrying amount of the OBS Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment charge is recognized if the book value so computed exceeds the recoverable amount of the assets.

For goodwill, assets that have an indefinite life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the combined statements of income.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in invested equity and there is subsequent objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in invested equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit and loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

Invested equity

The invested equity balance in the combined financial statements of the OBS Group constitutes Akzo Nobel's investment in the OBS Group and represents the excess of total assets over total liabilities. Invested equity includes the effects of carve-out allocations from Akzo Nobel and the funding of the OBS Group activities through the in-house banking and cash pooling loans to and from related parties with Akzo Nobel, and the OBS Group's cumulative net income, including income directly recognized in equity. As a consequence, invested equity does not constitute any contract that evidences a residual interest in the assets after deducting liabilities.

Provisions

Provisions are recorded when the OBS Group has a present legal or constructive obligation as a result of past events that can be measured reliably, and it is probable that an outflow of economic benefits is required to settle that obligation. Provisions are stated at net present value, taking the timing of cash outflows into account. The expected future cash outflows are discounted using appropriate pre-tax interest rates reflecting current market assessments of the time value of money and, if applicable, the risks specific to the liability. The accretion of the discount element of provisions as a result of the passage of time is recognized in the combined statements of income under financing expenses.

A provision for restructuring is recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly committing the OBS Group to that course of action. Future operating costs are not provided for.

Pensions and other postretirement benefits

The majority of the OBS Group's employees participate in Akzo Nobel defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans which provide benefits to employees and former employees of both the OBS Group and other Akzo Nobel businesses. In these plans, the assets and liabilities that relate to employees (and former employees) of the OBS Group are combined with those related to employees (and former employees) of other Akzo Nobel businesses. In preparing the combined financial statements the OBS Group management used a reasonable allocation methodology to determine the OBS Group's portion of the plans' assets, liabilities, and benefit costs under IAS 19. See Note 21 for further details of the allocation methodology used.

Furthermore, some OBS Group employees participate in stand-alone OBS Group pension and other postretirement benefit plans. The related expenses, assets and liabilities for these plans are accounted for in the combined financial statements in accordance with IAS 19.

The OBS Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have currencies and terms consistent with the currencies and estimated terms of the obligation. Most of the defined benefit pension plans are funded with plan assets that have been segregated in trusts or foundations. Valuations of both funded and unfunded plans are carried out by independent actuaries using the projected unit credit method. Pension costs primarily

represent the increase in the actuarial present value of the obligation for

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OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS (Continued)
(All amounts in millions of euros unless otherwise stated)

projected pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

In certain countries the OBS Group also provides postretirement benefits other than pensions to its employees. These plans are generally not funded. Valuations of the obligations under these plans are carried out by independent actuaries using the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Actuarial gains and losses arising in calculating the OBS Group's obligation in respect of a plan are recognized to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets. That portion is recognized in the combined statements of income over the expected average remaining working lives of the employees participating in the plan, otherwise actuarial gains and losses are not recognized.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the combined statements of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the combined statements of income.

Other long-term employee benefits

Other long-term employee benefits include long-service or sabbatical leave, jubilee or other long-service benefits, and other employee benefits payable more than 12 months after the related service rendered. These provisions are stated at present value.

Defined contribution plans

For defined contribution plans, the OBS Group has no further payment obligations once the contributions have been paid. Accordingly, the contributions made are expensed as incurred.

Income taxes

During the periods presented, some entities of the OBS Group businesses did not file separate income tax returns as these entities were included in the tax grouping of other Akzo Nobel entities within the respective entity's tax jurisdiction. The income tax provision included in the combined financial statements was calculated on a separate return basis, as if the OBS Group was a separate taxpayer.

Deferred tax assets and liabilities are based on temporary differences between the valuation of assets and liabilities for financial reporting purposes and the valuation for tax purposes. Measurement of deferred tax assets and liabilities is based upon the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred taxes are not discounted. The tax effect on the elimination of intercompany profit in inventories is based on the tax rate of the country of the company receiving the goods.

Deferred tax assets, including assets arising from losses carried forward, are recognized if it is probable that future taxable profits will be available against which the asset can be used. Non-refundable dividend taxes are taken into account in the determination of provisions for deferred taxes

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to the extent of earnings expected to be distributed by associates. If separate tax rates exist for distributed and undistributed profits, the current and deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax consequences of dividends are recognized when a liability to pay the dividend is recognized.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent it is probable that the temporary difference will not reverse in the foreseeable future.

The OBS Group does not recognize deferred tax on differences between tax base and book value of investment in subsidiaries where reversal is controlled and not anticipated in the foreseeable future.

Taxes on income comprise both current and deferred taxes, including effects of changes in tax rates. Income tax is recognized in the combined statements of income, unless it relates to equity and deferred tax recognized in purchase accounting.

