SCHERING PLOUGH CORP
Form 11-K
June 28, 2007

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SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 11-K

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

Commission file number 2-84723

SCHERING-PLOUGH EMPLOYEES SAVINGS PLAN

(Full Title of the Plan)

Schering-Plough Corporation
2000 Galloping Hill Road
Kenilworth, New Jersey 07033

(Name of Issuer of Securities Held Pursuant to the Plan and Address of Principal Executive Offices)

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All other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants of Schering-Plough Employees Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Schering-Plough Employees Savings Plan (the Plan) at December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audits of the basic 2006 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
June 28, 2007

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SCHERING-PLOUGH EMPLOYEES SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(Dollars in thousands)

	At December 31,	
	2006	**2005**
Assets		
Investments:		
Vanguard Mutual Funds	$ 1,645,374	$ 1,398,432
Schering-Plough Stock Fund	372,003	341,158
Loans to Participants	26,865	26,305
Total investments	2,044,242	1,765,895
Receivables:		
Employer contributions	109	104
Participant contributions	118	104
Total receivables	227	208
Net assets available for benefits	$ 2,044,469	$ 1,766,103

The accompanying notes are an integral part of these Financial Statements.

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SCHERING-PLOUGH EMPLOYEES SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(Dollars in thousands)

	For the Years Ended December 31, 2006	2005
Additions:		
Investment income:		
Dividend income, Vanguard Mutual Funds	$ 100,079	$ 73,944
Dividend income, Schering-Plough Stock Fund	3,527	3,591
Interest income, participant loans	1,856	1,631
Net appreciation in fair value of investments	138,033	3,387
Net investment income	243,495	82,553
Contributions:		
Employer contributions	70,047	58,063
Participant contributions	120,975	112,736
Total contributions	191,022	170,799
Total additions	434,517	253,352
Deductions:		
Benefits paid to participants	156,151	129,566
Net increase	278,366	123,786
Net assets available for benefits:		
Beginning of year	1,766,103	1,642,317
End of year	$ 2,044,469	$ 1,766,103

The accompanying notes are an integral part of these Financial Statements.

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SCHERING-PLOUGH EMPLOYEES SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN

The following description of the Schering-Plough Employees Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan is a defined contribution plan maintained for the benefit of United States employees of Schering-Plough Corporation (the Company) and its participating subsidiaries. Generally, all such employees are eligible to participate in the Plan on the date of employment. Schering Corporation, a subsidiary of the Company, is the Plan Sponsor (the Sponsor). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participant Contributions

Salary Deferral Contributions For each Plan year, participants may contribute from 1 percent to 50 percent of annual eligible compensation, up to an annual maximum amount as defined by the Internal Revenue Service.

Voluntary Contributions Participants may voluntarily elect to contribute from 1 percent to 20 percent of their annual eligible compensation as after-tax contributions.

In no event can a participant s Salary Deferral Contribution and Voluntary Contribution exceed 50 percent of the participant s annual eligible compensation. Any excess participant contributions are returned to the participant.

Employer Contributions

Non-Elective Contributions The Company makes a Non-Elective Contribution equal to 3 percent of the annual eligible compensation for all employees who are eligible to participate in the Plan regardless of whether an employee has elected to make Salary Deferral Contributions.

Matching Contributions For the employees who elect to make Salary Deferral Contributions to the Plan, the Company makes matching contributions (dollar-for-dollar) up to 2 percent of annual eligible compensation.

Participant Accounts and Vesting

Individual accounts are maintained for each Plan participant. Each participant s account is credited with all contributions and earnings (losses) thereon and charged with withdrawals. Participants have a non-forfeitable right to all contributions plus (minus) actual earnings (losses) thereon, all of which vest fully and immediately.

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Investment Options

Participants may direct contributions into any of the following investment options managed by the Vanguard Fiduciary Trust Company (Vanguard), a wholly-owned subsidiary of the Vanguard Group, Inc. (the Trustee):

Money Market Fund

Vanguard Treasury Money Market Fund

U.S. Stock Funds

Vanguard 500 Index Fund Investor Shares

Vanguard Explorer Fund Investor Shares

Vanguard U.S. Growth Fund Investor Shares

Vanguard Windsor Fund Investor Shares

International Stock Fund

Vanguard International Growth Fund Investor Shares

Bond Funds

Vanguard Intermediate-Term Investment-Grade Fund Investor Shares

Vanguard Short-Term Investment-Grade Fund Investor Shares

Balanced Funds (Stocks and Bonds)

Vanguard LifeStrategy Conservative Growth Fund

Vanguard LifeStrategy Growth Fund

Vanguard LifeStrategy Income Fund

Vanguard LifeStrategy Moderate Growth Fund

Vanguard Wellington Fund Investor Shares

Participants may also direct contributions to the:

Schering-Plough Stock Fund This fund is comprised of the Company s common stock and a small percentage of cash as required for liquidity purposes. Participants may direct up to a maximum investment election of 50 percent of all contributions into this fund or allocate no more than 50 percent of the value of their accounts at the time of reallocation to this fund.

Repayment of Loans Participants may borrow against their participant account balance up to the lesser of one-half of the account balance or $50,000 (reduced by certain amounts attributable to outstanding loans). Loan transactions are treated as a transfer between the investment funds and the Loans to Participants. The participant s account balance would be reduced in the event of default. Participant loans bear fixed-interest rates as determined to be reasonable by the Schering-Plough Employee Benefits Committee (the Committee). The fixed-interest rates for participant loans outstanding during 2006 and 2005 ranged from 5 percent to 11.5 percent. Participant loans are repayable over periods not to exceed 5 years, except loans relating to a principal residence, which are repayable over a period not to exceed 20 years. An outstanding loan balance must be repaid within 60 days following the termination of the participant s employment with the Company. Any outstanding balance remaining thereafter would be treated as taxable distributions.

