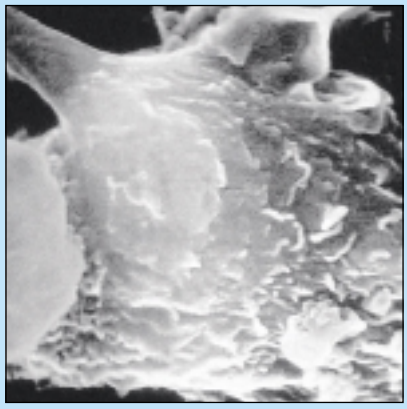
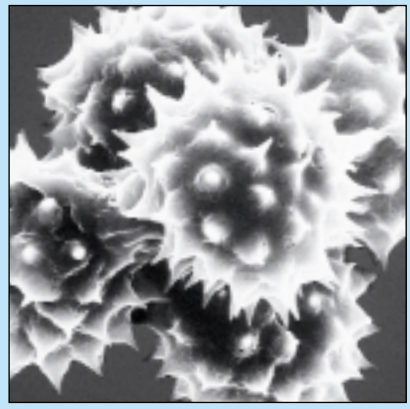
SCHERING-PLOUGH CORPORATION

1999 ANNUAL REPORT





SCHERING-PLOUGH CORPORATION

PROFILE

SCHERING-PLOUGH IS A WORLDWIDE PHARMACEUTICAL COMPANY COMMITTED TO DISCOVERING, DEVELOPING AND MARKETING NEW THERAPIES AND TREATMENT PROGRAMS THAT CAN IMPROVE PEOPLE'S HEALTH AND SAVE LIVES. THE COMPANY IS A RECOGNIZED LEADER IN BIOTECHNOLOGY, GENOMICS AND GENE THERAPY. CORE PRODUCT GROUPS ARE ALLERGY/RESPIRATORY, ANTI-INFECTIVE/ANTICANCER, DERMATOLOGICALS AND CARDIOVASCULARS. SCHERING-PLOUGH ALSO HAS A GLOBAL ANIMAL HEALTH BUSINESS AS WELL AS LEADING CONSUMER BRANDS OF FOOT CARE, OVER-THE-COUNTER AND SUN CARE PRODUCTS. INNOVATIVE RESEARCH, EFFECTIVE MARKETING AND SOLID FINANCIAL MANAGEMENT HAVE ENABLED THE COMPANY TO GROW AND DELIVER SUPERIOR FINANCIAL RESULTS YEAR AFTER YEAR.

1999 HIGHLIGHTS

> 14th consecutive year of double-digit growth in earnings per share.

> 16th dividend increase since 1986.

> $9.2 billion in worldwide sales, up 14 percent.

> $1.2 billion invested in research and development, up 18 percent.

> Nine marketing approvals received for major products or indications.

COVER

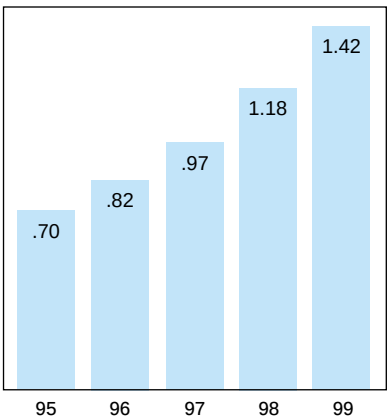
Left – Schering-Plough researchers are pursuing novel therapies for treating various cancers; photo depicts a cancer cell with a macrophage.
Center – To speed the discovery of potential new drugs, combinatorial chemistry is used to rapidly synthesize multiple compounds (shown in glass flask) and identify promising therapeutic leads.
Right – Pollen grains (shown magnified) are among the causes of seasonal allergic rhinitis, an important focus of Schering-Plough's research and marketing programs.

As used in this Annual Report, the terms "Schering-Plough" and the "Company" refer collectively to Schering-Plough Corporation, a holding company, and its domestic and international operating subsidiaries, which are engaged in the discovery, development, manufacturing and marketing of pharmaceutical products worldwide.

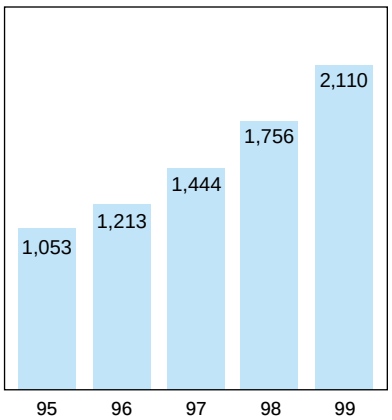
FINANCIAL HIGHLIGHTS

(Dollars in millions, except per share figures)	1999	1998	Percent Change
Operating Results			
Net sales	**$ 9,176**	$ 8,077	14%
Income before income taxes	**2,795**	2,326	20%
Net income	**2,110**	1,756	20%
Diluted earnings per common share	**1.42**	1.18	20%
Investments			
Research and development	**$ 1,191**	$ 1,007	18%
Capital expenditures	**543**	389	40%
Financial Condition			
Return on average shareholders' equity	**46.0%**	51.5%	
Total assets	**$ 9,375**	$ 7,840	
Shareholders' equity	**5,165**	4,002	
Other Data			
Cash dividends per common share	**$ .485**	$ .425	
Number of employees	**26,500**	25,100	
Average shares outstanding for diluted EPS (in millions)	**1,486**	1,488	

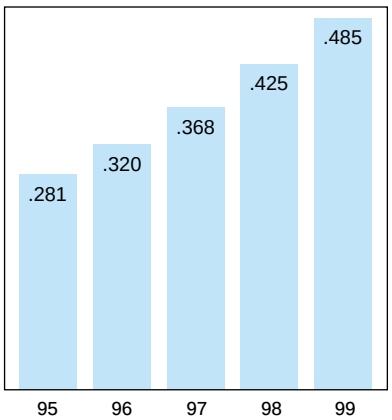
DILUTED EARNINGS PER COMMON SHARE* (Dollars)



INCOME* (Dollars in Millions)



DIVIDENDS PER COMMON SHARE (Dollars)



*From continuing operations

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LETTER TO SHAREHOLDERS

In 1999, Schering-Plough recorded its 14th consecutive year of double-digit growth in diluted earnings per share, which rose 20 percent to $1.42 from $1.18 in the prior year. Net income was $2.1 billion versus $1.8 billion in 1998. Worldwide sales for the year totaled $9.2 billion, up 14 percent. Sales gains throughout the Company were, once again, paced by growth in worldwide pharmaceuticals.

In addition to higher sales, the Company recorded other important achievements in 1999. We received nine U.S. or European Union (EU) marketing approvals for major products or indications. The Company filed eight major product or supplemental applications with regulatory agencies, entered into five research collaborations and recommended four new compounds for development.

ADVANCES IN RESEARCH

Reflecting the Company's strategy of research as its primary engine for growth, our investment in R&D programs and research technologies totaled $1.2 billion in 1999, an increase of 18 percent. R&D spending is expected to increase approximately 15 percent in 2000.

Strong in-house research programs combined with success in licensing new compounds and technologies have yielded a pipeline of innovative product candidates in every phase of the development process. We have approximately 30 major clinical research programs under way seeking to determine the safety and efficacy of potential new therapies.

Schering-Plough's research objective is to discover and bring to market medically important new products. The Company's success in today's highly competitive pharmaceutical environment stems from its focused approach to research. Schering-Plough pursues targeted therapeutic areas and invests appropriate levels of resources to realize the full potential of promising candidates.

MARKETING ACHIEVEMENTS

Worldwide pharmaceuticals comprised 84 percent of 1999 Company sales, with the balance coming from animal health and consumer health product lines. Our pharmaceutical products have achieved solid growth for more than a decade, and 1999 marked another successful year. Worldwide pharmaceutical sales of $7.7 billion were 16 percent higher than the previous year.

Leading the way in 1999 was the CLARITIN nonsedating antihistamine line, the largest selling in the world. CLARITIN worldwide sales totaled $2.7 billion in 1999, up 18 percent, as allergy markets continued to expand in the United States and other major countries. U.S. sales represented 85 percent of total CLARITIN sales.

In 1999, Schering-Plough filed marketing applications for desloratadine, a long-acting, nonsedating antihistamine and a metabolite of CLARITIN. A U.S. application was filed in October and an EU application was filed in September.

The Company's second-largest product line combines sales of INTRON A (interferon alfa-2b) and REBETRON Combination Therapy, containing REBETOL (ribavirin) Capsules and INTRON A Injection for treating chronic hepatitis C. Led by REBETRON Combination Therapy, worldwide sales were sharply higher in 1999 and totaled $1.1 billion. INTRON A is marketed worldwide to treat various cancers and viral diseases. REBETRON

^ RICHARD JAY KOGAN (LEFT) AND RAUL E. CESAN

Combination Therapy has become the most-prescribed treatment for chronic hepatitis C. In May 1999, EU approval was granted for the combined use of REBETOL Capsules and INTRON A for chronic hepatitis C.

The seriousness of hepatitis C is steadily becoming more widely recognized and addressed by the world's leading countries. Some 10 million people in major world markets, including 4 million Americans, are infected with the hepatitis C virus, with approximately 70 percent going on to develop chronic liver disease.

In 1999, we received marketing approvals and filed applications for new products in several of the Company's major therapeutic categories. The nasal inhaled steroid NASONEX gained expanded approvals as a treatment for seasonal and perennial allergic rhinitis in children as young as 3 years of age in the United States and certain other markets, and as young as 6 years in the EU. In development for asthma is ASMANEX, an orally inhaled corticosteroid. NASONEX and ASMANEX are integral to Schering-Plough's strategy to extend our allergy/respiratory franchise on a worldwide basis. A regulatory application for ASMANEX dry powder inhaler was filed in the United Kingdom in March 1999 as the first step toward EU approval; a U.S. application received an approvable letter in October.

The Company is steadily building its portfolio of products to treat various cancers and serious infectious diseases. Schering-Plough's oncology product line expanded in 1999 with U.S. and EU approvals of TEMODAR, a chemotherapy agent for certain types of brain tumors. U.S. and EU applications were filed in 1999 for PEG-INTRON, a longer-acting formulation of INTRON A, for treating chronic hepatitis C.

Also approved in 1999 in the EU was REMICADE, a treatment for Crohn's disease licensed for marketing in most non-U.S. countries from Centocor, Inc. (acquired by Johnson & Johnson). An EU application to treat rheumatoid arthritis is under review.

In addition to prescription pharmaceuticals, Schering-Plough markets products for companion and food animals. Our animal health business posted higher 1999 sales of $678 million, making it the fifth largest in global animal health markets.

Our consumer health product lines have some of the best-known and largest-selling brands in their categories. The DR. SCHOLL'S line of foot care products and the COPPERTONE sun care line hold well-established No. 1 positions in their markets, while our over-the-counter products represent some of the leading U.S. brands.

CORPORATE DEVELOPMENTS

In April, the Board of Directors authorized Schering-Plough's 16th increase in the quarterly dividend since 1986, raising the quarterly payment by 14 percent to 12.5 cents per share. At year-end 1999, a $1 billion share repurchase program, begun in January 1998, was 65 percent complete. Since 1983, the Company has bought back the equivalent of 769 million shares at a cost of approximately $5 billion.

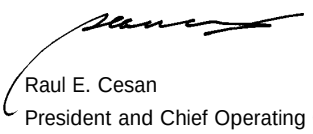
Schering-Plough is committed to conducting business according to the highest ethical standards and in compliance with all applicable laws and regulations. We seek to market products that deliver quality and value to the medical community, and we price our products responsibly. As a corporate citizen, the Company recognizes its responsibility to the communities where we have facilities and where our employees and families live and work. Our philanthropic contributions in 1999 totaled $6.4 million, including those from the Schering-Plough Foundation.

We are pleased to report that Roch F. Doliveux has been appointed president of Schering-Plough International.

We also welcome two new members who joined the Board of Directors in 1999. They are Arthur F. Weinbach, chairman and chief executive officer of Automatic Data Processing, Inc., and Eugene R. McGrath, chairman, president and chief executive officer of Consolidated Edison, Inc. Two other Board members will be retiring in April 2000, having reached the mandatory retirement age. David C. Garfield joined the Board in November 1975, and William A. Schreyer has been a member since 1986. We are grateful to these men for their leadership and wise counsel through the years, and they will be missed.

As world markets grow increasingly competitive, we firmly believe that Schering-Plough now, as in the past, has the right formula for continued success. By focusing on a strong research pipeline, a portfolio of innovative pharmaceuticals that meet important medical needs, vigorous marketing strategies and sound financial management, we are confident that Schering-Plough will continue to reward our shareholders and serve our customers, employees and communities well in the years ahead.

Richard Jay Kogan
Chairman and Chief Executive Officer



Raul E. Cesan
President and Chief Operating Officer

February 11, 2000

RESEARCH

Schering-Plough Research Institute (SPRI) focuses on therapeutic areas where there are opportunities for significant medical advances and the Company has proven expertise and resources. Targeted therapy areas include allergic and inflammatory disorders, infectious diseases, oncology, cardiovascular disease and central nervous system disorders.

In 1999, Schering-Plough invested $1.2 billion in research and development, an 18 percent increase over the prior year. R&D expenditures in 2000 are expected to grow by approximately 15 percent.

SPRI's in-house research efforts are supplemented by active programs to license potential new therapies and research technologies. In 1999, five agreements were signed, bringing the total of such ongoing collaborations to more than 30.

These investments and expanding research capabilities have enabled Schering-Plough to increase the number of discovery compounds that are annually recommended to advance from basic research into development. Four candidates were recommended for development in 1999. Progress in developing new compounds and indications was evidenced in 1999 by the eight major product or supplemental filings submitted in the United States and European Union (EU).

The Company has consistently fostered innovations in research, having been one of the first pharmaceutical companies to recognize the potential of biotechnology and gene therapy. Since the licensing of interferon alfa-2b some 20 years ago, Schering-Plough has been at the forefront of the pharmaceutical industry in science and technologies. In 1982, the Company purchased DNAX Research Institute, a leading biotechnology and immunology laboratory, and in 1996 acquired Canji, Inc., the Company's center for gene therapy discovery. Schering-Plough scientists in the United States and around the world are exploring new ways of identifying, preventing and treating diseases and serious medical conditions.

ALLERGY AND ASTHMA

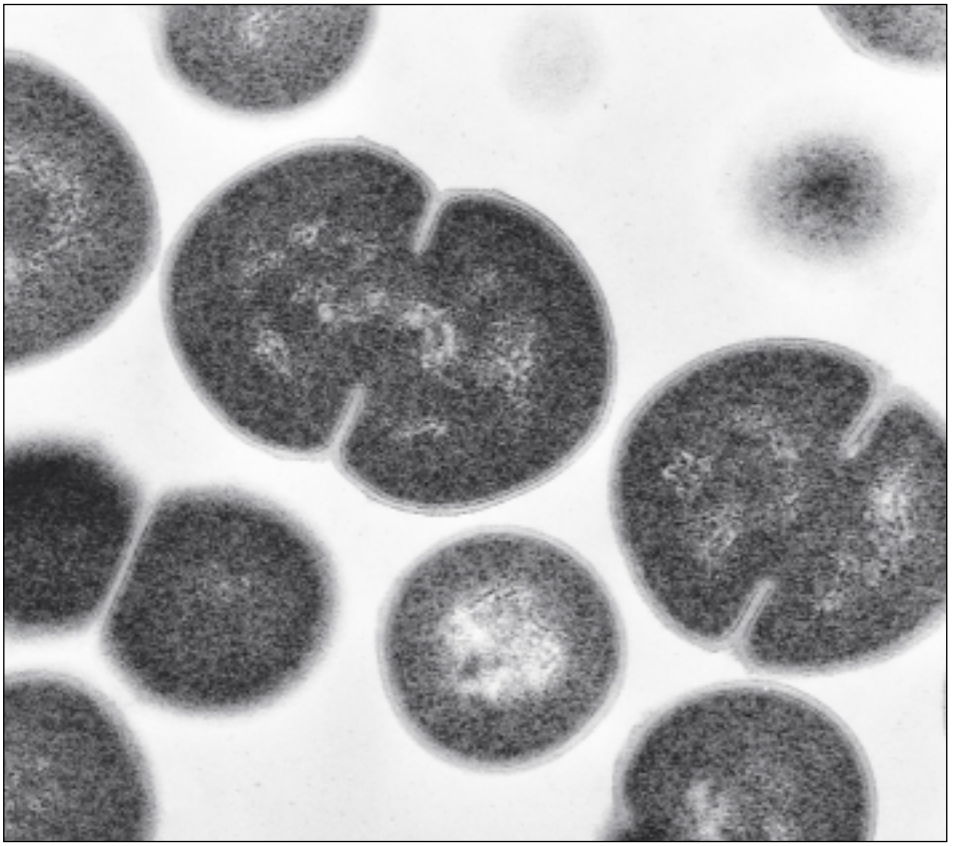
For roughly half a century, Schering-Plough has been a leader in the research and development of allergy and respiratory products.