Share-based payments

Certain OBS Group employees participate in various Akzo Nobel share-based payment plans. These stock option plans allow certain employees of the OBS Group to acquire Akzo Nobel N.V. common shares. These options generally vest if the employee stays with the OBS Group during an uninterrupted three-year period. Also, for the options granted since 2005, certain economic value added performance criteria are included in the vesting conditions. Akzo Nobel also has a Performance Share Plan, under which shares are conditionally granted to certain employees. The actual number of shares which the employees will receive depends on the employee having stayed with the OBS Group during an uninterrupted three-year period and Akzo Nobel's Total Shareholder Return (TSR) performance over a three-year period, compared with TSR performance of a specified peer group.

The fair value of the options and performance shares granted is recognized as an employee expense with a corresponding increase in invested equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or performance shares. The fair value of the options and performance shares granted to OBS Group employees and to board members is measured using a binomial lattice model, taking into account the terms and conditions upon which the options and performance shares were granted. For the performance shares this also includes the market conditions expected to impact Akzo Nobel's TSR performance in relation to the selected peers. The amount recognized as an expense is adjusted to reflect the actual number of options or performance shares that vest, except where forfeiture or extra vesting of performance shares is only due to the actual TSR performance differing from the performance anticipated at the grant date of the performance shares.

Borrowings

Borrowings are recognized initially at fair value. Subsequent to initial recognition, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the combined statements of income over the period of the borrowings on an effective interest basis.

Short-term debt and trade and other payables

Short-term debt, trade payables and other payables are recognized at cost. Their carrying values approximate their cost because of the short term maturity of these instruments.

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Derivative financial instruments

The OBS Group uses forward foreign currency contracts in order to manage its exposures to movements in foreign exchange rates.

As of December 31, 2006 and 2005 and for the years then ended, forward exchange contracts are measured at fair value in the combined balance sheets, with changes in the fair value recognized in income. The fair values are recognized in the combined balance sheets under trade and other receivables or under trade and other payables.

Principles of determination of income

The determination of income is closely associated with the valuation of assets and liabilities. In addition, the following principles are observed in the preparation of the combined statements of income:

Revenues

Revenues are defined as the consideration received from the sale and delivery of goods and services and royalty income. Revenues are shown net of value-added-tax, rebates, discounts and similar allowances.

Revenues from sales of goods are recognized when the significant risks and rewards have been transferred to a third party. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due, associated cost, or the possible return of goods, or if management keeps continuing involvement with the goods. Service revenues are recognized as services are rendered. Royalty income is recognized on an accrual basis.

The OBS Group receives in-licensing, milestone, and other up-front non-refundable payments from third-parties relating to the sale or licensing of products or technology. Revenue associated with performance milestones is recognized based on achievement of the milestones, as defined in the respective agreements. Revenue from non-refundable up-front payments and license fees is initially reported as deferred income and is recognized in income as earned over the period of the development collaboration or the manufacturing obligation.

The OBS Group also generates revenues from collaborative research and development as well as co-promotion arrangements. Such agreements may consist of multiple elements and provide for varying consideration terms, such as up-front, milestone and similar payments, which require significant analysis by management in order to determine the appropriate method of revenue recognition. Where an arrangement can be divided into separate units of accounting (each unit constituting a separate earnings process), the arrangement consideration is allocated to the different units based on their relative fair values and recognized over the respective performance period. Where the arrangement cannot be divided into separate units, the individual deliverables are combined as a single unit of accounting and the total arrangement consideration is recognized over the estimated collaboration period.

The OBS Group has accruals and provisions for expected sales returns, charge-backs, discounts and other rebates that are recorded as a reduction of revenue at the time the related revenues are recorded. Such estimates are based on analyses of existing contractual or legislatively mandated obligations, historical trends and the OBS Group's experience. Management believes that the total accruals and provisions for these items are adequate, based upon currently available information. As these reductions are based on management estimates, they may be subject to

change as better information becomes available. Such changes that arise could impact the accruals and provisions

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recognized in the balance sheet in future periods and consequently the level of sales recognized in the combined statements of income in future periods.

Cost of sales

Cost of sales comprise the manufacturing costs of the goods sold and delivered, and any inventory write-downs to lower net realizable value.

Manufacturing costs include such items as:

the costs of raw materials and supplies, energy, and other materials;

depreciation and the costs of maintenance of the assets used in production;

salaries, wages, and social charges for the personnel involved in manufacturing.

The costs of services and royalties, generally, are included in the functional cost lines in the combined statements of income, as applicable: selling and distribution expenses, research and development expenses, or general and administrative expenses.

Government grants

Government grants related to cost are recognized in the combined statements of income in the same periods as the related cost to be compensated and are deducted from the relevant cost. For government grants related to assets, see the accounting policy for property, plant and equipment.