U.S. and EU regulatory applications were filed in October and September, respectively, for desloratadine, a nonsedating antihistamine and a metabolite of CLARITIN (loratadine), for the treatment of seasonal allergic rhinitis. In addition to its nonsedating properties, desloratadine has a well-documented activity and tolerance profile. Multiple Phase II and Phase III studies involving other allergic indications and formulations are ongoing. The desloratadine research and registration programs are key elements in Schering-Plough's strategy to protect and expand the allergy franchise established by CLARITIN.

In asthma, important progress was achieved in 1999 with ASMANEX (mometasone furoate), an orally inhaled corticosteroid for the maintenance treatment of asthma in adults and adolescents. Using state-of-the-art inhalation devices, ASMANEX may offer improved pharmacological benefits, low systemic absorption and the potential for once-daily dosing in asthma patients.

A U.S. application was filed in November 1998 for a dry powder inhaled formulation of ASMANEX, and an approvable letter was received in October 1999. As the first step in seeking EU marketing authorization, a regulatory application was submitted in the United Kingdom in March 1999 for the product as maintenance therapy in adults and adolescents, and for asthma

^ ASMANEX, AN INHALED CORTICOSTEROID FOR ASTHMA, UTILIZES A STATE-OF-THE-ART INHALATION DEVICE.



> DRUG-RESISTANT BACTERIA SUCH AS *ENTEROCOCCUS* ARE AMONG THE TARGETS OF ZIRACIN, A NOVEL ANTIBIOTIC IN PHASE III STUDIES.

patients for whom the addition of mometasone furoate therapy may reduce or eliminate the need for systemic corticosteroids. A metered-dose, CFC-free (non-chlorofluorocarbon) inhaled version of ASMANEX is in Phase III studies.

In pursuing new methods to prevent or block allergic and immunologic responses, Schering-Plough researchers are conducting Phase II clinical studies with a monoclonal antibody to the cytokine interleukin-5 (anti-IL-5). Anti-IL-5 is designed to block the migration of inflammatory eosinophils to the lungs, thus offering promise as a long-acting asthma treatment.

An early stage collaborative effort with Chiroscience Group plc (merged with Celltech to form Celltech Group plc) has identified a potent and highly selective oral inhibitor of the phosphodiesterase type 4 (PDE 4) enzyme, an active component of the body's inflammatory response mechanism. Such inhibitors may be effective as oral treatments for asthma and other inflammatory diseases. The compound is in early phase studies.

A research agreement with Genome Therapeutics Corp. (GTC) to discover new therapeutics for treating asthma has been expanded since first signed in 1996. The agreement enables Schering-Plough to use GTC's high-throughput positional cloning, bioinformatics and genomics sequencing capabilities to identify asthma-susceptibility genes that may be useful in the development of novel asthma therapies.

CANCER AND INFECTIOUS DISEASES

Research into new and improved therapeutics for various cancers and infectious diseases is driving Schering-Plough's growth in these worldwide markets.

INTRON A (interferon alfa-2b) has been the centerpiece of Schering-Plough's research and development efforts in this important therapeutic category for more than two decades. From its first use as a treatment for a rare form of leukemia to its current indications for several forms of cancer and viral diseases, INTRON A has proven to be one of the most potent and versatile products to come from biotechnology.

Among potential new cancer therapies is PEG-INTRON (peginterferon alfa-2b), a longer-acting formulation of INTRON A. The agent is in Phase III clinical trials for chronic myelogenous leukemia and malignant melanoma, and in early phase studies in a variety of solid tumors. PEG-INTRON uses Enzon Inc.'s protein-based drug-delivery system *Pegnology*. The agent may be able to deliver a higher dose of interferon alfa-2b with a similar safety profile to INTRON A, while its longer-acting properties offer the potential for less-frequent dosing.

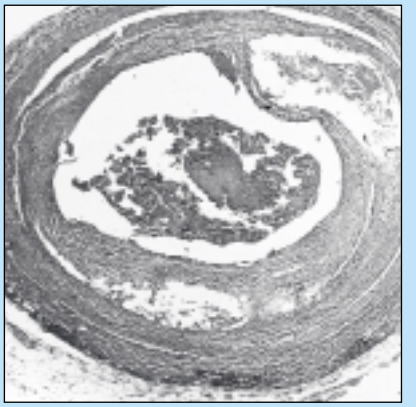
TEMODAR (temozolomide), an oral chemotherapy agent licensed from Cancer Research Campaign Technology, Ltd., is the lead compound in a new class of compounds known as imidazotetrazines. The product is in early phase development for treating various solid tumors.

In development for malignant melanoma is MELACINE (theraccine), which is in Phase III studies as monotherapy and in combination with INTRON A. The agent received Canadian approval in 1999 for treating late-stage melanoma. Schering-Plough has exclusive worldwide marketing rights to this novel therapeutic vaccine developed by Ribi ImmunoChem Research Inc. (acquired by Corixa Corporation).

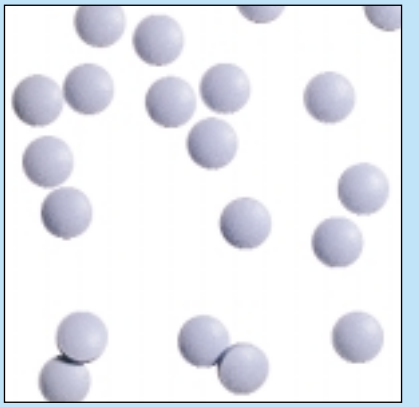
The Company holds international marketing rights to CAELYX (pegylated liposomal doxorubicin HCl) from SEQUUS Pharmaceuticals, Inc. (merged

RESEARCH

^ PEG-INTRON, A LONGER-ACTING FORM OF INTERFERON ALFA-2B, MAY OFFER ONCE-WEEKLY DOSING FOR CHRONIC HEPATITIS C PATIENTS.



^ PATIENTS WITH ATHEROSCLEROSIS AFFECTING CORONARY ARTERIES MAY BENEFIT FROM EZETIMIBE, A NOVEL LIPID-LOWERING AGENT.



^ DESLORATADINE, A NONSEDATING ANTIHISTAMINE, IS UNDERGOING REGULATORY REVIEW FOR THE TREATMENT OF SEASONAL ALLERGIC RHINITIS.

with ALZA Corporation). An EU regulatory application was filed in December to treat advanced ovarian cancer. Phase III studies in breast cancer are continuing. Offering an improved side-effect profile, CAELYX is a long-circulating pegylated liposomal formulation of the widely used anticancer drug doxorubicin.

In September, the Company licensed worldwide rights (except in certain Far East territories) from British Biotech plc to matrix metalloproteinase inhibitors (MMPIs), including marimastat and BB-3644, for the treatment of cancer. MMPIs are a new class of anticancer compounds with the potential to slow the invasive growth and metastasis of tumors. Marimastat is in Phase III trials for treating a variety of solid tumors.

A farnesyl protein transferase (FPT) inhibitor from SPRI laboratories is in Phase II trials as an oral therapy for several solid tumors. The compound is designed to inhibit the action of the enzyme FPT, which is involved in the growth of solid tumors, including those of the bladder, colon, pancreas and lung.

A leader in exploring gene therapy, Schering-Plough is in Phase II and early phase studies with its p53 tumor suppressor gene therapy for treating various solid tumors. Studies have shown that introducing a normal p53 gene into a malignant cell where the p53 gene is missing or mutated can suppress the cell's malignant state or cause apoptosis (programmed cell death). A number of research agreements have enhanced the Company's p53 tumor suppressor gene therapy program. A collaboration with Gene Logic, Inc. is helping identify patients with a missing or defective p53 gene.

Schering-Plough has long been a leader in discovering and developing more innovative and effective treatments for hepatitis C, a serious viral disease that can cause permanent damage to the liver and may lead to cancer and cirrhosis. As many as 10 million people in major world markets may be infected with the hepatitis C virus (HCV). The American Liver Foundation has reported that liver failure due to HCV infection is the leading cause of liver transplants in the United States.

In December, Schering-Plough filed a U.S. application seeking approval of PEG-INTRON as monotherapy for the once-weekly treatment of chronic hepatitis C. An EU application for the same indication also was filed in 1999.

In addition to applications to use PEG-INTRON as a monotherapy for hepatitis C, the Company is conducting Phase III studies for a combination use of PEG-INTRON with REBETOL (ribavirin) Capsules for chronic hepatitis C.

SPRI scientists have identified the structure of an enzyme complex that is essential to replication of HCV. In an article published in the November 1999 issue of *Structure*, Company researchers reported the three-dimensional structure of a multifunctional HCV protein known as NS3. Protease and helicase activities of NS3 are required for viral maturation and replication. This work completes Schering-Plough's efforts to determine the molecular structure of all identified key enzymes of HCV. These unique, virally encoded proteins are essential in the life cycle of HCV and constitute promising targets for drug intervention.

In May 1999, Schering-Plough extended its alliance with Corvas International, Inc. to develop orally available inhibitors of a key protease thought to be involved in HCV replication.

Crohn's disease and rheumatoid arthritis are important targets of the Company's research into immunologic diseases. An EU application was filed in August for REMICADE (infliximab) as a treatment for rheumatoid arthritis. REMICADE has been shown to relieve rheumatoid arthritis symptoms and to demonstrate, through x-ray results, an ability to arrest joint damage in some patients. Schering-Plough has licensed international marketing rights (excluding Japan and certain parts of the Far East) to REMICADE from Centocor, Inc. (acquired by Johnson & Johnson).

Also in development for inflammatory disorders is TENOVIL (interleukin-10), a cytokine cloned and expressed at DNAX Research Institute. In Phase III trials for Crohn's disease, TENOVIL has demonstrated a favorable safety profile and activity in several inflammatory and viral diseases. Phase II clinical studies are exploring its use in treating psoriasis and hepatic fibrosis, a serious liver condition associated with hepatitis C. Early phase studies are under way in a variety of inflammatory and viral diseases.

Community- and hospital-acquired bacterial infections are a serious public health threat throughout the world. Schering-Plough's internal anti-infective research program discovered and is developing ZIRACIN (evernimicin), an intravenous antibiotic for use in severe or resistant gram-positive infections. The compound is in Phase III clinical trials in patients with resistant gram-positive bacterial infections.

Rounding out the Company's anti-infective research program is the development of antifungal products. Posaconazole, an antifungal agent for serious opportunistic fungal infections, is in Phase II studies. In addition, an agreement with Genome Therapeutics Corp. has resulted in the identification, using proprietary genomic technologies, of a large number of novel target genes in two medically important fungal pathogens, *Candida albicans* and *Aspergillus fumigatus*.

CARDIOVASCULAR DISEASES

Schering-Plough's research program in cardiovascular diseases illustrates how effectively external licensing agreements can complement in-house programs.

Ezetimibe, a cholesterol absorption inhibitor, is in Phase III studies and showing promise as a novel lipid-lowering agent. A product of internal research efforts, the compound is being studied as monotherapy for lipid lowering. Studies are planned for its use in combination with statins, which are the most widely prescribed cholesterol-lowering medications. Ezetimibe may have additive effects with statins in reducing cholesterol levels. While statins work by inhibiting the production of cholesterol in the liver, ezetimibe inhibits the body's ability to absorb cholesterol in the intestine. In early studies as monotherapy, it has been shown to be well tolerated, demonstrating cholesterol-lowering activity without interfering with the absorption of other nutrients.

INTEGRILIN (eptifibatide) Injection, which Schering-Plough licensed from COR Therapeutics, Inc., is an injectable platelet receptor glycoprotein IIb/IIIa inhibitor. It is in Phase II studies as a treatment for acute myocardial infarction.

In December, the Company extended its collaboration with Corvas International, Inc. to develop and commercialize a new generation of oral anticoagulants based on inhibitors of key protease enzymes in the blood-clotting process.

SCHERING-PLOUGH SCIENTISTS AROUND THE WORLD ARE EXPLORING NEW WAYS OF IDENTIFYING, PREVENTING AND TREATING DISEASES AND SERIOUS MEDICAL CONDITIONS.

In October, Schering-Plough and AtheroGenics, Inc. entered into a worldwide collaboration and license agreement to develop and commercialize drugs for the treatment and prevention of restenosis in patients following percutaneous coronary intervention. AGI-1067 is the first in a promising new class of orally delivered compounds known as vascular protectants. The agent is in early phase development for the prevention of atherosclerosis and restenosis.

CENTRAL NERVOUS SYSTEM AND OTHER DISORDERS

With new compounds advancing in clinical trials, the Company's central nervous system research efforts are achieving considerable progress through coordinated internal research programs and external collaborations.

In Phase II development is ecopipam, a potent D1/D5 dopamine receptor antagonist, which is being studied as a potential obesity management therapy. Preclinical data suggest that the compound could reduce food craving in patients undergoing diet restrictions in a weight-loss program.

In early phase development is an antagonist of the M2 subtype of the muscarinic acetylcholine receptor. This M2 antagonist has the potential for enhancing memory function and may be useful in symptomatic treatment of dementia associated with Alzheimer's disease.

An ongoing program with the University of Toronto is seeking to discover new drugs to prevent and treat Alzheimer's disease. The program, extended in January 2000, is targeting the function of presenilin genes as potential tools for drug development.

PHARMACEUTICALS

Led by growth in worldwide pharmaceuticals, Schering-Plough achieved a 14 percent increase in 1999 sales to total $9.2 billion. Consolidated U.S. sales rose 14 percent while international sales were up 13 percent. Pharmaceutical products generated 84 percent of total sales. The Company also has a global animal health business and well-established consumer lines of foot care, over-the-counter and sun care products.

Worldwide pharmaceutical sales rose 16 percent in 1999, driven by the strength of major products and the launches of new entries and formulations. Significantly higher 1999 sales were reported for the Company's two largest therapeutic product categories: allergy/respiratory and anti-infective/anticancer. Leading sales in the allergy/respiratory group was CLARITIN (loratadine), the world's No.1 antihistamine and the Company's largest-selling product. Worldwide CLARITIN sales in 1999 rose 18 percent to total $2.7 billion.

Schering-Plough continued to strengthen its position as the world leader in developing and marketing new therapies for hepatitis C, a serious disease that can lead to cirrhosis and liver cancer. Positive physician acceptance of REBETRON Combination Therapy containing REBETOL (ribavirin) Capsules and INTRON A (interferon alfa-2b) Injection for the treatment of chronic hepatitis C helped drive higher sales in the anti-infective/anticancer category. Combined sales of INTRON A and REBETRON Combination Therapy grew 56 percent to $1.1 billion in 1999.

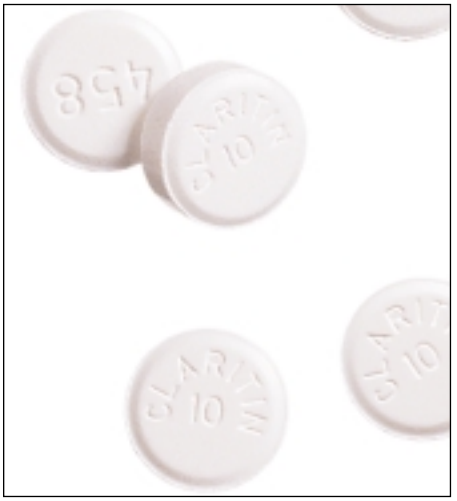
REBETRON Combination Therapy has become the standard of care in the treatment of chronic hepatitis C. In May 1999, the European Union (EU) approved the combination use of REBETOL Capsules with INTRON A for the treatment of hepatitis C patients who had relapsed following alpha interferon therapy and for previously untreated (naïve) patients. The treatment had received U.S. marketing approvals in 1998 for treating naïve and relapsed chronic hepatitis C patients.