Financial expenses and income

Financial expenses comprise the interest expense on advances from Akzo Nobel based on the daily outstanding advances funded to the OBS Group through Akzo Nobel's cash pooling accounts using interest rates applicable to the currency and region of the cash pooling accounts and interest expense on borrowings from the Akzo Nobel Group, and borrowings from financial institutions, calculated using the effective interest method. Also the interest expense component of finance lease payments and the accretion of the discount element of provisions as a result of the passage of time are recognized under financial expenses.

Interest income is recognized under financial income, using the effective interest method.

Share of profit of associates

Share in profit of associates consists of the OBS Group's share in earnings of these companies and interest on loans granted to them, with an allowance being made for taxes relating to these items.

Earnings per share

The OBS Group is not a separate legal entity with common shares outstanding. Therefore, historical earnings per share have not been presented in the combined financial statements.

Segment reporting

The primary segment reporting is based on the business segments of the OBS Group, whereby the business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risks and rewards of the other segments. In determining whether products and services are related, aspects such as the nature of the products or services, the nature of the production processes, and the type or class of customers and end users for the products or

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services are taken into consideration. Segments reported are Organon and Intervet, which also reflect the management structure of the OBS Group. The secondary segment reporting is based on the geographical areas in which the OBS Group operates, whereby economic environments with comparable risks and returns are grouped together. Inter-segment pricing is determined on an arm's length basis.

Standards issued, but not yet effective

The following new IFRS standards and interpretations have been adopted by the IASB and have been endorsed by the European Commission. The effective date of these standards and interpretations is annual periods beginning on or after January 1, 2007: IFRS 7, *Financial Instruments: Disclosures and Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures*, IFRS 8, *Operating Segments*, IFRIC Interpretation 8, *Scope of IFRS 2 Share Based Payment*; IFRIC Interpretation 9, *Reassessment of Embedded Derivatives*; IFRIC Interpretation 10, *Interim Financial Reporting and Impairment*; IFRIC 11, *IFRS 2, Group and Treasury Share Transactions*; IFRIC 12, *Service Concession Arrangements*; IFRIC 13, *Customer Loyalty Programmes*, and IFRIC 14, *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The OBS Group has analyzed the impact of the new accounting standards on the combined financial statements, and they are not expected to have a significant impact on the OBS Group.

Note 3 Related Parties

These combined financial statements include transactions with related parties. The OBS Group entered into transactions with Akzo Nobel and its subsidiaries. Furthermore, Akzo Nobel provided corporate services for the combined financial statement periods presented. Management believes that product transfers between the OBS Group and the Akzo Nobel Group were made at arm's length prices.

Sales and purchases of goods and services to and from Akzo Nobel and its subsidiaries were not significant for the years ended December 31, 2006, 2005 and 2004. At December 31, 2006 and 2005, the OBS Group had receivables from Akzo Nobel and its subsidiaries of EUR 11 million and EUR 6 million, respectively. These amounts are reflected in receivables from related parties in the combined balance sheets. At December 31, 2006 and 2005, the OBS Group had payables to Akzo Nobel and its subsidiaries of EUR 5 million and EUR 7 million, respectively. These amounts are reflected in payables to related parties in the combined balance sheets.

In addition, the OBS Group purchases and sells goods and services to two related parties in which the OBS Group holds less than a 50% equity interest (associates). Such transactions were not significant on an individual or aggregate basis. The OBS Group believes these transactions were conducted at arm's length with terms comparable to transactions with third parties.

General and administrative expenses include allocated corporate and regional costs from Akzo Nobel approximating EUR 30 million, EUR 27 million and EUR 24 million for the years ended December 31, 2006, 2005 and 2004, respectively. These costs are primarily related to Akzo Nobel's corporate administrative services to the OBS Group, and are generally allocated based on a combination of the ratio of the OBS Group's annual revenues, gross profit, and property, plant, and equipment, to Akzo Nobel's comparable consolidated revenues, gross profit, and property, plant, and equipment. Management considers that such allocations have been made on a reasonable basis, but may not

necessarily be indicative of the costs had the OBS Group operated as a separate entity during the periods presented. In addition, Akzo Nobel has incurred specific costs that are directly related to the OBS Group. These have been allocated to the OBS Group based upon actual costs

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incurred by Akzo Nobel. For the years ended December 31, 2006, 2005 and 2004, these direct related expenses amounted to EUR 3 million, EUR 2 million and EUR 2 million, respectively.

Akzo Nobel incurs certain insurance costs on behalf of the OBS Group. These costs primarily include insurance premiums, costs related to insurance claims and certain administrative (insurance) services. Akzo Nobel's in-house insurance department acts as an in-house insurer that incurs the risk partially by themselves as well as insuring risk partially with third party insurance companies. For the years ended December 31, 2006, 2005 and 2004, Akzo Nobel has allocated EUR 28 million, EUR 29 million and EUR 27 million to the OBS Group for total insurance expenses, respectively. These costs have been allocated based on the risk profiles of the OBS Group compared to the risk profiles of other Akzo Nobel businesses. The risk profiles used are based on the nature and operations of the various subsidiaries that are included in the OBS Group. Management considers that such allocations have been made on a reasonable basis, but may not necessarily be indicative of the costs had the OBS Group operated as a separate entity during the periods presented.