While Schering-Plough continues to achieve strong worldwide sales gains, the Company is now entering a period that promises opportunities for increased growth in leading international markets. This growth is expected to be driven by new and in-line product lines and by products currently awaiting regulatory approval.

To support this projected growth, the Company has been steadily expanding its international sales force. The European allergy/respiratory force is being increased to help capture greater market shares for CLARITIN and NASONEX (mometasone furoate monohydrate), a once-daily nasal spray for allergies, and to prepare for the launch of ASMANEX, an orally inhaled form of mometasone furoate for asthma. Schering-Plough sees these three products forming the core of its global allergy/respiratory franchise. The Company's sales force has grown to more than 11,800 worldwide, with approximately 40 percent in the United States.

Schering-Plough remains well positioned in the U.S. pharmaceutical marketplace. The Company's products are widely accepted on managed care formularies and its subsidiary, Integrated Therapeutics Group (ITG), provides disease management services to managed care organizations in such areas as asthma and diabetes. ITG has demonstrated that integrated, patient-centered health management programs can achieve measurable positive outcomes, with the potential to reduce total medical costs while improving quality of care. ITG is extending its services into other areas, such as health and wellness.

The Company is making extensive use of Internet capabilities in support of its business and marketing objectives. Among programs being launched is



^ CLARITIN, THE WORLD'S NO. 1 NON-SEDATING ANTIHISTAMINE, PROVIDES ONCE-DAILY RELIEF FROM SEASONAL ALLERGIES.

> THE NASAL INHALED STEROID NASONEX TREATS AND PREVENTS THE SYMPTOMS OF SEASONAL ALLERGIES.

an Internet-based system with the potential to strengthen physician-patient relationships, improve treatment outcomes and enhance patient safety.

Schering-Plough seeks to mitigate the impact of generic competition by competing in selected markets through its Warrick Pharmaceuticals subsidiary.

To strengthen its competitive position, the Company has invested $1.9 billion in capital expenditures over the past five years for manufacturing and R&D expansion projects, system and process improvements, new construction and pharmaceutical manufacturing upgrades. Significant projects in 1999 included a laboratory expansion in Union, N.J., and capacity upgrades at the Company's Kenilworth, N.J., Rathdrum, Ireland, and Singapore manufacturing facilities. An expansion and upgrade project also was initiated at Las Piedras, Puerto Rico, to address current and projected capacity requirements.

ALLERGY AND RESPIRATORY

Schering-Plough is a world leader in the development and marketing of allergy and respiratory products, the Company's largest therapeutic product category. Worldwide sales increased 14 percent to $3.8 billion in 1999. Led by strong sales growth of new and established products, Schering-Plough holds the No. 1 position in the U.S. allergy/respiratory market and is capturing larger shares in most major international markets.

The CLARITIN family of nonsedating antihistamine products led sales for the category, retaining its leadership position in the expanding and increasingly competitive U.S. antihistamine market. Worldwide CLARITIN sales increased by 18 percent in 1999 to $2.7 billion, with $2.3 billion generated in the United States. Decongestant formulations represented 28 percent of CLARITIN sales, or $744 million.

A once-daily, nonsedating antihistamine, CLARITIN provides safe and effective relief from seasonal allergies and offers flexible and convenient dosing. It is available in as many as five formulations in major world markets. Formulations include CLARITIN Tablets, a once-daily antihistamine; CLARITIN-D 24 Hour (loratadine/pseudoephedrine sulfate) Extended Release Tablets, a once-daily version with a decongestant; CLARITIN-D 12 Hour, a twice-daily version with a decongestant; CLARITIN Syrup, a syrup formulation for children; and CLARITIN REDITABS, a once-daily product in a rapidly disintegrating tablet.

Supporting the product line is an extensive direct-to-consumer advertising campaign in the United States, targeting the approximately 45 million Americans who suffer from seasonal allergies.

Schering-Plough filed a U.S. application in October 1999 seeking clearance to market desloratadine, a long-acting, nonsedating antihistamine, for the treatment of seasonal allergic rhinitis. Desloratadine, a new chemical entity, is a metabolite of CLARITIN. An application to market desloratadine in the EU was filed in September.

Schering-Plough owns or has licensed several loratadine-related patents. The loratadine compound patent in the United States expires in 2002, and the compound patent for desloratadine expires in 2004. A fluoroloratadine patent expires in 2008. A formulation patent for CLARITIN-D 24 Hour expires in 2012. The Company also has licensed from Sepracor Inc. patent rights covering certain uses of desloratadine that expire in 2014.

PHARMACEUTICALS

^ TEMODAR, AN ORAL CHEMOTHERAPY AGENT, IS AN INNOVATIVE NEW TREATMENT FOR CERTAIN BRAIN TUMORS.

^ REBETRON COMBINATION THERAPY REPRESENTS A MAJOR ADVANCE IN TREATING PATIENTS WITH CHRONIC HEPATITIS C.

^ INTEGRILIN IS MARKETED IN THE UNITED STATES AND EUROPEAN UNION FOR TREATING ACUTE CORONARY SYNDROMES.

NASONEX, a potent, once-daily nasal spray for allergies, is Schering-Plough's first nasal steroid to be marketed on a worldwide basis. NASONEX offers a rapid onset of action, favorable side-effect profile and low systemic absorption. Sold in 48 countries, the product posted 1999 worldwide sales of $259 million, more than double those of the prior year. NASONEX has captured nearly two-thirds of the U.S. market share formerly held by VANCENASE (beclomethasone dipropionate), the Company's predecessor nasal inhaled steroid. Combined worldwide sales of NASONEX and VANCENASE rose 17 percent to $475 million in 1999. Together, the two products hold a 35 percent share of the U.S. nasal steroid market.

In December, the U.S. Food and Drug Administration (FDA) granted an expanded indication for NASONEX to include the treatment of nasal symptoms of seasonal and perennial allergic rhinitis in children as young as 3 years of age. NASONEX is the only drug in its class to be indicated for children as young as age 3, and the only nasal inhaled steroid approved in the United States for the prevention of nasal symptoms of seasonal allergic rhinitis.

In November, a pediatric indication for NASONEX was approved in the EU for use in children 6 to 11 years of age for the once-daily treatment of symptoms of seasonal allergic or perennial allergic rhinitis. In France, NASONEX is indicated for use in children as young as age 3.

The increased incidence of asthma, particularly in the pediatric population, is a growing public health concern in major world markets. In the United States, there is growing acceptance among physicians of the important role that inhaled corticosteroids can play in controlling the disease.

Integral to the Company's drive to build a global allergy/respiratory franchise is its next-generation asthma treatment ASMANEX, an orally inhaled form of mometasone furoate. ASMANEX would be Schering-Plough's first asthma product to be launched globally. Studies have shown the therapy may offer improved pharmacological benefits, low systemic absorption and the convenience of once-daily dosing. An FDA approvable letter was received in October for the dry powder inhaler version. In March 1999, a regulatory application for the product was filed in the United Kingdom as the first step toward EU marketing authorization. The device offers a simplified inhalation delivery system powered by the patient's own inhalation and free of any chlorofluorocarbon (CFC) propellants.

ASMANEX is expected to build on the U.S. asthma franchise of VANCERIL (beclomethasone dipropionate), an orally inhaled steroid for asthma. VANCERIL worldwide sales declined 8 percent to $179 million in 1999 due to manufacturing issues and branded competition.

Generic competition continued to affect U.S. sales of PROVENTIL and other albuterol products, which declined 5 percent to $251 million in 1999. In addition to the PROVENTIL brand, the Company markets generic albuterol products through its Warrick Pharmaceuticals subsidiary. The Company also markets PROVENTIL HFA, a metered-dose inhaler licensed from 3M Pharmaceuticals that uses an environmentally advanced propellant with no ozone-depleting CFCs. In June, the U.S. indication for PROVENTIL HFA was expanded to include the prevention and treatment of bronchospasm in patients age 4 years and older.

ANTI-INFECTIVE AND ANTICANCER

Sales for the Company's anti-infective/anticancer product group increased 38 percent to $1.7 billion in 1999, driven by new product introductions and positive physician acceptance of REBETRON Combination Therapy for the treatment of chronic hepatitis C.

The anticancer/antiviral agent INTRON A is the world's largest-selling alpha interferon. Cancer indications for INTRON A include use as an adjuvant treatment to surgery in patients with malignant melanoma and in conjunction with chemotherapy for the initial treatment of patients with clinically aggressive non-Hodgkin's lymphoma.

Helping increase sales and market share of INTRON A is the multidose injection pen delivery system, which offers six pre-measured injections in a compact and easy-to-use delivery system.

Hepatitis C is one of the most prevalent worldwide public health threats, affecting as many as 10 million people in major world markets, including 4 million in the United States. Less than 10 percent of patients with hepatitis C in these major markets have been treated for the disease. Schering-Plough is recognized as the world leader in developing treatments for hepatitis C, with REBETRON Combination Therapy having become the standard of care.

Combined worldwide sales of INTRON A and REBETRON Combination Therapy increased 56 percent to $1.1 billion in 1999. The higher sales reflected the significant treatment advance afforded by REBETRON Combination Therapy and increased recognition by the public, medical community and governments of the seriousness of the disease and its potential financial impact on health care systems if not properly treated.

In May, EU marketing authorization was granted for REBETOL Capsules for use in combination with interferon alfa-2b injection (marketed as INTRON A in certain countries) for the treatment of both relapsed and naïve hepatitis C patients. In Europe, where some 5 million people are estimated to be chronically infected with the disease, hepatitis C is the leading cause of chronic liver disease and the most common reason for liver transplants.

Schering-Plough has exclusive rights to market oral ribavirin for hepatitis C in all major world markets through a licensing agreement with ICN Pharmaceuticals, Inc.

The Company's interferon franchise is expected to be strengthened with the development of PEG-INTRON (peginterferon alfa-2b), a longer-acting form of INTRON A licensed from Enzon, Inc. U.S. and EU applications were filed in 1999 to market PEG-INTRON for the monotherapy treatment of chronic hepatitis C.

Schering-Plough is committed to helping patients gain access to medicines proven to be safe and effective at affordable prices. Its COMMITMENT TO CARE patient-assistance program is designed to ensure that no patient is denied access to the Company's oncology and biotechnology products because of an inability to pay. Schering-Plough's BE IN CHARGE program, a patient-counseling service, is available to hepatitis B and C patients in the United States. The Company also offers CROSSING BRIDGES, a patient-support program designed to help malignant melanoma patients adhere to their INTRON A dosing regimen.

Expanding Schering-Plough's portfolio of anticancer products is TEMODAR (temozolomide), an oral cytotoxic, alkylating agent that is the lead compound in a new class known as imidazotetrazines. The product received EU approval in January 1999 for the treatment of patients with glioblastoma multiforme (a type of brain cancer) showing progression or recurrence after standard therapy, and in August for treating patients with anaplastic astrocytoma (another type of brain cancer). Also in August, TEMODAR received accelerated FDA approval for the treatment of adult patients with refractory anaplastic astrocytoma, marking the first new chemotherapy agent to gain U.S. approval for this type of brain tumor in 20 years.

WORLDWIDE PHARMACEUTICAL SALES ROSE 16 PERCENT IN 1999, DRIVEN BY THE STRENGTH OF MAJOR PRODUCTS AND THE LAUNCHES OF NEW ENTRIES AND FORMULATIONS.

Anaplastic astrocytoma and glioblastoma multiforme are among the most serious and aggressive types of malignant brain tumors, with median patient survival times ranging from one to three years after initial diagnosis. Despite intensive treatment with surgery, radiotherapy and chemotherapy, patients with these brain cancers almost invariably experience tumor recurrence, often within a year of completing first-line therapy.

Schering-Plough has exclusive worldwide rights to market temozolomide through a licensing agreement with Cancer Research Campaign Technology, Ltd.

Crohn's disease is a chronic and debilitating disorder of the gastro-intestinal tract that often occurs in young adults and can seriously diminish a patient's quality of life. REMICADE (infliximab), a novel anti-TNF antibody, received EU approval in August as the first in a new class of agents for the treatment of Crohn's disease. Schering-Plough has international marketing rights for REMICADE from Centocor, Inc. (acquired by Johnson & Johnson), excluding Japan and parts of the Far East.

Licensed for international marketing from MedImmune Oncology, Inc. (formerly U.S. Bioscience, Inc.), ETHYOL (amifostine) is a cytoprotective agent marketed in 46 countries for the reduction of hematological toxicity associated with chemotherapy treatments and to protect kidney function in patients receiving chemotherapy. The product's EU indication was expanded in April 1999 to protect against xerostomia (dry mouth) in head and neck cancer patients undergoing radiation therapy.

CAELYX (pegylated liposomal doxorubicin HCl), a long-circulating pegylated liposomal formulation of the widely used anticancer drug doxorubicin, continued to gain acceptance in international markets as an anticancer agent. Schering-Plough has exclusive rights to market CAELYX worldwide, except in the United States, Japan and certain other countries, from SEQUUS Pharmaceuticals, Inc. (merged with ALZA Corporation).

To better focus its U.S. marketing resources on other products, Schering-Plough in 1999 returned or out-licensed U.S. marketing rights to two products: FARESTON (toremifene), an oral anti-estrogen for the treatment of hormone-dependent metastatic breast cancer, and CEDAX

^ NUFLOR, A BROAD-SPECTRUM ANTIBIOTIC FOR FOOD-PRODUCING ANIMALS, IS SOLD IN 30 COUNTRIES.

> SCHERING-PLOUGH'S CONSUMER PRODUCTS INCLUDE THE DR. SCHOLL'S FOOT CARE AND COPPERTONE SUN CARE LINES AND AFRIN NASAL SPRAYS.

(ceftibuten), a broad-spectrum antibiotic. Schering-Plough continues to market both products internationally.

DERMATOLOGICALS

Schering-Plough has established a leading position in world dermatological markets through more than four decades of research discoveries and product innovations.

LOTRISONE (clotrimazole/betamethasone dipropionate), an antifungal/anti-inflammatory cream, is the most-prescribed topical antifungal in the United States, with a market share approaching 50 percent. Worldwide sales of LOTRISONE increased 14 percent to $196 million in 1999.

Worldwide sales of ELOCON (mometasone furoate), a medium-potency topical steroid, increased 17 percent in 1999 to $168 million. Available in 63 countries, ELOCON holds the leading worldwide position among branded, medium-potency topical steroids.

Schering-Plough's other dermatological products include the DIPROLENE, DIPROLENE AF and DIPROSONE (betamethasone dipropionate) lines of high-potency topical steroids.

CARDIOVASCULARS

Schering-Plough is building a greater presence in the worldwide cardiovascular marketplace by expanding product lines through internal development programs and strategic licensing agreements.

A product for treating cardiovascular patients with acute coronary syndromes is INTEGRILIN (eptifibatide) Injection, a platelet receptor glycoprotein IIb/IIIa inhibitor. Launched in the United States in 1998, INTEGRILIN received the broadest U.S. labeling in its class. In July 1999, EU marketing authorization was granted for INTEGRILIN for the prevention of early myocardial infarction in patients with acute coronary syndromes, who are managed medically and/or with percutaneous coronary intervention (PCI). In February 2000, the ESPRIT clinical trial in patients undergoing coronary intervention with stenting was halted early due to positive results. The findings showed a nearly 50 percent reduction in the combined incidence of death or heart attack at 30 days in patients receiving INTEGRILIN as compared to placebo. Schering-Plough, through a licensing agreement with COR Therapeutics, Inc., markets INTEGRILIN in Europe and co-markets the product with COR in the United States.