In some countries, OBS Group entities form part of a fiscal unity headed by an Akzo Nobel company. In these instances, the tax leading company files the tax return and settles the taxes with the respective OBS Group company in that country. Income tax provisions related to the above mentioned OBS Group companies were calculated using a method as if these OBS Group companies had filed a separate tax return.

Akzo Nobel uses a centralized approach for cash management and to finance its operations. During the periods covered by these combined financial statements, cash deposits were remitted to Akzo Nobel on a regular basis and are reflected within invested equity in the combined balance sheets. Similarly, the OBS Group's cash disbursements were funded through Akzo Nobel's cash accounts. As a result, none of Akzo Nobel's cash, cash equivalents or liabilities pertaining to book overdrafts have been allocated to the OBS Group in the combined financial statements. All cash and cash equivalents reflected in these combined financial statements belong to legal entities of the OBS Group.

The OBS Group's combined statements of income also include an allocation of Akzo Nobel's interest expense totaling EUR 38 million, EUR 28 million and EUR 19 million, for the years ended December 31, 2006, 2005 and 2004, respectively. These costs are primarily related to Akzo Nobel's consolidated interest expense and are allocated principally based on the daily average outstanding cash balance funded to the OBS Group through Akzo Nobel's cash accounts using a rate applicable to the underlying currency. While interest expense has been allocated, there is no debt specific to the OBS Group; therefore, no allocation of Akzo Nobel's general corporate debt has been made in the accompanying combined balance sheets as all transactions with Akzo Nobel are settled via invested equity.

In addition, the OBS Group enters into derivative contracts with Akzo Nobel to manage its foreign currency risk. At December 31, 2006, 2005 and 2004, outstanding contracts to buy currencies had notional values of EUR 21 million, EUR 43 million and EUR 64 million, respectively, while contracts to sell currencies had notional values of EUR 57 million, EUR 43 million and EUR 30 million, respectively.

Additionally, the OBS Group has various loan receivables with the Akzo Nobel Group, which are included in invested equity in the combined balance sheets. These loans bear interest at rates ranging from 3.9% to 4.0% in 2006 and 4.0% to 4.5% in 2005. At December 31, 2006 and 2005, invested equity includes EUR 289 million and EUR 28 million, respectively, of net loans due from and due to related parties. In addition, the OBS Group recognized interest income on these loans in the amount

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of EUR 7 million, EUR 5 million and EUR 8 million for the years ended December 31, 2006, 2005 and 2004, respectively.

In the ordinary course of business the OBS Group has transactions with various organizations with which certain of its members of the Board of Management are associated, but no transactions in respect of this item were conducted in 2006, 2005 or 2004. Likewise, there have been no transactions with members of the Board of Management, any other senior management personnel or any family member of such persons. Also no loans have been extended to members of the Board of Management, any other senior management personnel or any family member of such persons. Certain members of the OBS Group's Board of Management are also members of Akzo Nobel's Board of Management.

Key management salary, bonus and other emoluments

The key management compensation included in the table below, relates only to 12, 10 and 9 OBS Group Executive Committee members that were in place during 2006, 2005 and 2004, respectively. The management compensation of the CFO, who joined the OBS Group on November 1, 2006, is included for 2 months in 2006. In addition, Akzo Nobel has allocated a portion of other key management personnel compensation as a part of the allocation of corporate and regional costs as described above, which has been excluded from the amounts below.

	2006	2005	2004
		(EUR 000 s)	
Salaries and other short-term employee benefits	5,957	4,842	3,747
Pensions	670	642	559
Other emoluments	1,293	845	173
Total	7,920	6,329	4,479

EUR 1 million, EUR 1 million and nil of share-based payment costs related to the performance share plan are included in salaries and other short-term employee benefits for the years ended December 31, 2006, 2005 and 2004, respectively.

Guarantees received

Akzo Nobel has declared in writing that it accepts joint and several liability for contractual debts of certain Dutch OBS Group companies included in these combined financial statements. These debts, provisions and payables, at December 31, 2006 and 2005, aggregating to EUR 221 million and EUR 223 million respectively, are included in the combined balance sheets. Additionally, guarantees were issued by Akzo Nobel on behalf of the OBS Group companies in the amount of EUR 252 million and EUR 225 million at December 31, 2006 and 2005 respectively, including guarantees issued by Akzo Nobel in relation to the exemption of certain Irish companies, under section 5(c) of the Companies (Amendment) Act 1986 Ireland.

Note 4 Segment Information

Segment information is presented in respect of the OBS Group's business and geographical segments. The primary segment reporting is based on the business segments of the OBS Group, whereby the business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risks and rewards of the other segments. In determining whether products and services are related, aspects such as the nature of the products or services,

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the nature of the production processes, and the type or class of customers and end users for the products or services, are taken into consideration. Segments reported are Organon and Intervet, which reflects the management structure of the OBS Group. The secondary segment reporting is based on the geographical areas in which the OBS Group operates, whereby segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

The identification of segments is based on the way the business units are currently managed (composition of management teams and responsibilities) as well as the content of management information used to allocate resources within the business units. The risks and rates of return are affected predominantly by differences in its businesses, Organon and Intervet, and not by the fact that the OBS Group operates in different countries.

Segment revenues and results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Revenues from Third Parties			Group Revenues			Operating Income			Share of Profit of Associates			Depreci		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
	2,593	2,407	2,310	2,617	2,433	2,333	362	482	355	2	2	1	122		
	1,125	1,092	1,029	1,125	1,092	1,029	221	242	175				59		
	3,718	3,499	3,339	3,742	3,525	3,362	583	724	530	2	2	1	181		
revenues				(24)	(26)	(23)									
				3,718	3,499	3,339									
	Total Assets		Total Liabilities Excluding Borrowings		Investments in Associates		Capital Expenditures			Impairment Losses					
	2006	2005	2006	2005	2006	2005	2006	2005	2004	2006	2005	2004			
Organon	2,139	2,366	764	839	13	8	107	106	103		73	28			
Intervet	1,173	1,118	332	343			55	57	54						
Cash and cash equivalents	239	59													
Investments in associates	13	8													

3,564 3,551 1,096 1,182 13 8 162 163 157 73 28

	Revenues by Destination			Total Assets		Capital Expenditures		
	2006	2005	2004	2006	2005	2006	2005	2004
Europe	1,885	1,843	1,821	2,332	2,351	123	126	131
United States and Canada	852	715	674	497	587	23	21	11
Asia Pacific	470	466	432	256	307	5	6	6
Latin America	358	319	277	205	217	10	9	8
Other regions	153	156	135	22	22	1	1	1
	3,718	3,499	3,339	3,312	3,484	162	163	157
Cash and cash equivalents				239	59			
Investments in associates				13	8			
				3,564	3,551			

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(All amounts in millions of euros unless otherwise stated)**Note 5 Revenues**

	2006	2005	2004
Product sales	3,522	3,348	3,200
Service revenue	90	50	37
Royalty and license income	106	101	102
	3,718	3,499	3,339

Note 6 Other Operating Income/(expense)

	2006	2005	2004
Results on sale of redundant assets	2	2	(1)
Currency exchange differences	(4)		9
Impairment charges		(73)	
Results on divestments	6	21	11
Other income/(expense)	13	223	100
	17	173	119

In 2005, the asset impairments mainly relate to Organon's active pharmaceutical ingredients activities, which were under pressure from difficult market circumstances, leading to a pre-tax impairment charge related to property, plant and equipment and goodwill of EUR 68 million. In addition, certain other licenses were considered to be impaired by EUR 5 million.

In 2006, the results on divestments of EUR 6 million relate to the gain on Intervet's divestment of one of its feed additives businesses, Crina S.A. In 2005, Crina, located in Gland, Switzerland had annual sales of EUR 6 million and employed 19 people. Crina specialized in digestibility modulators based on blends of essential oils. In 2005, the OBS Group sold significant parts of its Intervet feed additives business, including the product rights, to Biovet for EUR 23 million cash and a pre-tax gain of EUR 21 million was recorded. In 2004, the OBS Group sold Dr. Bommeli AG for EUR 13 million cash and a pre-tax gain of EUR 11 million was recorded.

In 2006, the other items primarily relate to a termination payment from Ligand regarding Avinza (EUR 8 million). In 2005, the other items primarily relate to the early termination of the Risperdal® co-promotion agreement with Janssen (a subsidiary of Johnson & Johnson) (EUR 149 million), the settlement with Duramed/Barr on Mircette® on their alleged patent infringement (EUR 66 million), the early entrance fee for a marketing license for Remeron® in Germany (EUR 10 million). In 2004, the other items primarily relate to the full transfer of Arixtra® to

Sanofi-Synthélabo (EUR 54 million), the early entrance fee for a marketing license for Remeron® in Germany (EUR 18 million), an insurance receipt (EUR 10 million), and a legal settlement (EUR 16 million).

Note 7 Financial Expense and Income

Akzo Nobel uses a centralized approach for cash management and to finance its operations. During the periods covered by these combined financial statements, cash deposits were remitted to Akzo Nobel on a regular basis and are reflected within invested equity in the combined balance sheets. Similarly, the OBS Group's cash disbursements were funded through Akzo Nobel's cash accounts.