Sales of K-DUR, a sustained-release potassium chloride supplement, rose 10 percent to $251 million in 1999. K-DUR is the most widely prescribed potassium supplement in the United States.

Sales of IMDUR (isosorbide mononitrate), a once-daily, long-acting oral nitrate for angina, declined in 1999 to $178 million due to generic competition. The Company markets its own generic version through Warrick Pharmaceuticals. The product is licensed for U.S. marketing from AstraZeneca PLC.

OTHER PHARMACEUTICALS

In the United States, Schering-Plough and Novo Nordisk have been co-promoting PRANDIN (repaglinide), an oral antidiabetic agent for the treatment of Type 2 diabetes, and a full range of insulin products and devices. Taken as a tablet at mealtime, PRANDIN helps insulin-producing cells in the pancreas secrete insulin in a unique pattern that simulates the body's normal rhythm. Of the 10.5 million Americans diagnosed with diabetes, 92 percent have the Type 2 form.

SUBUTEX, a sublingual tablet formulation of buprenorphine, is marketed in select international countries, including France, Germany, Italy and the United Kingdom, for the treatment of opiate addiction. Schering-Plough has exclusive worldwide rights to market SUBUTEX, excluding Japan, Taiwan and Korea, through a distribution agreement with Reckitt & Colman plc.

ANIMAL HEALTH

Sales of animal health products grew 5 percent in 1999 to $678 million, led by new product launches, new indications and higher sales of core products. In the face of difficult economic conditions in world animal health markets, Schering-Plough was able to achieve higher sales during the year and ranks fifth largest in world animal health markets.

Schering-Plough Animal Health, having integrated the worldwide animal health business acquired from Mallinckrodt Inc. in June 1997, continued to take advantage of the added resources and benefits, including new products, entry into new markets, expanded research and distribution capabilities, and a more comprehensive global organization.

NUFLOR (florfenicol), a broad-spectrum antibiotic used domestically to treat bovine respiratory disease, captured a significant share of the important U.S. beef cattle sector. Contributing to the antibiotic's strong sales growth were an improved U.S. cattle market and new dosing regimens approved in 1998 and 1999. NUFLOR also performed well in international beef and aquaculture markets, fueled by launches in additional countries. Additional claims for the treatment of various diseases that affect cattle, swine, poultry and fish are being pursued around the globe.

Higher worldwide sales of BANAMINE (flunixin meglumine) Injectable, a non-steroidal anti-inflammatory agent, benefited from the product's 1998 U.S. approval as adjunctive treatment in bovine respiratory disease.

Also contributing to 1999 results were Schering-Plough's established lines of animal health products. Sales of parasiticides, providing parasite control in cattle, sheep and dogs, were higher in 1999. The Company's broad line of poultry products, including COCCIVAC, CLINACOX and PARACOX, make Schering-Plough the worldwide leader in poultry coccidiosis vaccination.

FOOT CARE

Building on the DR. SCHOLL'S brand, Schering-Plough leads the U.S. foot care market by providing consumers with innovative and technologically advanced products. Sales grew 3 percent in 1999 to $348 million. To strengthen the Company's position in 1999, 12 new products were introduced and strong marketing efforts supported in-line brands.

The Company extended its successful line of DR. SCHOLL'S DYNASTEP inserts with new Sport Inserts and Slimcut Inserts for women's dress shoes. The improved DR. SCHOLL'S Massaging Gel insole, launched mid-year, quickly became the Company's No. 1-selling insole. Other innovative DR. SCHOLL'S products launched in 1999 included additions to the PEDICURE ESSENTIALS line of foot grooming products as well as a variety of products for the relief of warts, blisters and foot odor and wetness.

LOTRIMIN AF and TINACTIN antifungal products maintained their No. 1 and No. 2 positions, respectively, in 1999, together holding a more than 45 percent share of the U.S. topical antifungal market.

OTC PRODUCTS

Sales of OTC products increased 1 percent to $221 million in 1999 as third-party and private-label brands continued to exert competitive pressure.

The CORICIDIN HBP cold products and the AFRIN line of nasal products were solid performers in the cold and nasal categories. The fall launch of CORICIDIN HBP Night-Time Cold & Flu Tablets helped the brand outperform the cold category. The Company continued promoting the decongestant-free line to consumers with high blood pressure.

The introduction of AFRIN No Drip nasal spray, targeting consumers who do not use nasal sprays, helped the line widen its No. 1 position in the branded nasal spray market.

Recognizing the population growth of older Americans, the Company in 1999 introduced CORRECTOL 50 PLUS laxative, formulated for and promoted to the mature woman.

SUN CARE

With its market-leading COPPERTONE brand, Schering-Plough's No. 1 position in the U.S. sun care category was strengthened with the October purchase of the BAIN DE SOLEIL line from Pfizer Inc.

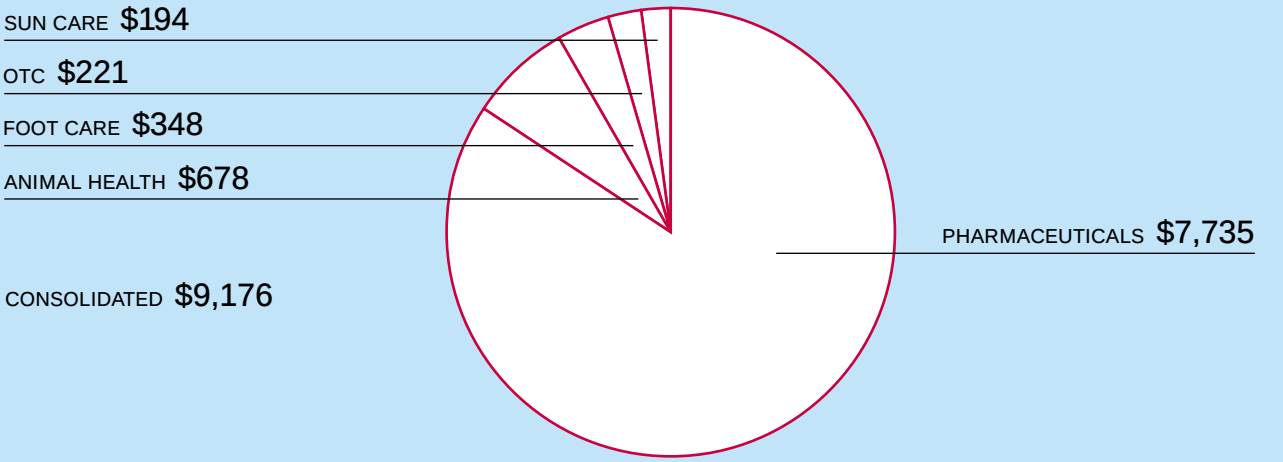
Sales of sun care products increased 7 percent to $194 million in 1999, supported by a television advertising campaign that featured the LITTLE MISS COPPERTONE logo and highlighted the COPPERTONE brand's long history of product innovations.

Sales gains were led by six new spray sun care products. The COPPERTONE KIDS SPRAY 'N SPLASH product quickly became the No. 1-selling new sun care product for 1999. The launch of COPPERTONE KIDS COLORBLOCK Disappearing Blue Sunblock Spray helped maintain the brand's leadership in the color-sunblock market despite competitive pressures.

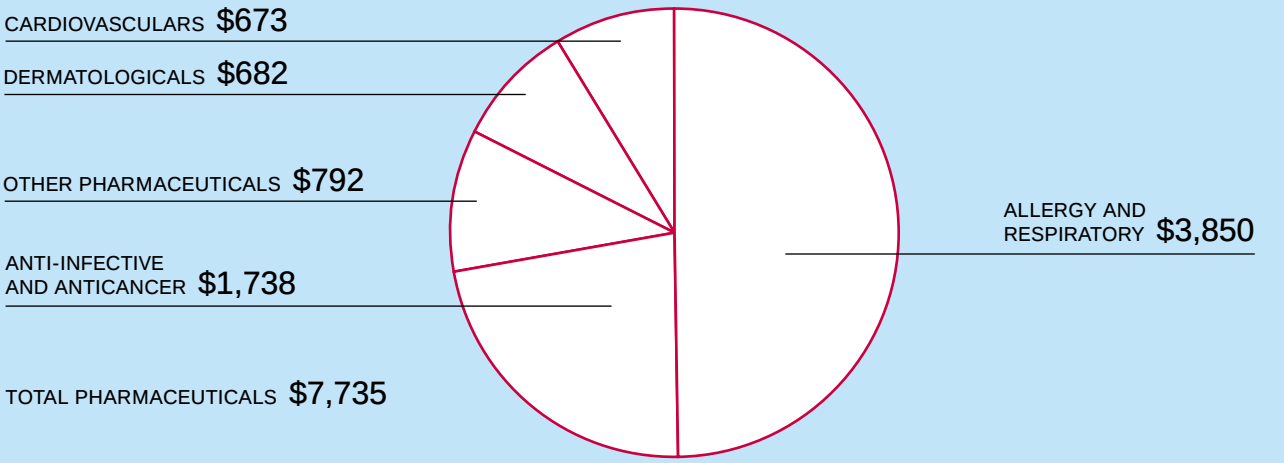
A BLOCK THE SUN, NOT THE FUN education campaign, sponsored by Schering-Plough with the American Academy of Dermatology, helped teach children about the importance of sun safety and the use of sunblock products.

MAJOR THERAPEUTIC CATEGORIES

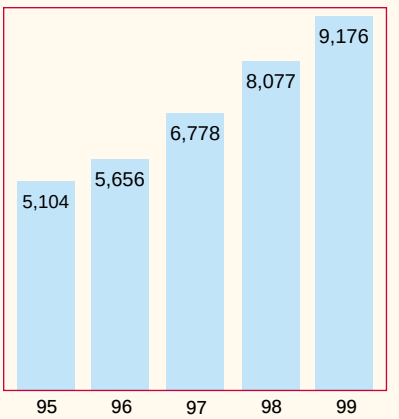
SCHERING-PLOUGH CORPORATION 1999 SALES (Dollars in Millions)



PHARMACEUTICAL THERAPEUTIC CATEGORIES 1999 SALES (Dollars in Millions)



NET SALES
(Dollars in Millions)



RESEARCH AND DEVELOPMENT
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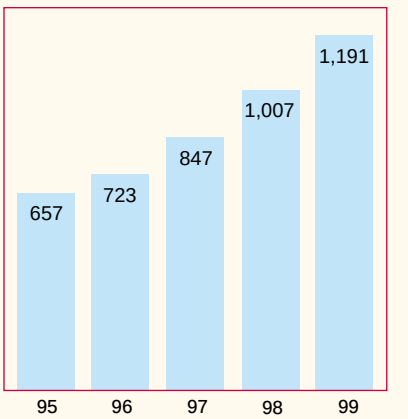
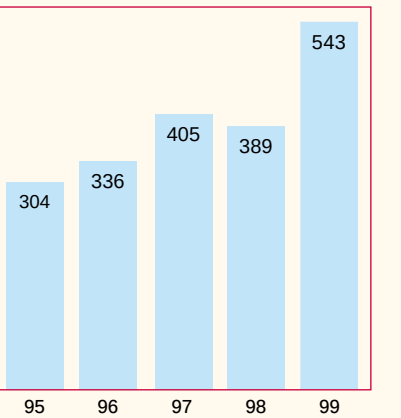


CAPITAL EXPENDITURES
(Dollars in Millions)



FINANCIALS

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NET SALES

Consolidated net sales in 1999 totaled $9.2 billion, an increase of 14 percent over 1998, due to volume growth of 13 percent and price increases of 1 percent. Foreign exchange had a less than 1 percent impact on the sales increase. Net sales in the United States increased 14 percent versus 1998 and advanced 13 percent internationally. Foreign exchange negatively impacted the international sales growth by 1 percent.

Consolidated 1998 net sales of $8.1 billion advanced 19 percent over 1997, reflecting volume growth of 19 percent and price increases of 2 percent, tempered by unfavorable foreign exchange of 2 percent. The acquisition of the Mallinckrodt Inc. animal health business in June 1997 favorably impacted sales growth by 3 percent. The sales of this business were included for only half the year in 1997 and for the full year in 1998.

Net sales by major therapeutic category for the years ended 1999, 1998 and 1997 were as follows ($ in millions):

				% Increase (Decrease)	
	1999	1998	1997	**1999/98**	1998/97
Allergy & Respiratory	**$ 3,850**	$ 3,375	$ 2,708	**14%**	25%
Anti-infective & Anticancer	**1,738**	1,263	1,156	**38**	9
Dermatologicals	**682**	619	571	**10**	8
Cardiovasculars	**673**	750	637	**(10)**	18
Other Pharmaceuticals	**792**	688	649	**16**	6
Animal Health	**678**	647	389	**5**	66
Foot Care	**348**	336	300	**3**	12
Over-the-Counter (OTC)	**221**	218	220	**1**	(1)
Sun Care	**194**	181	148	**7**	22
Consolidated net sales	**$ 9,176**	$ 8,077	$ 6,778	**14%**	19%

Worldwide net sales of allergy and respiratory products increased 14 percent in 1999 and 25 percent in 1998, due to continued strong market growth for the CLARITIN line of nonsedating antihistamines. Worldwide net sales of the CLARITIN brand totaled $2.7 billion in 1999, $2.3 billion in 1998 and $1.7 billion in 1997. Franchise sales of nasal inhaled steroid products, which include VANCENASE allergy products and NASONEX, a once-daily corticosteroid for allergic rhinitis, increased in 1999 and 1998 due to market expansion in the United States and the launch of NASONEX in several international markets. Sales of VANCERIL, an orally inhaled steroid for asthma, declined $14 million in 1999 due to manufacturing issues and branded competition.

Net sales of worldwide anti-infective and anticancer products rose 38 percent compared with 1998. Growth was led by combined worldwide sales of INTRON A (interferon alfa-2b) and REBETRON Combination Therapy, containing REBETOL (ribavirin) Capsules and INTRON A Injection, which totaled $1.1 billion, up 56 percent from 1998. Sales of these products grew because of increased use in the treatment of chronic hepatitis C. The U.S. and international launches of TEMODAR, a chemotherapy agent for treating certain types of brain tumors, also contributed to the increase in this therapeutic category's sales in 1999. These sales increases were moderated by lower sales of EULEXIN, a prostate cancer therapy, due to generic and branded competition. In 1998, worldwide net sales of anti-infective and anticancer products increased 9 percent due to INTRON A and the mid-year 1998 introduction of REBETRON Combination Therapy in the United States. This increase was moderated by lower sales of EULEXIN due to generic and branded competition.

Dermatological products' worldwide net sales increased 10 percent in 1999 and 8 percent in 1998, due to higher sales of LOTRISONE, an antifungal/anti-inflammatory cream, and ELOCON, a medium-potency topical steroid.

Worldwide net sales of cardiovascular products declined 10 percent in 1999, due to generic competition in the United States against IMDUR, an oral nitrate for angina, and NORMODYNE, an alpha-beta blocker for hypertension. Partially offsetting these declines were higher U.S. sales of INTEGRILIN, a platelet receptor glycoprotein IIb/IIIa inhibitor, due to increased market penetration following its launch in the second quarter of 1998. Sales of K-DUR, a sustained-release potassium chloride supplement, increased in 1999 due to market share growth. In 1998, worldwide net sales of cardiovascular products advanced 18 percent, reflecting U.S. market expansion and market share growth for IMDUR and K-DUR.

Other pharmaceuticals consist of products that do not fit into the Company's major therapeutic categories, such as SUBUTEX, a treatment for opiate addiction, and revenues received from Novo Nordisk related to the Company's co-promotion agreement for PRANDIN, an oral antidiabetic agent.

Worldwide sales of animal health products increased 5 percent in 1999. Sales growth was driven by NUFLOR, a broad-spectrum, multi-species antibiotic, and BANAMINE, a non-steroidal anti-inflammatory agent. Sales of animal health products in 1998 increased 66 percent over 1997. Adjusting for the 1997 acquisition of the Mallinckrodt animal health business, 1998 sales would have increased 12 percent. Sales growth in 1998 was again driven by BANAMINE and NUFLOR.

Foot care product sales rose 3 percent in 1999 led by increases in the Dr. Scholl's insoles product line due to new product introductions and line extensions. Sales grew 12 percent in 1998, reflecting increases in the Dr. Scholl's and antifungal product lines.

Over-the-counter (OTC) product sales increased 1 percent in 1999 due to a strong spring cough/cold season. OTC product sales decreased slightly in 1998.

Sun care sales were up 7 percent in 1999 primarily due to market growth. In 1998, sales grew 22 percent due to early 1999 season purchases.

SUMMARY OF COSTS AND EXPENSES:

				% Increase	
(Dollars in millions)	**1999**	1998	1997	**1999/98**	1998/97
Cost of sales	**$ 1,800**	$ 1,601	$ 1,308	**12%**	22%
% of net sales	**19.6%**	19.8%	19.3%		
Selling, general and administrative	**$ 3,434**	$ 3,141	$ 2,664	**9%**	18%
% of net sales	**37.4%**	38.9%	39.3%		
Research and development	**$ 1,191**	$ 1,007	$ 847	**18%**	19%
% of net sales	**13.0%**	12.5%	12.5%		

Cost of sales as a percentage of net sales in 1999 decreased slightly versus 1998, due to favorable sales mix. The increase of 1998 cost of sales as a percentage of net sales versus 1997 reflects higher royalties and the inclusion of Mallinckrodt animal health products, which generally have lower gross margins.

Selling, general and administrative expenses in 1999 and 1998 decreased as a percentage of sales as sales growth outpaced expansion of the field force and increased promotional and selling-related spending.

Research and development expenses grew 18 percent to $1.2 billion and represented 13.0 percent of sales in 1999. In 1998, research and development expenses increased 19 percent over 1997 and represented 12.5 percent of sales. The higher spending in both years reflects the Company's funding of both internal research efforts and research collaborations with various partners to develop a steady flow of innovative products. The Company expects research and development spending for 2000 to increase by approximately 15 percent.

INCOME BEFORE INCOME TAXES

Income before income taxes totaled $2.8 billion in 1999, an increase of 20 percent over 1998. In 1998, income before income taxes was $2.3 billion, up 22 percent over $1.9 billion in 1997.

INCOME TAXES

The Company's effective tax rate was 24.5 percent for the years 1999, 1998 and 1997. The effective tax rate for each period was lower than the U.S. statutory income tax rate principally due to tax incentives in certain jurisdictions where manufacturing facilities are located. For additional information, see "Income Taxes" in the Notes to Consolidated Financial Statements.

NET INCOME

Net income in 1999 increased 20 percent to $2.1 billion. Net income in 1998 increased 22 percent over 1997. Differences in year-to-year exchange rates had a less than 1 percent impact on net income growth in 1999. After eliminating exchange differences in 1998, net income would have risen approximately 24 percent.

EARNINGS PER COMMON SHARE

Diluted earnings per common share rose 20 percent in 1999 to $1.42 and 22 percent in 1998 to $1.18. Foreign currency exchange had no impact on 1999 diluted earnings per common share. The strengthening of the U.S. dollar against most foreign currencies decreased growth in earnings per common share in 1998. Excluding the impact of exchange rate fluctuations, diluted earnings per common share would have increased approximately 24 percent in 1998. Basic earnings per common share increased 20 percent in 1999 to $1.44 and 22 percent in 1998 to $1.20.

Under existing share repurchase programs authorized by the Board of Directors, approximately 18 million common shares were repurchased during 1999, 1998 and 1997. A $1 billion program was authorized in September 1997 and commenced in January 1998. At December 31, 1999, approximately 13.3 million shares had been acquired under the 1997 authorization and the program was approximately 65 percent complete.

YEAR 2000

Many computer systems ("IT systems") and equipment and instruments with embedded microprocessors ("non-IT systems") had been designed to recognize only the last two digits of a calendar year. As previously reported, the Company undertook an extensive project to remediate or replace its date-sensitive IT and non-IT systems. These systems have functioned properly since the first of the year and management believes that future operations will be unaffected by these matters. The Company did not experience any significant increase in product sales as a result of Year 2000 concerns.

As of December 31, 1999, the Company spent $66 million on the Year 2000 remediation/replacement project; $20 million has been capitalized and $46 million has been expensed. The expense for 1999 was $17 million, which is approximately 10 percent of the Company's overall annual information systems budget. Additional costs to repair or replace non-critical, non-IT equipment will continue into the year 2000, but the costs are not expected to be significant.

The estimates and conclusions in this description of the Year 2000 issue contain forward-looking statements and are based on management's estimates of future events.

EURO

On January 1, 1999, certain member countries of the European Union established a new common currency, the euro. Also on January 1, 1999, the participating countries fixed the rate of exchange between their existing legacy currencies and the euro. The new euro currency will eventually replace the legacy currencies currently in use in each of the participating countries. Euro bills and coins will not be issued until January 1, 2002.

Companies operating within the participating countries may, at their discretion, choose to operate in either legacy currencies or the euro until January 1, 2002. The Company expects the majority of its affected subsidiaries to continue to operate in their respective legacy currencies during the next two years. The Company can, however, accommodate transactions for customers and suppliers operating in either legacy currency or euros.

The Company believes that the creation of the euro will not significantly change its market risk with respect to foreign exchange. Having a common European currency may result in certain changes to competitive practices, product pricing and marketing strategies. Although we are unable to quantify these effects, if any, management at this time does not believe the creation of the euro will have a material effect on the Company.

ACQUISITION

In June 1997, the Company acquired the worldwide animal health operations of Mallinckrodt Inc. for approximately $490 million, which includes the assumption of debt and direct costs of the acquisition. The addition of the Mallinckrodt operations has created broader product lines and expanded geographic distribution capabilities for our animal health products. For additional information, see "Acquisition" in the Notes to Consolidated Financial Statements.

ENVIRONMENTAL MATTERS

The Company has obligations for environmental clean-up under various state, local and federal laws, including the Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund. Environmental expenditures have not had and, based on information currently available, are not anticipated to have a material impact on the Company. For additional information, see "Legal and Environmental Matters" in the Notes to Consolidated Financial Statements.

ADDITIONAL FACTORS INFLUENCING OPERATIONS

In the United States, many of the Company's pharmaceutical products are subject to increasingly competitive pricing as managed care groups, institutions, government agencies and other buying groups seek price discounts. In most international markets, the Company operates in an environment of government-mandated cost-containment programs. Several governments have placed restrictions on physician prescription levels and patient reimbursements, emphasized greater use of generic drugs and enacted across-the-board price cuts as methods to control costs.

Since the Company is unable to predict the final form and timing of any future domestic and international governmental or other health care initiatives, their effect on operations and cash flows cannot be reasonably estimated. Similarly, the effect on operations and cash flows of decisions of managed care groups and other buying groups concerning formularies, pharmaceutical reimbursement policies and availability of the Company's pharmaceutical products cannot be reasonably estimated.

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

Uncertainties inherent in government regulatory approval processes, including, among other things, delays in approval of new products, may also affect the Company's operations. The effect on operations of regulatory approval processes cannot be predicted.

The Company is subject to the jurisdiction of various national, state and local regulatory agencies and is, therefore, subject to potential administrative actions. Of particular importance is the Food and Drug Administration (FDA) in the United States. It has jurisdiction over all the Company's businesses and administers requirements covering the testing, safety, effectiveness, approval, manufacturing, labeling and marketing of the Company's products. From time to time, agencies, including the FDA, may require the Company to address various manufacturing, advertising, labeling or other regulatory issues. Failure to comply with governmental regulations can result in delays in the release of products, seizure or recall of products, suspension or revocation of the authority necessary for the production and sale of products, fines and other civil or criminal sanctions.

From time to time, the Company has received Warning Letters from the FDA pertaining to various manufacturing issues. Among these, the Company has received a Warning Letter from the FDA relating specifically to manufacturing issues identified during FDA inspections of the Company's aerosol products (albuterol and VANCERIL) manufacturing facilities in New Jersey. The Company is implementing remedial actions at these facilities. The Company has met with the FDA on several occasions to apprise the agency of the scope and status of these activities. An FDA inspection of the Company's New Jersey manufacturing facilities is ongoing. The Company cannot predict whether its remedial actions will resolve the FDA's concerns, whether the FDA will take any further action or the effect of this matter on the Company's operations.

Under certain circumstances, the Company may deem it advisable to initiate product recalls. In 1999, the Company voluntarily chose to initiate several recalls, including a recall of certain shipments of albuterol and VANCERIL manufactured at its New Jersey facilities.

LIQUIDITY AND FINANCIAL RESOURCES

Cash generated from operations continues to be the Company's major source of funds to finance working capital, capital expenditures, acquisitions, shareholder dividends and common share repurchases.

Cash provided by operating activities totaled $1,893 million in 1999, $2,026 million in 1998 and $1,845 million in 1997. Year-to-year changes in cash provided by operating activities result from the timing of receipts and disbursements as well as from an overall net investment in working capital necessitated by the growth in the business.

Capital expenditures amounted to $543 million in 1999, $389 million in 1998 and $405 million in 1997. Commitments for future capital expenditures totaled $179 million at December 31, 1999.

Cash flow related to financing activities included equity proceeds as well as proceeds from short-term borrowings. Common shares repurchased in 1999 totaled 9.9 million shares at a cost of $504 million. In 1998, 3.4 million shares were repurchased for $141 million and, in 1997, 4.8 million shares were repurchased at a cost of $132 million.

Dividend payments of $716 million were made in 1999, compared with $627 million in 1998 and $542 million in 1997. Dividends per common share were $0.485 in 1999, up from $0.425 in 1998 and $0.368 in 1997.

Cash and cash equivalents totaled $1,876 million, $1,259 million and $714 million at December 31, 1999, 1998 and 1997, respectively. Short-term borrowings and current portion of long-term debt totaled $728 million at year-end 1999, $558 million in 1998 and $581 million in 1997.

The Company's ratio of debt to total capital remained at 12 percent in 1999. The Company's liquidity and financial resources continued to be sufficient to meet its operating needs. As of December 31, 1999, the Company had $1.2 billion in unused lines of credit, including $876 million available under the $1 billion multi-currency unsecured revolving credit facility expiring in 2001. The Company had A-1+ and P-1 ratings for its commercial paper, and AA and Aa2 general bond ratings from Standard & Poor's and Moody's, respectively, as of December 31, 1999.

MARKET RISK DISCLOSURES

The Company is exposed to market risk primarily from changes in foreign currency exchange rates and, to a lesser extent, from interest rates. The following describes the nature of the risks and demonstrates that, in general, such market risk is not material to the Company.

Foreign Currency Exchange Risk

The Company operates in more than 40 countries worldwide. In 1999, sales outside the United States accounted for approximately 36 percent of worldwide sales. Virtually all these sales were denominated in currencies of the local country. As such, the Company's reported profits and cash flows are exposed to changing exchange rates. In 1999, changes in foreign exchange rates reduced sales by less than 1 percent and had no impact on 1999 diluted earnings per common share.

To date, management has not deemed it cost-effective to engage in a formula-based program of hedging the profits and cash flows of foreign operations using derivative financial instruments. Because the Company's foreign subsidiaries purchase significant quantities of inventory payable in U.S. dollars, managing the level of inventory and related payables and the rate of inventory turnover provides a level of protection against adverse changes in exchange rates. In addition, the risk of adverse exchange rate change is mitigated by the fact that the Company's foreign operations are widespread. The widespread nature of the Company's foreign operations is the primary reason that the overall economic weakness in certain Latin American countries is not expected to significantly impact future operations of the Company.

In addition, at any point in time, the Company's foreign subsidiaries hold financial assets and liabilities that are denominated in currencies other than U.S. dollars. These financial assets and liabilities consist primarily of short-term, third-party and intercompany receivables and payables. Changes in exchange rates affect these financial assets and liabilities. For the most part, however, gains or losses arise from translation and, as such, do not significantly affect net income.

On occasion, the Company has used derivatives to hedge specific short-term risk situations involving foreign currency exposures. However, these derivative transactions have not been material.

Interest Rate and Equity Price Risk
The financial assets of the Company that are exposed to changes in interest rates and equity prices include debt and equity securities held in non-qualified trusts for employee benefits and equity securities acquired in connection with in-licensing arrangements. The trust investments totaled approximately $185 million at December 31, 1999. Due to the long-term nature of the liabilities that these assets fund, the Company's exposure to market risk is low. A decline in market value of these investments would not necessitate any near-term funding of the trusts. In connection with certain research and development in-licensing arrangements, on occasion the Company acquires equity securities of the licensee company. These investments are generally accounted for as available-for-sale and, as such, carried at market value. The total market value of these investments at December 31, 1999, was $119 million. See "Financial Instruments" in the Notes to Consolidated Financial Statements for additional information. The other financial assets of the Company do not give rise to significant interest rate risk due to their short duration.

The financial obligations of the Company that are exposed to changes in interest rates are generally limited to short-term borrowings and a $200 million equity-type security issued in 1999. All other borrowings are not significant. Although the borrowings are, for the most part, floating rate obligations, the interest rate risk posed by these borrowings is low because the amount of this obligation is small in relation to annual cash flow. The Company has the ability to pay off these borrowings quickly if interest rates were to increase significantly.

Interest Rate Swaps
In 1991 and 1992, the Company utilized interest rate swaps as part of its international cash management strategy. For additional information, see "Financial Instruments" in the Notes to Consolidated Financial Statements. These swaps subject the Company to a moderate degree of market risk. The Company accounts for these swaps using fair value accounting, with changes in the fair value recorded in earnings. The fair value of these swaps was an asset of $1 million at December 31, 1999. The fair value of these swaps at December 31, 1998, was less than $100 thousand. It is estimated that a 10 percent change in interest rate structure could change the fair value of the swaps by approximately $2 million.

During 1999, the Company purchased a $200 million variable rate, three-month time deposit. The Company intends to roll over this time deposit every three months until November 2003. To hedge the future variable interest receipts on this time deposit, the Company entered into an interest rate swap that matures in November 2003. Under this swap, the Company receives a fixed rate and pays a three-month variable rate. The fair value of this swap was a $6 million liability at December 31, 1999. It is estimated that a 10 percent change in interest rate structure could change the fair value of the swap by approximately $5 million.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This annual report and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. One can identify these forward-looking statements by the use of such words as "expects," "plans," "will," "estimates," "forecasts," "projects," "believes" and other words of similar meaning. One also can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address the Company's growth strategy, financial results, regulatory issues, product approvals, development programs, litigation and investigations. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed, and actual future results may vary materially.

The Company does not assume the obligation to update any forward-looking statement. One should carefully evaluate such statements in light of factors described in the Company's filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q and 8-K (if any). In Item 1 of the Company's annual report on Form 10-K for the year ended December 31, 1999, the Company discusses in more detail various important factors that could cause actual results to differ from expected or historic results. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. One should understand that it is not possible to predict or identify all such factors. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties.

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

(Amounts in millions, except per share figures)	For the years ended December 31 **1999**	1998	1997
Net sales	**$ 9,176**	$ 8,077	$ 6,778
Costs and Expenses:			
Cost of sales	**1,800**	1,601	1,308
Selling, general and administrative	**3,434**	3,141	2,664
Research and development	**1,191**	1,007	847
Other (income) expense, net	**(44)**	2	46
Total costs and expenses	**6,381**	5,751	4,865
Income before income taxes	**2,795**	2,326	1,913
Income taxes	**685**	570	469
Net income	**$ 2,110**	$ 1,756	$ 1,444
Diluted earnings per common share	**$ 1.42**	$ 1.18	$ .97
Basic earnings per common share	**$ 1.44**	$ 1.20	$ .98

See Notes to Consolidated Financial Statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(Amounts in millions)	For the years ended December 31 **1999**	1998	1997
Operating Activities:			
Net income	**$ 2,110**	$ 1,756	$ 1,444
Depreciation and amortization	**264**	238	200
Accounts receivable	**(352)**	(67)	(40)
Inventories	**(150)**	(102)	(43)
Prepaid expenses and other assets	**(76)**	(116)	(127)
Accounts payable and other liabilities	**97**	317	411
Net cash provided by operating activities	**1,893**	2,026	1,845
Investing Activities:			
Capital expenditures	**(543)**	(389)	(405)
Purchases of investments	**(338)**	(319)	(77)
Reduction of investments	**215**	–	36
Purchase of business, net of cash acquired	**–**	–	(354)
Other, net	**3**	–	(8)
Net cash used for investing activities	**(663)**	(708)	(808)
Financing Activities:			
Cash dividends paid to common shareholders	**(716)**	(627)	(542)
Common shares repurchased	**(504)**	(141)	(132)
Net change in short-term borrowings	**187**	(19)	(290)
Repayment of long-term debt	**(2)**	(42)	(1)
Other, net, primarily equity proceeds	**424**	57	116
Net cash used for financing activities	**(611)**	(772)	(849)
Effect of exchange rates on cash and cash equivalents	**(2)**	(1)	(9)
Net increase in cash and cash equivalents	**617**	545	179
Cash and cash equivalents, beginning of year	**1,259**	714	535
Cash and cash equivalents, end of year	**$ 1,876**	$ 1,259	$ 714

See Notes to Consolidated Financial Statements.