Interest allocations from Akzo Nobel are allocated principally based on the daily average outstanding cash balance funded to the OBS Group through Akzo Nobel's cash accounts using a rate

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applicable to the underlying currency, which ranges from 1.0% to 7.7% for the years ended December 31, 2006, 2005 and 2004, respectively. For the years ended December 31, 2006, 2005 and 2004, interest expense of EUR 38 million, EUR 28 million and EUR 19 million has been allocated to the OBS Group. Further, interest income on advances to other Akzo Nobel entities totaled EUR 7 million, EUR 5 million, and EUR 8 million for the years ended December 31, 2006, 2005, and 2004, respectively.

Management has determined that no debt maintained at the Akzo Nobel group level is related specifically or entirely to the OBS Group business, nor does the OBS Group guarantee or pledge its assets as collateral for Akzo Nobel's debt. As such, management believes that there is no need to pushdown debt to the combined financial statements of the OBS Group. Nevertheless, as described above, interest expense has been allocated and reflected in the combined financial statements of the OBS Group because the OBS Group did receive advances from Akzo Nobel.

The Organon BioSciences Group also has borrowings in which it directly enters into arrangements with third parties or Akzo Nobel. Any third party obligations are reflected in the OBS Group's combined financial statements as a liability. Loans from and to Akzo Nobel are included in invested equity. The actual interest expense incurred in conjunction with these borrowings has been reflected in the combined statements of income.

Financial expense and income consist of the following:

	2006	2005	2004
<i>Financial expenses</i>			
Interest expenses related parties	(38)	(28)	(19)
Interest expenses other	(7)	(7)	(6)
	(45)	(35)	(25)
<i>Financial income</i>			
Interest income related parties	7	5	8
Interest income other	3	1	2
	10	6	10
	(35)	(29)	(15)

Interest expense is reduced by EUR 1 million, EUR 1 million and EUR 3 million for the years ended December 31, 2006, 2005 and 2004, respectively, due to interest capitalized on capital investment projects under construction.

Following the separation of the OBS Group from Akzo Nobel, the financial expenses and income as stated above may not be indicative of those expected in the future. See Note 31 for further discussion of the separation of the OBS Group from Akzo Nobel.

Note 8 Taxes

Profit before tax amounted to EUR 550 million, EUR 697 million and EUR 516 million for the years ended December 31, 2006, 2005 and 2004 respectively. Tax (charges)/benefits are included in the combined statements of income as follows:

	2006	2005	2004
Tax on operating income less financing costs	(157)	(131)	(158)

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The classification of current tax (charges)/benefits in the combined statements of income is as follows:

	2006	2005	2004
Current tax:			
for the year	(98)	(129)	(81)
adjustments for prior years	(1)	4	(3)
	(99)	(125)	(84)
Deferred tax:			
origination and reversal of temporary differences	(57)	(5)	(73)
tax losses not recognized	(1)	(1)	(1)
	(58)	(6)	(74)
	(157)	(131)	(158)

The reconciliation of the statutory tax rate in The Netherlands to the effective combined tax rate is as follows:

	2006	2005	2004
Statutory tax rate in The Netherlands	30%	32%	35%
Effect of different tax rates in foreign countries	(1)%	(15)%	(8)%
Tax-exempt income/non-deductible expenses		2%	1%
Adjustments for prior years			1%
Other			2%
	29%	19%	31%

Note 9 Salaries, Wages, and Social Charges

	2006	2005	2004
Salaries and wages	926	839	818
Pension and other postretirement costs	144	106	118
Other social charges	166	196	172
	1,236	1,141	1,108

Pension and other postretirement costs for the years ended December 31, 2006 and 2005 excludes the effect of EUR 29 million and EUR 92 million, respectively, relating to changes in the pension and postretirement plans in the US and Canada in 2006, and The Netherlands in 2005. Charges of EUR 5 million, EUR 3 million and EUR 4 million for share-based compensation are included in salaries and wages for the years ended December 31, 2006, 2005 and 2004 respectively.

Average number of employees	2006	2005	2004
Organon	14,000	14,200	14,700
Intervet	5,400	5,300	5,300
	19,400	19,500	20,000
Number of employees at December 31	19,200	19,400	19,390

The average number of employees working outside The Netherlands during the years ended December 31, 2006, 2005 and 2004 was 13,700, 14,000 and 14,500 respectively.