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except per share figures)	At December 31 **1999**	1998
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 1,876**	$ 1,259
Accounts receivable, less allowances: 1999, $92; 1998, $98	**1,022**	704
Inventories	**958**	841
Prepaid expenses, deferred income taxes and other current assets	**1,053**	1,154
Total current assets	**4,909**	3,958
Property, at cost:		
Land	**50**	48
Buildings and improvements	**1,922**	1,836
Equipment	**1,760**	1,677
Construction in progress	**654**	507
Total	**4,386**	4,068
Less accumulated depreciation	**1,447**	1,393
Property, net	**2,939**	2,675
Intangible assets, net	**588**	565
Other assets	**939**	642
	$ 9,375	$ 7,840
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	**$ 966**	$ 1,003
Short-term borrowings and current portion of long-term debt	**728**	558
U.S., foreign and state income taxes	**502**	505
Accrued compensation	**301**	279
Other accrued liabilities	**712**	687
Total current liabilities	**3,209**	3,032
Long-term Liabilities:		
Deferred income taxes	**284**	291
Other long-term liabilities	**717**	515
Total long-term liabilities	**1,001**	806
Shareholders' Equity:		
Preferred shares – authorized shares: 50, $1 par value; issued: none	**–**	–
Common shares – authorized shares: 2,400, $.50 par value; issued: 2,030	**1,015**	1,015
Paid-in capital	**675**	365
Retained earnings	**8,196**	6,802
Accumulated other comprehensive income	**(233)**	(238)
Total	**9,653**	7,944
Less treasury shares: 558, at cost	**4,488**	3,942
Total shareholders' equity	**5,165**	4,002
	$ 9,375	$ 7,840

See Notes to Consolidated Financial Statements.

SCHERING-PLOUGH CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

(Amounts in millions)	Common Shares	Paid-in Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance December 31, 1996	$ 507	$ 172	$ 5,081	$ (3,560)	$ (140)	$ 2,060
Comprehensive income:						
Net income			1,444			1,444
Foreign currency translation, net of tax					(101)	(101)
Unrealized gain (loss) on investments held available for sale, net					(3)	(3)
Total comprehensive income						1,340
Cash dividends on common shares			(542)			(542)
Stock incentive plans		122		(27)		95
Common shares repurchased				(132)		(132)
Effect of 2-for-1 stock split	508	(198)	(310)			
Balance December 31, 1997	1,015	96	5,673	(3,719)	(244)	2,821
Comprehensive income:						
Net income			1,756			1,756
Foreign currency translation, net of tax					5	5
Unrealized gain (loss) on investments held available for sale, net					1	1
Total comprehensive income						1,762
Cash dividends on common shares			(627)			(627)
Stock incentive plans		269		(82)		187
Common shares repurchased				(141)		(141)
Balance December 31, 1998	1,015	365	6,802	(3,942)	(238)	4,002
Comprehensive income:						
Net income			**2,110**			**2,110**
Foreign currency translation, net of tax					**(54)**	**(54)**
Unrealized gain (loss) on investments held available for sale, net					**59**	**59**
Total comprehensive income						**2,115**
Cash dividends on common shares			**(716)**			**(716)**
Stock incentive plans		**310**		**(42)**		**268**
Common shares repurchased				**(504)**		**(504)**
Balance December 31, 1999	**$ 1,015**	**$ 675**	**$ 8,196**	**$ (4,488)**	**$ (233)**	**$ 5,165**

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share figures)

ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include Schering-Plough Corporation and its subsidiaries. Intercompany balances and transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect certain reported amounts and disclosures; actual amounts may differ.

Cash and Cash Equivalents – Cash and cash equivalents include operating cash and highly liquid investments, generally with maturities of three months or less.

Inventories – Inventories are valued at the lower of cost or market. Cost is determined by using the last-in, first-out method for a substantial portion of inventories located in the United States. The cost of all other inventories is determined by the first-in, first-out method.

Depreciation – Depreciation is provided over the estimated useful lives of the properties, generally by use of the straight-line method. Average useful lives are 50 years for buildings, 25 years for building improvements and 12 years for equipment. Depreciation expense was $208, $191 and $166 in 1999, 1998 and 1997, respectively.

Intangible Assets – Intangible assets principally include goodwill, licenses, patents and trademarks. Intangible assets are recorded at cost and amortized on the straight-line method over periods not exceeding 40 years. Accumulated amortization of intangible assets was $188 and $138 at December 31, 1999 and 1998, respectively. Intangible assets are periodically reviewed to determine recoverability by comparing their carrying values to undiscounted expected future cash flows.

Foreign Currency Translation – The net assets of most of the Company's foreign subsidiaries are translated into U.S. dollars using current exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in other comprehensive income. For the remaining foreign subsidiaries, non-monetary assets and liabilities are translated using historical rates, while monetary assets and liabilities are translated at current rates, with the U.S. dollar effects of rate changes included in income.

Exchange gains and losses arising from translating intercompany balances of a long-term investment nature are recorded in the foreign currency translation adjustment account. Other exchange gains and losses are included in income.

Net foreign exchange losses included in income were $6, $2 and $6 in 1999, 1998 and 1997, respectively.

Accumulated Other Comprehensive Income – Accumulated other comprehensive income consists of the accumulated foreign currency translation adjustment account and accumulated unrealized gains and losses on securities classified for Statement of Financial Accounting Standards (SFAS) No. 115 purposes as held available for sale. At December 31, 1999 and 1998, the accumulated foreign currency translation adjustment account, net of tax, totaled $301 and $247, respectively.

Revenue Recognition – Revenues from the sale of products are recorded at the time goods are shipped to customers.

Earnings Per Common Share – Diluted earnings per common share are computed by dividing income by the sum of the weighted-average number of common shares outstanding plus the dilutive effect of shares issuable through deferred stock units and the exercise of stock options. Basic earnings per common share are computed by dividing income by the weighted-average number of common shares outstanding.

The shares used to calculate basic earnings per common share and diluted earnings per common share are reconciled as follows:

(shares in millions)	**1999**	1998	1997
Average shares outstanding for basic earnings per share	**1,470**	1,468	1,464
Dilutive effect of options and deferred stock units	**16**	20	16
Average shares outstanding for diluted earnings per share	**1,486**	1,488	1,480

As of December 31, 1999, there were 9 million options outstanding with exercise prices higher than the average price of the Company's common stock during 1999. Accordingly, these options are not included in the dilutive effects indicated above.

Recently Issued Accounting Standard – In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, requires adoption by the Company no later than January 1, 2001. The Company plans to adopt SFAS No. 133 at that time. This statement is not expected to materially impact the Company's financial statements because the Company makes limited use of derivative financial instruments.

ACQUISITION

On June 30, 1997, the Company acquired the worldwide animal health business of Mallinckrodt Inc. for approximately $490, which includes the assumption of debt and direct costs of the acquisition. The acquisition was recorded under the purchase method of accounting. The excess of the purchase price over the fair value of identifiable net assets acquired is included in intangible assets, net. The results of operations of the purchased animal health business have been included in the Company's Statements of Consolidated Income from the date of acquisition. Pro forma results of the Company, assuming the acquisition had been made at the beginning of each period presented, would not be materially different from the results reported.

FINANCIAL INSTRUMENTS

The table below presents the carrying values and estimated fair values for the Company's financial instruments, including derivative financial instruments. Estimated fair values were determined based on market prices, where available, or dealer quotes.

	December 31, 1999		December 31, 1998	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
ASSETS:				
Cash and cash equivalents	**$ 1,876**	**$ 1,876**	$ 1,259	$ 1,259
Debt and equity investments	**532**	**532**	213	213
Interest rate swap contracts	**6**	**(6)**	–	–
LIABILITIES:				
Short-term borrowings and current portion of long-term debt	**728**	**728**	558	558
Long-term debt	**6**	**6**	4	4
Other financing instruments	**208**	**193**	–	–

Credit and Market Risk

Most financial instruments expose the holder to credit risk for non-performance and to market risk for changes in interest and currency rates. The Company mitigates credit risk on derivative instruments by dealing only with financially sound counterparties. Accordingly, the Company does not anticipate loss for non-performance. The Company does not enter into derivative instruments to generate trading profits. Refer to "Market Risk Disclosures" in Management's Discussion and Analysis of Operations and Financial Condition for a discussion regarding the market risk of the Company's financial instruments.

Debt and Equity Investments

Investments, which are primarily included in other non-current assets, consist of a time deposit, equity securities of licensee companies and debt and equity securities held in non-qualified trusts to fund benefit obligations. Investments are primarily classified as available for sale and are carried at fair value, with unrealized gains and losses, net of tax, reported in other comprehensive income. Gross unrealized gains in 1999 were $59; gross unrealized losses in 1999 were not material. Gross unrealized gains and losses in 1998 and 1997 were not material.

Interest Rate Swap Contracts

In 1991 and 1992, the Company utilized interest rate swaps as part of its international cash management strategy. The notional principal of the 1991 arrangement is $650 and the notional principal of the 1992 arrangement is $950. Both arrangements have 20-year terms. At December 31, 1999, the arrangements provide for the payment of interest based upon LIBOR and the receipt of interest based upon an annual election of various floating rates. As a result, the Company remains subject to a moderate degree of market risk through maturity of the swaps. These interest rate swaps are recorded at fair value, with changes in fair value recorded in earnings. Annual net cash flows for payments and receipts under these interest rate swap contracts are not material. The net asset or liability under these interest rate swaps is recorded in other current assets or other accrued liabilities, as applicable.

To hedge future variable interest receipts on a $200 time deposit purchased in 1999, the Company entered into an interest rate swap that matures in November 2003. Under the swap, the Company will receive 5.6 percent on a notional principal of $200 and will pay three-month LIBOR. The differential paid or earned on this interest rate swap has been designated as a hedge and is reflected as an adjustment to interest income over the life of the swap.

COMMITMENTS

Total rent expense amounted to $65 in 1999, $58 in 1998 and $44 in 1997. Future minimum rental commitments on non-cancelable operating leases as of December 31, 1999, range from $31 in 2000 to $7 in 2004, with aggregate minimum lease obligations of $20 due thereafter. The Company has commitments related to future capital expenditures totaling $179 as of December 31, 1999.

BORROWINGS

The Company has a $1 billion committed, multi-currency unsecured revolving credit facility expiring in 2001 from a syndicate of financial institutions. This facility is available for general corporate purposes and is considered as support for the Company's commercial paper borrowings. This line of credit does not require compensating balances; however, a nominal commitment fee is paid. At December 31, 1999, $124 had been drawn down under this facility. In addition, the Company's foreign subsidiaries had available $314 in unused lines of credit from various financial institutions at December 31, 1999. Generally, these foreign credit lines do not require commitment fees or compensating balances and are cancelable at the option of the Company or the financial institutions.

Short-term borrowings consist of commercial paper issued in the United States, bank loans, notes payable and amounts drawn down under the revolving credit facility. Commercial paper outstanding at December 31, 1999 and 1998 was $495 and $339, respectively. The weighted-average interest rate for short-term borrowings at December 31, 1999 and 1998 was 6.9 percent and 5.7 percent, respectively.

The Company has a shelf registration statement on file with the Securities and Exchange Commission covering the issuance of up to $200 of debt securities. The terms of these securities will be determined at the time of sale. As of December 31, 1999, no debt securities have been issued pursuant to this registration.

FINANCING

During 1999, a subsidiary of the Company issued $200 of equity-type securities. The securities bear a LIBOR-based yield that is substantially fixed through November 28, 2003; thereafter, the Company can elect to reset the rate annually or substantially fix the rate for the next five years. At December 31, 1999, the rate was 5.6 percent. The Company can call the securities at any time after November 30, 2004, or earlier under certain circumstances. The holders can put the securities back to the Company at any time after November 30, 2027, or earlier under certain circumstances. Because of the put and call features, this obligation is included in other long-term liabilities.

INTEREST COSTS AND INCOME

Interest costs were as follows:

	1999	1998	1997
Interest cost incurred	**$ 41**	$ 28	$ 55
Less: amount capitalized on construction	**12**	9	15
Interest expense	**$ 29**	$ 19	$ 40
Cash paid for interest, net of amount capitalized	**$ 28**	$ 19	$ 37

Interest income for 1999, 1998 and 1997 was $103, $59 and $56, respectively. Interest income and interest expense are included in other (income) expense, net.

SHAREHOLDERS' EQUITY

On September 22, 1998, the Board of Directors voted to increase the number of authorized common shares from 1.2 billion to 2.4 billion and approved a 2-for-1 stock split. Distribution of the split shares was made on December 2, 1998. On April 22, 1997, the Board of Directors voted to increase the number of authorized common shares from 600 million to 1.2 billion and approved a 2-for-1 stock split. Distribution of these split shares was made on June 3, 1997. All per share amounts herein have been adjusted to reflect both stock splits.

A summary of treasury share transactions follows (shares in millions):

	1999	1998	1997
Share balance at January 1	**558**	282	142
Shares issued under stock incentive plans	**(10)**	(9)	(4)
Purchase of treasury shares	**10**	3	2
Effect of 2-for-1 stock split	**–**	282	142
Share balance at December 31	**558**	558	282

The Company has Preferred Share Purchase Rights outstanding that are attached to, and presently only trade with, the Company's common shares and are not exercisable. The rights will become exercisable only if a person or group acquires 20 percent or more of the Company's common stock or announces a tender offer which, if completed, would result in ownership by a person or group of 20 percent or more of the Company's common stock. Should a person or group acquire 20 percent or more of the Company's outstanding common stock through a merger or other business combination transaction, each right will entitle its holder (other than such acquirer) to purchase common shares of Schering-Plough having a market value of twice the exercise price of the right. The exercise price of the rights is $100.

Following the acquisition by a person or group of beneficial ownership of 20 percent or more but less than 50 percent of the Company's common stock, the Board of Directors may call for the exchange of the rights (other than rights owned by such acquirer), in whole or in part, at an exchange ratio of one common share or one two-hundredth of a share of Series A Junior Participating Preferred Stock, per right. Also, prior to the acquisition by a person or group of beneficial ownership of 20 percent or more of the Company's common stock, the rights are redeemable for $.005 per right at the option of the Board of Directors. The rights will expire on July 10, 2007, unless earlier redeemed or exchanged. The Board of Directors is also authorized to reduce the 20 percent thresholds referred to above to not less than the greater of (i) the sum of .001 percent and the largest percentage of the outstanding shares of common stock then known to the Company to be beneficially owned by any person or group of affiliated or associated persons and (ii) 10 percent, except that following the acquisition by a person or group of beneficial ownership of 20 percent or more of the Company's common stock no such reduction may adversely affect the interests of the holders of the rights.

STOCK INCENTIVE PLANS

Under the terms of the Company's 1997 Stock Incentive Plan, 72 million of the Company's common shares may be granted as stock options or awarded as deferred stock units to officers and certain employees of the Company through December 2002. Option exercise prices equal the market price of the common shares at their grant dates. Options expire not later than 10 years after the date of grant. Standard options granted generally have a one-year vesting term. Other options granted vest 20 percent per year for five years starting five years after the date of grant. Deferred stock units are payable in an equivalent number of common shares; the shares are distributable in a single installment or in five equal annual installments generally commencing one year from the date of the award.