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(All amounts in millions of euros unless otherwise stated)**Note 10 Property, Plant and Equipment, net**

					Construction in Progress and	Assets Not Used in the
	Total	Building and Land	Plant Equipment and Machinery	Other Equipment	Prepayments on Projects	Production Process
<i>Balance at January 1, 2005</i>						
Cost of acquisition	2,371	936	919	201	179	136
Depreciation/impairment	(1,224)	(354)	(635)	(131)		(104)
Book value	1,147	582	284	70	179	32
<i>Changes in book value</i>						
Capital expenditures	236	59	132	44		1
Transfer between categories	(73)	7	(3)	4	(82)	1
Disposals	(14)	(3)	(3)	(2)		(6)
Depreciation	(166)	(56)	(81)	(28)		(1)
Impairment	(53)	(19)	(33)	(1)		
Changes in exchange rates	44	25	12	3	2	2
Total changes	(26)	13	24	20	(80)	(3)
<i>Balance at December 31, 2005</i>						
Cost of acquisition	2,484	1,028	1,019	243	99	95
Depreciation/impairment	(1,363)	(433)	(711)	(153)		(66)
Book value	1,121	595	308	90	99	29
<i>Changes in book value</i>						
Acquisitions through business combinations	5	2	3			
Divestures	(2)	(1)	(1)			
Capital expenditures	162	49	64	38	1	10
Transfer between categories		18	(15)	2	(5)	
Disposals	(11)	(2)	(1)	(5)		(3)
Depreciation	(152)	(49)	(69)	(34)		
Impairment						
Changes in exchange rates	(26)	(15)	(4)	(3)	(1)	(3)
Total changes	(24)	2	(23)	(2)	(5)	4
<i>Balance at December 31, 2006</i>						

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Cost of acquisition	2,502	1,094	974	264	94	76
Depreciation/impairment	(1,405)	(497)	(689)	(176)		(43)
Book value	1,097	597	285	88	94	33

In cases where the book value of an asset exceeds the recoverable amount, an impairment charge is recognized. In 2005, such a charge was recognized in other operating income/(expense) in the combined statements of income.

In 2005, an impairment charge totaling EUR 53 million was recognized. The impairments mainly relate to Organon's active pharmaceutical ingredients activities, which was the result of difficult market circumstances. The recoverable amount of the business was calculated by determining the value in use, using discount rates in the range of 8% to 16% reflecting the risk specific to the assets.

The book value of property, plant and equipment financed by installment buying and leasing, and not legally owned by the OBS Group was EUR 40 million and EUR 48 million at December 31, 2006 and 2005, respectively.

Purchase commitments for property, plant and equipment totaled EUR 69 million at December 31, 2006. At December 31, 2005, these commitments totaled EUR 35 million.

Both at December 31, 2006 and 2005, no item of property, plant and equipment was registered as security for bank loans.

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(All amounts in millions of euros unless otherwise stated)**Note 11 Intangible Assets, net**

	Total	Goodwill	Licenses, Software, Know-how, and Intellectual Property Rights
<i>Balance at January 1, 2005</i>			
Cost	251	46	205
Amortization/impairment	(106)	(14)	(92)
Book value	145	32	113
<i>Changes in book value</i>			
Acquisitions	8		8
Investments	51		51
Amortization	(22)		(22)
Impairments	(20)	(15)	(5)
Changes in exchange rates	2	2	
Total changes	19	(13)	32
<i>Balance at December 31, 2005</i>			
Cost	290	30	260
Amortization/impairment	(126)	(11)	(115)
Book value	164	19	145
<i>Changes in book value</i>			
Acquisitions	2		2
Investments	8		8
Amortization	(29)		(29)
Impairment			
Changes in exchange rates			
Total changes	(19)		(19)
<i>Balance at December 31, 2006</i>			
Cost	299	30	269
Amortization/impairment	(154)	(11)	(143)
Book value	145	19	126

The amortization and impairment charges on intangible assets have been recognized on the following line items in the combined statements of income for the years ended December 31:

	2006	2005	2004
Cost of sales	(13)	(9)	(4)
Selling and distribution expenses	(4)	(7)	(4)
Research and development costs	(11)	(6)	(4)
General and administrative expenses	(1)		
Other operating income/(expense)		(20)	
	(29)	(42)	(12)

Impairment tests are performed for all cash generating units containing goodwill at each balance sheet date or whenever there is an indication of impairment. Intangibles with an indefinite useful life are tested annually for impairment. For all other intangible assets, an impairment test is performed whenever an indicator of impairment exists. Impairments of intangible assets of EUR 20 million in

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2005 mainly relate to Organon's active pharmaceutical ingredients activities. The estimates of the recoverable amounts were calculated by determining the value in use, using discount rates in the range of 8% to 16% reflecting the risk specific to the assets.

Note 12 Financial non-current assets

	Total	Deferred Tax Assets	Investments in Associates	Other Investments
<i>Balance at January 1, 2005</i>	492	366	3	123
Acquisitions/loans granted/investments	35		3	32
Divestures/repayments	(25)			(25)
Amounts recognized as income/(expense)	(11)	(13)	2	
Fair value adjustments	1			1
Transfers from Akzo Nobel	8	8		
Changes in exchange rates	12	6		6
<i>Balance at December 31, 2005</i>	512	367	8	137
Acquisitions/loans granted/investments	6		3	3
Divestures/repayments	(15)			(15)
Amounts recognized as income/(expense)	(57)	(55)	2	(4)
Fair value adjustments	(1)			(1)
Transfers from Akzo Nobel	(10)	(13)		3
Changes in exchange rates	(23)	(18)		(5)
<i>Balance at December 31, 2006</i>	412	281	13	118

Deferred tax assets

Further details on deferred tax assets are provided in Note 13.