The following table summarizes stock option activity over the past three years under the current and prior plans (number of options in millions):

	1999		1998		1997	
	Number of Options	**Weighted-Average Exercise Price**	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at January 1	**42**	**$ 19.31**	42	$12.20	41	$ 9.57
Granted	**9**	**52.86**	11	39.06	9	20.57
Exercised	**(8)**	**13.96**	(10)	10.47	(8)	7.76
Canceled or expired	**(1)**	**32.79**	(1)	30.87	–	–
Outstanding at December 31	**42**	**$ 27.34**	42	$19.31	42	$12.20
Options exercisable at December 31	**27**	**$ 21.16**	25	$12.02	26	$ 9.28

The Company accounts for its stock compensation arrangements using the intrinsic value method. If the fair value method of accounting was applied as defined in SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's pro forma net income would have been $2,044, $1,704 and $1,421 for 1999, 1998 and 1997, respectively. Pro forma diluted earnings per share would have been $1.38, $1.15 and $.96 for 1999, 1998 and 1997, respectively, and pro forma basic earnings per share would have been $1.39, $1.16 and $.97 for 1999, 1998 and 1997, respectively.

The weighted-average fair value per option granted in 1999, 1998 and 1997 was $12.38, $9.24 and $4.60, respectively. The fair values were estimated using the Black-Scholes option pricing model based on the following assumptions:

	1999	1998	1997
Dividend yield	**2.2%**	2.4%	2.6%
Volatility	**23%**	24%	20%
Risk-free interest rate	**5.1%**	5.5%	6.1%
Expected term of options (in years)	**5**	5	5

In 1999, 1998 and 1997, the Company awarded deferred stock units totaling 2.4 million, 2.5 million and 3.0 million, respectively. The expense recorded in 1999, 1998 and 1997 for deferred stock units was $61, $45 and $32, respectively.

INVENTORIES

Year-end inventories consisted of the following:

	1999	1998
Finished products	**$ 437**	$ 483
Goods in process	**267**	174
Raw materials and supplies	**254**	184
Total inventories	**$ 958**	$ 841

Inventories valued on a last-in, first-out basis comprised approximately 31 percent and 28 percent of total inventories at December 31, 1999 and 1998, respectively. The estimated replacement cost of total inventories at December 31, 1999 and 1998 was $972 and $864, respectively.

RETIREMENT PLANS AND OTHER POST-RETIREMENT BENEFITS

The Company has defined benefit pension plans covering eligible employees in the United States and certain foreign countries, and the Company provides post-retirement health care benefits to its eligible U.S. retirees and their dependents.

The components of net pension and other post-retirement benefit (income) expense were as follows:

	Retirement Plans			Post-retirement Health Care Benefits		
	1999	1998	1997	**1999**	1998	1997
Service cost	**$ 42**	$ 41	$ 37	**$ 5**	$ 5	$ 4
Interest cost	**62**	59	54	**11**	11	11
Expected return on plan assets	**(101)**	(89)	(81)	**(18)**	(17)	(15)
Amortization, net	**(5)**	(6)	(5)	**(2)**	(1)	(1)
Net	**$ (2)**	$ 5	$ 5	**$ (4)**	$ (2)	$ (1)

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

	Retirement Plans		Post-retirement Health Care Benefits	
	1999	1998	**1999**	1998
Benefit obligations at January 1	**$ 987**	$ 867	**$ 177**	$ 162
Service cost	**42**	41	**5**	5
Interest cost	**62**	59	**11**	11
Assumption changes	**(101)**	51	**(20)**	10
Effects of exchange rate changes	**(9)**	5	**–**	–
Benefits paid	**(41)**	(62)	**(11)**	(8)
Actuarial (gains) and losses	**22**	22	**8**	(3)
Plan amendments	**6**	4	**–**	–
Benefit obligations at December 31	**$ 968**	$ 987	**$ 170**	$ 177
Benefit obligations of overfunded plans	**$ 740**	$ 790	**$ 170**	$ 177
Benefit obligations of underfunded plans	**228**	197		

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

	Retirement Plans		Post-retirement Health Care Benefits	
	1999	1998	**1999**	1998
Fair value of plan assets, primarily stocks and bonds, at January 1	**$ 1,145**	$ 1,039	**$ 228**	$ 210
Actual return on plan assets	**188**	135	**42**	26
Contributions	**14**	13	**–**	–
Effects of exchange rate changes	**(9)**	–	**–**	–
Benefits paid	**(39)**	(42)	**(11)**	(8)
Fair value of plan assets at December 31	**$ 1,299**	$ 1,145	**$ 259**	$ 228
Plan assets of overfunded plans	**$ 1,219**	$ 1,086	**$ 259**	$ 228
Plan assets of underfunded plans	**80**	59		

In addition to the plan assets indicated above, at December 31, 1999 and 1998, securities of $79 and $70, respectively, were held in non-qualified trusts designated to provide pension benefits for certain underfunded plans.

The following is a reconciliation of the funded status of the plans to the Company's balance sheet at December 31:

	Retirement Plans		Post-retirement Health Care Benefits	
	1999	1998	**1999**	1998
Plan assets in excess of benefit obligations	**$ 331**	$ 158	**$ 89**	$ 51
Unrecognized net transition asset	**(37)**	(45)	**–**	–
Unrecognized prior service costs	**16**	12	**(5)**	(6)
Unrecognized net actuarial (gain)	**(189)**	(14)	**(85)**	(51)
Net asset (liability)	**$ 121**	$ 111	**$ (1)**	$ (6)

The weighted-average assumptions employed at December 31, 1999 and 1998 were:

	Retirement Plans		Post-retirement Health Care Benefits	
	1999	1998	**1999**	1998
Discount rate	**7.0%**	6.6%	**7.5%**	6.5%
Long-term expected rate of return on plan assets	**9.5%**	9.9%	**9.0%**	9.0%
Rate of increase in future compensation	**3.9%**	4.1%		

The weighted-average assumed health care cost trend rates used for post-retirement measurement purposes were 6.6 percent for 2000, trending down to 5.0 percent by 2002. A 1 percent increase or decrease in the assumed health care cost trend rate would increase or decrease combined post-retirement service and interest cost by $3 and the post-retirement benefit obligation by $24.

The Company has a defined contribution profit-sharing plan covering substantially all its full-time domestic employees who have completed one year of service. The annual contribution is determined by a formula based on the Company's income, shareholders' equity and participants' compensation. Profit-sharing expense totaled $74, $66 and $58 in 1999, 1998 and 1997, respectively.

INCOME TAXES

U.S. and foreign operations contributed to income before income taxes as follows:

	1999	1998	1997
United States	**$ 2,031**	$ 1,609	$ 1,349
Foreign	**764**	717	564
Total income before income taxes	**$ 2,795**	$ 2,326	$ 1,913

The components of income tax expense were as follows:

	1999	1998	1997
Current:			
Federal	**$ 464**	$ 442	$ 306
Foreign	**185**	184	160
State	**13**	14	10
Total current	**662**	640	476
Deferred:			
Federal and state	**46**	(19)	30
Foreign	**(23)**	(51)	(37)
Total deferred	**23**	(70)	(7)
Total income tax expense	**$ 685**	$ 570	$ 469

The difference between the U.S. statutory tax rate and the Company's effective tax rate was due to the following:

	1999	1998	1997
U.S. statutory tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
Lower rates in other jurisdictions, net	**(10.5)**	(10.6)	(10.0)
Research tax credit	**(.8)**	(.8)	(.6)
All other, net	**.8**	.9	.1
Effective tax rate	**24.5%**	24.5%	24.5%

The lower rates in other jurisdictions, net, are primarily attributable to certain employment and capital investment actions taken by the Company. As a result, income from manufacturing activities in these jurisdictions is subject to lower tax rates through 2018.

As of December 31, 1999 and 1998, the Company had total deferred tax assets of $733 and $741, respectively, and deferred tax liabilities of $521 and $506, respectively. Valuation allowances are not significant. Significant deferred tax assets at December 31, 1999 and 1998 were for operating costs not currently deductible for tax purposes and totaled $389 and $425, respectively. Significant deferred tax liabilities at December 31, 1999 and 1998 were for depreciation differences, $222 and $233, respectively, and retirement plans, $67 and $61, respectively. Other current assets include deferred income taxes of $507 and $521 at December 31, 1999 and 1998, respectively.

Deferred taxes are not provided on undistributed earnings of foreign subsidiaries (considered to be permanent investments), which at December 31, 1999, approximated $5,020. Determining the tax liability that would arise if these earnings were remitted is not practicable.

As of December 31, 1999, the U.S. Internal Revenue Service has completed its examination of the Company's tax returns for all years through 1988, and there are no unresolved issues outstanding for those years.

Total income tax payments during 1999, 1998 and 1997 were $502, $458 and $368, respectively.

LEGAL AND ENVIRONMENTAL MATTERS

The Company has responsibilities for environmental clean up under various state, local and federal laws, including the Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund. At several Superfund sites (or equivalent sites under state law), the Company is alleged to be a potentially responsible party (PRP). The Company estimates its obligations for clean up costs for Superfund sites based on information obtained from the federal Environmental Protection Agency, an equivalent state agency, and/or studies prepared by independent engineers, and on the probable costs to be paid by other PRPs. The Company records a liability for environmental assessments and/or clean up when it is probable a loss has been incurred and the amount can reasonably be estimated.

The Company is also involved in various other claims and legal proceedings of a nature considered normal to its business, including product liability cases. The estimated costs the Company expects to pay in these cases are accrued when the liability is considered probable and the amount can reasonably be estimated. Consistent with trends in the pharmaceutical industry, the Company is self-insured for certain events.

The recorded liabilities for the above matters at December 31, 1999 and 1998 and the related expenses incurred during the three years ended December 31, 1999, were not material. Expected insurance recoveries have not been considered in determining the costs for environmental-related liabilities. Management believes that, except for the matters discussed in the following paragraphs, it is remote that any material liability in excess of the amounts accrued will be incurred.

The Company is a defendant in more than 110 antitrust actions commenced (starting in 1993) in state and federal courts by independent retail pharmacies, chain retail pharmacies and consumers. The plaintiffs allege price discrimination and/or conspiracy between the Company and other defendants to restrain trade by jointly refusing to sell prescription drugs at discounted prices to the plaintiffs.

One of the federal cases is a class action on behalf of approximately two-thirds of all retail pharmacies in the United States and alleges a price-fixing conspiracy. The Company agreed to settle the federal class action for a total of $22, which has been paid in full. The settlement provides, among other things, that the Company shall not refuse to grant discounts on brand-name prescription drugs to a retailer based solely on its status as a retailer and that, to the extent a retailer can demonstrate its ability to affect market share of a Company brand-name prescription drug in the same manner as a managed care organization with which the retailer competes, it will be entitled to negotiate similar incentives subject to the rights, obligations, exemptions and defenses of the Robinson-Patman Act and other laws and regulations. The United States District Court in Illinois approved the settlement of the federal class action in June 1996. In June 1997, the Seventh Circuit Court of Appeals dismissed all appeals from that settlement, and it is not subject to further review. The defendants that did not settle the class action proceeded to trial in September 1998. The trial ended in November 1998 with a directed verdict in the defendants' favor.

In April 1997, certain of the plaintiffs in the federal class action commenced another purported class action in United States District Court in Illinois against the Company and the other defendants who settled the previous federal class action. The complaint alleges that the defendants conspired not to implement the settlement commitments following the settlement discussed above. The District Court has denied the plaintiffs' motion for a preliminary injunction hearing.

The Company has settled all of the state retailer actions, except California and Alabama. The settlement amounts were not material to the Company. In addition, in June 1999, the Alabama Supreme Court reversed the denial of a motion for judgment on the pleadings in the Alabama retailer case. The court held that the Alabama antitrust law did not apply to conspiracies alleged to be in interstate commerce. Based on that ruling, the Alabama retailer case has been dismissed.

The Company has settled all of the state consumer cases, except Alabama, North Dakota, South Dakota, West Virginia and New Mexico. The settlement amounts were not material to the Company. A motion is pending to dismiss the Alabama consumer case based on the Alabama Supreme Court decision in the retailer case.

In May 1998, the Company settled six of the federal antitrust cases brought by 26 food and drug chain retailers and several independent retail stores. Plaintiffs in these cases comprise collectively approximately one-fifth of the prescription drug retail market. Also in 1999, the Company settled federal antitrust cases brought by independent pharmacists and small pharmacy chains comprising about 2 percent of the prescription drug retail market. The settlement amounts were not material to the Company.

Plaintiffs in these antitrust actions generally seek treble damages in an unspecified amount and an injunction against the allegedly unlawful conduct.

The Company believes all the antitrust actions are without merit and is defending itself vigorously.

In March 1996, the Company was notified that the United States Federal Trade Commission (FTC) is investigating whether the Company, along with other pharmaceutical companies, conspired to fix prescription drug prices. The investigation is ongoing. The Company believes that its actions have been lawful and proper and is cooperating in the investigation. However, it is not possible to predict the outcome of the investigation, which could result in the imposition of fines, penalties and injunctive or administrative remedies.

In October 1999, the Company received a subpoena from the U.S. Attorney's Office for the Eastern District of Pennsylvania, pursuant to the Health Insurance Portability and Accountability Act of 1996, concerning the Company's contracts with pharmacy benefit managers (PBMs) and managed care organizations to provide disease management services in connection with the marketing of its pharmaceutical products. It appears that the subpoena is one of a number addressed to industry participants including PBMs, managed care organizations and manufacturers as part of an inquiry into, among other things, marketing practices. The government's inquiry appears to focus on whether the Company's disease management and other marketing programs comply with federal health care laws and whether the value of its disease management programs should have been included in the calculation of rebates to the government. The Company believes that its disease management and other marketing programs have been designed to comply with law and that its rebate calculations have properly excluded the value of its disease management programs. The Company is cooperating in the investigation. However, it is not possible to predict the outcome of the investigation, which could include the imposition of fines, penalties and injunctive or administrative remedies. Nor can the Company predict whether the investigation will affect its marketing practices or sales.

The Company is a party to an arbitration filed by Biogen, Inc. (Biogen) in a dispute over the method used by the Company to determine the amount of royalties payable to Biogen on sales of REBETRON Combination Therapy containing REBETOL Capsules and INTRON A Injection. The Company believes that it should prevail in this arbitration. However, there can be no assurance that the Company will prevail.

In February 1998, Geneva Pharmaceuticals, Inc. (Geneva) submitted an Abbreviated New Drug Application (ANDA) to the U.S. Food and Drug Administration (FDA) seeking to market a generic form of CLARITIN in the United States several years before the expiration of the Company's patents. Geneva has alleged that certain of the Company's U.S. CLARITIN patents are invalid and unenforceable. The CLARITIN patents are material to the Company's business. In March 1998, the Company filed suit in federal court seeking a ruling that Geneva's ANDA submission constitutes willful infringement of the Company's patents and that its challenge to the Company's patents is without merit. The Company believes that it should prevail in the suit. However, as with any litigation, there can be no assurance that the Company will prevail.

During 1999, Copley Pharmaceutical, Inc., Teva Pharmaceuticals, Inc., Novex Pharma and Zenith Goldline Pharmaceuticals individually notified the Company that each had submitted an ANDA to the FDA seeking to market certain generic forms of CLARITIN in the United States before the expiration of certain of the Company's patents, and in 2000 Andrx Pharmaceuticals, L.L.C. (Andrx) made a similar submission relating to CLARITIN-D 24 Hour tablets. Each has alleged that one or more of those patents are invalid and unenforceable. In each case, except Andrx, the Company has filed suit in federal court seeking a ruling that the applicable ANDA submission and proposed marketing of a generic product constitute willful infringement of the Company's patent and that the challenge to the patent is without merit. The Company will file a similar suit against Andrx in federal court. The Company believes that it should prevail in these suits. However, as with any litigation, there can be no assurance that the Company will prevail.