Investments in associates

The investments in associates at December 31, 2006 include a loan to an associate of EUR 3 million. Further details on investments in associates are provided in Note 14.

Other investments

Other investments at December 31, 2006 and 2005 include long-term receivables totaling EUR 61 million and EUR 69 million, respectively, and other financial fixed assets totaling EUR 35 million and EUR 42 million, respectively.

The long-term receivables at December 31, 2006 and 2005 include a subordinated loan of EUR 33 million granted by Akzo Nobel to the Akzo Nobel Pension Fund in The Netherlands. This amount represents a reasonable allocation to the OBS Group of the fair value of the loan. Also included is an allocated balance of EUR 8 million and EUR 15 million as of December 31, 2006 and 2005, respectively, for the loan which will be redeemed by retaining future employee pension premiums. These allocations have been made based upon the ratio of the OBS Group's defined benefit obligations to the total Akzo Nobel Pension Fund defined benefit obligation.

Note 13 Deferred Tax Assets and Liabilities

In assessing the realizability of the deferred tax assets, management considers whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in

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which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry-forward period are revised.

The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2006 and 2005 are presented below.

	2006	2005	2006	2005	2006	2005
	Assets	Assets	Liabilities	Liabilities	Net	Net
Intangible assets	26	61			26	61
Property, plant and equipment	40	47	(32)	(35)	8	12
Inventories	120	114	(22)	(28)	98	86
Trade and other receivables	6	10	(2)	(2)	4	8
Provisions:						
restructuring	1				1	
other provisions	86	133	(1)	(5)	85	128
Other items	21	23		(9)	21	14
Net operating loss carry-forwards	13	22			13	22
Deferred tax assets/liabilities	313	410	(57)	(79)	256	331
Offsetting of tax	(32)	(43)	32	43		
Net deferred tax assets/(liabilities)	281	367	(25)	(36)	256	331

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off tax assets against tax liabilities and when the deferred tax assets and liabilities relate to the same tax authority.

The movement in deferred tax assets and liabilities during the year is as follows:

	Balance	Changes in	Recognized	Other	Balance
	January 1,	Exchange	in Income		December 31,
	2005	Rates			2005
Intangible assets	34		27		61
Property, plant and equipment	(7)	1	18		12
Inventories	105		(19)		86
Trade and other receivables	4		4		8
Provisions:					
restructuring	4		(4)		

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other provisions	133	1	(5)	(1)	128
Other items	26	3	(15)		14
Net operating loss carry-forwards	33	1	(12)		22
Net deferred tax assets/(liabilities)	332	6	(6)	(1)	331

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	Balance January 1, 2006	Changes in Exchange Rates	Recognized in Income	Other	Balance December 31, 2006
Intangible assets	61	(4)	(31)		26
Property, plant and equipment	12	(5)	1		8
Inventories	86		12		98
Trade and other receivables	8		(4)		4
Provisions:					
restructuring			1		1
other provisions	128	(5)	(37)	(1)	85
Other items	14	(1)	8		21
Net operating loss carry-forwards	22	(1)	(8)		13
Net deferred tax assets/(liabilities)	331	(16)	(58)	(1)	256

Classification of the deferred tax assets and liabilities in the combined balance sheets, which is determined at fiscal entity level, is as follows:

	2006	2005
Deferred tax assets	281	367
Deferred tax liabilities	(25)	(36)
	256	331

At December 31, 2006, tax losses carried forward amounted to EUR 60 million, of which EUR 14 million (EUR 5 million of deferred tax assets) is not recognized in the combined balance sheets. Of the total tax losses carried forward, no tax losses carried forward will expire within one year and EUR 46 million can be carried forward indefinitely.

At December 31, 2005, tax losses carried forward amounted to EUR 180 million, of which EUR 20 million (EUR 6 million of deferred tax assets) is not recognized in the combined balance sheets. Of the total tax losses carried forward, EUR 1 million will expire within one year and EUR 83 million can be carried forward indefinitely.

Note 14 Investments in Associates

These combined financial statements include the OBS Group's ownership in the following investments in associates as of December 31, 2006 and 2005:

Country of

Legal Entity	Incorporation	Ownership
South Egypt Drug Industries Co. (Sedico)	Egypt	22%
BioConnection B.V.	The Netherlands	41%

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A summary of financial information for the investments in associates on a 100% basis is provided below:

	2006	2005	2004
Net revenues	51	43	30
Income before taxes	11	9	3
Net income	8	7	3