In January 2000, Hoffmann-La Roche Inc. filed actions against the Company in United States District Court in New Jersey and in France alleging that the Company's PEG-INTRON (peginterferon alfa-2b) infringes Hoffmann-La Roche Inc.'s patents on certain pegylated interferons. The Company believes that it should prevail in these suits. However, as with any litigation, there can be no assurance that the Company will prevail.

QUARTERLY DATA (UNAUDITED)

Three Months Ended	March 31		June 30		September 30		December 31	
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
Net sales	**$ 2,186**	$ 1,908	**$ 2,451**	$ 2,124	**$ 2,236**	$ 1,986	**$ 2,303**	$ 2,059
Cost of sales	**432**	380	**472**	423	**438**	394	**458**	404
Gross profit	**1,754**	1,528	**1,979**	1,701	**1,798**	1,592	**1,845**	1,655
Selling, general and administrative	**794**	712	**963**	828	**814**	762	**863**	839
Research and development	**262**	224	**297**	261	**305**	257	**327**	265
Other (income) expense, net	**(15)**	(4)	**(7)**	9	**(7)**	1	**(15)**	(4)
Income before income taxes	**713**	596	**726**	603	**686**	572	**670**	555
Income taxes	**174**	146	**179**	148	**168**	140	**164**	136
Net income	**$ 539**	$ 450	**$ 547**	$ 455	**$ 518**	$ 432	**$ 506**	$ 419
Diluted earnings per common share	**$ .36**	$ .30	**$ .37**	$ .31	**$ .35**	$ .29	**$ .34**	$ .28
Basic earnings per common share	**.37**	.31	**.37**	.31	**.35**	.29	**.35**	.29
Dividends per common share	**.11**	.095	**.125**	.11	**.125**	.11	**.125**	.11
Common share prices:								
High	**58⅞**	42¾	**60¾**	46 11/16	**56**	53 17/32	**56⅞**	57½
Low	**51⅛**	30 27/32	**43 5/16**	39 1/16	**41 9/16**	43	**40¾**	45 13/16
Average shares outstanding for diluted EPS (in millions)	**1,491**	1,485	**1,486**	1,488	**1,484**	1,490	**1,483**	1,489
Average shares outstanding for basic EPS (in millions)	**1,472**	1,466	**1,470**	1,467	**1,469**	1,469	**1,470**	1,470

The Company's common shares are listed and principally traded on the New York Stock Exchange. The approximate number of holders of record of common shares as of December 31, 1999, was 46,000.

SEGMENT INFORMATION

Schering-Plough is a worldwide research-based pharmaceutical company engaged in the discovery, development, manufacturing and marketing of pharmaceutical products. Discovery and development efforts target the field of human health. However, application in the field of animal health can result from these efforts. The Company views animal health applications as a means to maximize the return on investments in discovery and development. The Company operates primarily in the prescription pharmaceutical marketplace. However, the Company historically has sought regulatory approval to switch prescription products to over-the-counter (OTC) status as a means of extending a product's life cycle. In this way, the OTC marketplace is yet another means of maximizing the return on investments in discovery and development. Effective January 1, 1999, the Company changed the structure of its internal organization to reflect this focus on pharmaceutical research and development. As a result, the Company reports as one segment. Previously, the Company was organized into two business units: pharmaceuticals and health care. Prior year information has been restated on this basis.

Net Sales by Major Therapeutic Category

	1999	1998	1997
Allergy & Respiratory	**$ 3,850**	$ 3,375	$ 2,708
Anti-infective & Anticancer	**1,738**	1,263	1,156
Dermatologicals	**682**	619	571
Cardiovasculars	**673**	750	637
Other Pharmaceuticals	**792**	688	649
Animal Health	**678**	647	389
Foot Care	**348**	336	300
OTC	**221**	218	220
Sun Care	**194**	181	148
Consolidated net sales	**$ 9,176**	$ 8,077	$ 6,778
Consolidated income before income taxes	**$ 2,795**	$ 2,326	$ 1,913

The Company operates in more than 40 countries outside the United States. Sales outside the United States comprised 36 percent, 37 percent, and 39 percent of consolidated net sales in 1999, 1998 and 1997, respectively. No single foreign country accounted for more than 5 percent of consolidated net sales during the past three years.

Net Sales by Geographic Area

	1999	1998	1997
United States	**$ 5,835**	$ 5,113	$ 4,151
Europe and Canada	**2,157**	1,889	1,620
Latin America	**614**	578	453
Pacific Area and Asia	**570**	497	554
Consolidated net sales	**$ 9,176**	$ 8,077	$ 6,778

Net sales are presented in the geographic area in which the Company's customers are located. During 1999 and 1998, 12 percent and 11 percent, respectively, of consolidated net sales were made to McKesson HBOC, Inc., a major pharmaceutical and health care products distributor. During 1997, no single customer accounted for more than 10 percent of consolidated net sales.

Long-lived Assets by Geographic Location

	1999	1998	1997
United States	**$ 1,738**	$ 1,516	$ 1,348
Ireland	**340**	338	340
Singapore	**260**	268	271
Puerto Rico	**173**	160	161
Other	**621**	598	606
Total	**$ 3,132**	$ 2,880	$ 2,726

Long-lived assets shown by geographic location are primarily property.

REPORT BY MANAGEMENT

Management is responsible for the preparation and the integrity of the accompanying financial statements. These statements are prepared in accordance with generally accepted accounting principles and require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses. In management's opinion, the consolidated financial statements present fairly the Company's results of operations, financial position and cash flows. All financial information in this Annual Report is consistent with the financial statements.

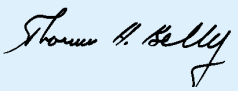
The Company maintains, and management relies on, a system of internal accounting controls and related policies and procedures that provide reasonable assurance of the integrity and reliability of the financial statements. The system provides, at appropriate cost and within the inherent limitations of all internal control systems, that transactions are executed in accordance with management's authorization, are properly recorded and reported in the financial statements and that assets are safeguarded. The Company's internal accounting control system provides for careful selection and training of supervisory and management personnel and requires appropriate segregation of responsibilities and delegation of authority. In addition, the Company maintains a corporate code of conduct for purposes of determining possible conflicts of interest, compliance with laws and confidentiality of proprietary information.

The Company's independent auditors, Deloitte & Touche LLP, audit the annual consolidated financial statements. They evaluate the Company's internal accounting controls and perform tests of procedures and accounting records to enable them to express their opinion on the fairness of these statements. In addition, the Company has an internal audit function that regularly performs audits using programs designed to test compliance with Company policies and procedures, and to verify the adequacy of internal accounting controls and other financial policies. The internal auditors' and independent auditors' recommendations concerning the Company's system of internal accounting controls have been considered and appropriate action has been taken with respect to those recommendations.

The Finance, Compliance and Audit Committee of the Board of Directors consists solely of non-employee directors. The Committee meets periodically with management, the internal auditors and the independent auditors to review audit results, financial reporting, internal accounting controls and other financial matters. Both the independent auditors and internal auditors have full and free access to the Committee.

Richard Jay Kogan
Chairman of the Board and
Chief Executive Officer

Jack L. Wyszomierski
Executive Vice President and
Chief Financial Officer



Thomas H. Kelly
Vice President and
Controller

INDEPENDENT AUDITORS' REPORT

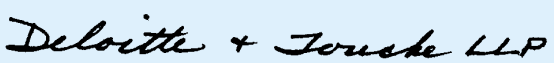
Deloitte & Touche

Schering-Plough Corporation, its Directors and Shareholders:

We have audited the accompanying consolidated balance sheets of Schering-Plough Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Schering-Plough Corporation and subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.



Parsippany, New Jersey
February 11, 2000

SIX-YEAR SELECTED FINANCIAL & STATISTICAL DATA

(Dollars in millions, except per share figures)	**1999**	1998	1997	1996	1995	1994
Operating Results						
Net sales	**$ 9,176**	$ 8,077	$ 6,778	$ 5,656	$ 5,104	$ 4,537
Income before income taxes	**2,795**	2,326	1,913	1,606	1,395	1,227
Income from continuing operations	**2,110**	1,756	1,444	1,213	1,053	926
Discontinued operations	**–**	–	–	–	(166)	(4)
Net income	**2,110**	1,756	1,444	1,213	887	922
Diluted earnings per common share from continuing operations	**1.42**	1.18	.97	.82	.70	.60
Diluted earnings per common share	**1.42**	1.18	.97	.82	.59	.60
Basic earnings per common share from continuing operations	**1.44**	1.20	.98	.82	.71	.61
Discontinued operations	**–**	–	–	–	(.11)	(.01)
Basic earnings per common share	**1.44**	1.20	.98	.82	.60	.60
Investments						
Research and development	**$ 1,191**	$ 1,007	$ 847	$ 723	$ 657	$ 610
Capital expenditures	**543**	389	405	336	304	286
Financial Condition						
Property, net	**$ 2,939**	$ 2,675	$ 2,526	$ 2,246	$ 2,099	$ 2,082
Total assets	**9,375**	7,840	6,507	5,398	4,665	4,326
Long-term debt	**6**	4	46	46	87	186
Shareholders' equity	**5,165**	4,002	2,821	2,060	1,623	1,574
Net book value per common share	**3.51**	2.72	1.93	1.41	1.11	1.06
Financial Statistics						
Income from continuing operations as a percent of sales	**23.0%**	21.7%	21.3%	21.4%	20.6%	20.4%
Net income as a percent of sales	**23.0%**	21.7%	21.3%	21.4%	17.4%	20.3%
Return on average shareholders' equity	**46.0%**	51.5%	59.2%	65.9%	55.5%	58.4%
Effective tax rate	**24.5%**	24.5%	24.5%	24.5%	24.5%	24.5%
Other Data						
Cash dividends per common share	**$ .485**	$ .425	$ .368	$ .32	$ .281	$ .248
Cash dividends on common shares	**716**	627	542	474	416	379
Depreciation and amortization	**264**	238	200	173	157	145
Number of employees	**26,500**	25,100	22,700	20,600	20,100	20,000
Average shares outstanding for diluted earnings per common share (in millions)	**1,486**	1,488	1,480	1,487	1,498	1,547
Average shares outstanding for basic earnings per common share (in millions)	**1,470**	1,468	1,464	1,471	1,479	1,530
Common shares outstanding at year-end (in millions)	**1,472**	1,472	1,465	1,461	1,457	1,488

BOARD OF DIRECTORS, CORPORATE OFFICERS, OPERATING UNITS AND INVESTOR INFORMATION

BOARD OF DIRECTORS

Hans W. Becherer (2, 3, 4)
Chairman, Chief Executive Officer and
Chief Operating Officer
Deere & Company
Manufacturer of Mobile Power Machinery and a
Supplier of Financial and Health Care Services

Raul E. Cesan
President and Chief Operating Officer

Hugh A. D'Andrade
Vice Chairman and Chief Administrative Officer

David C. Garfield (1, 2)
Former President
Ingersoll-Rand Company
Machinery and Equipment Manufacturer

Regina E. Herzlinger (1, 5)
Nancy R. McPherson Professor
of Business Administration
Harvard Business School

Richard Jay Kogan (1)
Chairman of the Board and Chief Executive Officer

Robert P. Luciano
Chairman Emeritus

Eugene R. McGrath (5)
Chairman, President and Chief Executive Officer
Consolidated Edison, Inc.
Energy Company

Donald L. Miller (5)
Chief Executive Officer and Publisher
Our World News
Newspapers

H. Barclay Morley (2, 3, 4)
Former Chairman and Chief Executive Officer
Stauffer Chemical Company
Producer of Chemicals

Carl E. Mundy, Jr. (5)
Retired General and Former Commandant
U.S. Marine Corps

Richard de J. Osborne (1, 2, 3)
Former Chairman and Chief Executive Officer
ASARCO Incorporated
Producer of Non-ferrous Metals

Patricia F. Russo (5)
Executive Vice President and Chief Executive Officer
Service Provider Networks
Lucent Technologies Inc.
Communications

William A. Schreyer (1, 2, 3, 4)
Chairman Emeritus
Merrill Lynch & Co., Inc.
Securities and Investment Banking

Robert F. W. van Oordt (2, 4)
Former Chairman of the Executive Board
NV Koninklijke KNP BT
Producer of Paper, Board and Packaging
Products, and Distributor of Graphic Paper,
Graphic and Information Systems and
Office Products

Arthur F. Weinbach (2)
Chairman and Chief Executive Officer
Automatic Data Processing, Inc.
Computer Services

James Wood (3, 5)
Chairman
The Great Atlantic & Pacific Tea Company Inc.
Supermarkets

(1) Executive Committee
(2) Finance, Compliance and Audit Committee
(3) Executive Compensation and Organization Committee
(4) Nominating and Corporate Governance Committee
(5) Pension Committee

CORPORATE OFFICERS

Richard Jay Kogan
Chairman and Chief Executive Officer

Raul E. Cesan
President and Chief Operating Officer

Hugh A. D'Andrade
Vice Chairman and Chief Administrative Officer

Joseph C. Connors
Executive Vice President and General Counsel

Jack L. Wyszomierski
Executive Vice President and
Chief Financial Officer

Geraldine U. Foster
Senior Vice President, Investor Relations and
Corporate Communications

Daniel A. Nichols
Senior Vice President, Taxes

John P. Ryan
Senior Vice President, Human Resources

Douglas J. Gingerella
Vice President, Corporate Audits

Thomas H. Kelly
Vice President and Controller

Robert S. Lyons
Vice President, Corporate Information Services

E. Kevin Moore
Vice President and Treasurer

John E. Nine
Vice President and President, Technical
Operations, Schering Laboratories

William J. Silbey
Staff Vice President, Secretary and
Associate General Counsel

OPERATING UNITS

Roch F. Doliveux
President, Schering-Plough International

Mark Kirn-Slaboszewicz
President, Schering-Plough HealthCare Products

Raul E. Kohan
President, Schering-Plough Animal Health

Thomas C. Lauda
Executive Vice President,
Schering-Plough Pharmaceuticals

Jonathan R. Spicehandler, M.D.
President, Schering-Plough Research Institute

Richard W. Zahn
President, Schering Laboratories

INVESTOR INFORMATION

The Annual Meeting of Shareholders of Schering-Plough Corporation will be held at Schering-Plough Pharmaceuticals headquarters, Kenilworth, N.J., on Tuesday, April 25, 2000, at 2 p.m.

Registrar, Transfer & Dividend Disbursing Agent:
The Bank of New York, Shareholder Relations Department-11E,
P.O. Box 11258,
Church Street Station,
New York, N.Y. 10286-1258.
Telephone: (800) 432-0140 or,
from outside the United States,
(610) 312-5303.
Certificates for transfer and address changes should be sent to: The Bank of New York,
Receive and Deliver Department-11W,
P.O. Box 11002,
Church Street Station,
New York, N.Y. 10286-1002.
Email: Shareowner-svcs@bankofny.com

Shares Listed:
New York Stock Exchange
(Ticker Symbol: SGP)

Unlisted Trading:
Boston Stock Exchange, Cincinnati Stock Exchange, Midwest Stock Exchange, Pacific Stock Exchange, Philadelphia Stock Exchange.

Executive Offices:
The Company's executive offices are located at:
One Giralda Farms,
Madison, N.J. 07940-1010.
Telephone: (973) 822-7000.
Facsimile: (973) 822-7048.
The Company's Web site address is http://www.schering-plough.com

Auditors:
Deloitte & Touche LLP,
Two Hilton Court,
Parsippany, N.J. 07054

10-K Report Available:
The Corporation's 1999 annual report on Form 10-K filed with the Securities and Exchange Commission is available on the Company's Web site or by writing to the Investor Relations Department at the Company's executive offices.

Schering-Plough Systematic Investment Program:
A brochure describing the Company's Systematic Investment Program is available to shareholders. A copy may be obtained by calling or writing to The Bank of New York, Shareholder Relations Department. Through the program, shareholders of record may acquire shares of Schering-Plough common stock by reinvesting dividends or by cash purchases.

SCHERING-PLOUGH CORPORATION
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http://www.schering-plough.com