Payment of Benefits

Upon termination of service or in the event of death or total disability, a participant (or the participant s beneficiary in the event of death) may elect to receive either: (1) a cash lump-sum amount; (2) fixed or variable installments not to exceed the life expectancy of the participant and the participant s beneficiary; (3) shares of the Company s common stock (with respect to amounts invested in the Schering-Plough Stock Fund); or (4) certain combinations of the foregoing.

Small Benefits Payment Notwithstanding the foregoing, if a participant s account, at the date of distribution, equals $1,000 or less, the participant s account is paid in a lump-sum. In the absence of a distribution election, the distribution of a participant s account balance in excess of $1,000 but not greater than $5,000 (excluding the value of any portion attributable to a rollover account), will be transferred directly to an Individual Retirement Account (IRA) at the Trustee. Participants whose account balances exceed $5,000 can elect to defer the receipt of their accounts up to age 70 $^{1}/2$.

In-Service Withdrawals Distribution of all or a portion of a participant s account, prior to termination of employment, may be granted by the Sponsor in the case of financial hardship and active participants may be able to take in-service distributions from accounts transferred to the Plan from the Schering-Plough Employees Profit-Sharing Incentive Plan, which merged into the Plan during 2004. Active participants may elect to withdraw all or a portion of their accounts at any time after age 70.

Amendments to the Plan

Effective 2006, the Plan was amended to: (1) remove the actual deferral percentage and actual contribution percentage tests applicable to elective deferral and matching contributions under the Plan; (2) expand the list of permissible reasons for requesting a hardship withdrawal to mirror those circumstances reflected in recently issued Treasury regulations; (3) designate after-tax contributions as the first source of contributions that will be drawn upon in the event of an age 70$^{1}/2$ distribution; (4) clarify that matching contributions do not have to be contributed to the Plan until on or before the date required by law; (5) ensure coverage of certain international employees under the Plan in a manner consistent with the Company s Global Assignment Policy; and (6) provide for the forfeiture of certain uncashed checks after they remain outstanding for 18 months subject to the participant s ability to reclaim these amounts without earnings or losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Plan s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition

The Plan s investments are stated at fair value. Shares of Vanguard Mutual Funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end.

The Schering-Plough Stock Fund is valued using the unit accounting method whereby a participant s account value is expressed in units of participation rather than number of shares of the Company s common stock.

The closing stock prices of the Company s common stock at December 29, 2006 and December 30, 2005 were $23.64 and $20.85, respectively.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Dividends recorded in the Schering-Plough Stock Fund are reinvested in Schering-Plough common stock units unless an election is made by the participant to receive these dividends in cash.

Vanguard Mutual Fund management fees are deducted by Vanguard from the daily net asset values of its funds and are not separately reflected. Consequently these management fees serve to reduce the investment return for these funds.

The net appreciation or depreciation in the fair value of investments consists of realized gains and losses and changes in unrealized gains or losses of these investments during the year. Realized gains or losses on investments are determined on the basis of average cost. Unrealized gains or losses on investments are based on changes in fair values of the investments during the reported periods.

Loans to Participants are carried at the outstanding loan balance, which does not differ materially from fair value.

Withdrawals and Benefit Payments

Withdrawals and benefit payments are recorded when paid. There were no benefits payable as of December 31, 2006 and 2005.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and use assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the financial statements.

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3. PLAN TERMINATION

Although it has not expressed any intent to do so, the Sponsor has the right under the Plan to terminate the Plan subject to provisions of ERISA. In the event of whole or part termination of the Plan as defined under the Plan, the rights of the affected participants to their accounts under the Plan as of the date of the termination or discontinuance shall be non-forfeitable. Upon such termination of the Plan, the total amount in each affected participant s account would be distributed to the participant as permitted by applicable law or continued in the Schering-Plough Employees Savings Plan Trust (the Trust) for the participant s benefit, as the Committee shall direct.

4. FEDERAL INCOME TAX STATUS

The Plan received a favorable determination letter dated May 30, 2003 issued by the Internal Revenue Service indicating that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended (IRC), and that the Trust of the Plan is exempt from taxation under Section 501(a) of the IRC. Therefore, no provision for income taxes has been included in the Plan s financial statements.

The Plan s tax counsel believes that the Plan continues to be designed in material compliance with the applicable requirements of the IRC, and the Plan Administrator believes that the Plan is currently being operated in material compliance with the applicable requirements of the IRC.

5. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Contributions are held and managed by the Trustee, which invests cash received, interest and dividend income and makes distributions to the participants. The Trustee also administers the participant s payment of interest and principal on participant loans. These transactions qualify as permitted party-in-interest transactions.

Certain Plan investments are shares of mutual funds managed by Vanguard. These transactions qualify as permitted party-in-interest transactions. As of December 31, 2006 and 2005, the total market value of investments in the mutual funds managed by Vanguard was $1,645,374,000 and 1,398,432,000, respectively.

Certain Plan investments are shares of the Company s common stock. These transactions qualify as permitted party-in-interest transactions. As of December 31, 2006 and 2005, the total market value of investments in the Schering-Plough Stock Fund was $372,003,000 and $341,158,000, respectively. As of December 31, 2006 and 2005, the Plan held 874,972 and 908,809 units, respectively, of the Schering-Plough Stock Fund. During the years ended December 31, 2006 and 2005, the Plan recorded dividend income of $3,527,000 and $3,591,000, respectively, from the Schering-Plough Stock Fund.

Certain administrative functions are performed by officers or employees of the Company or its subsidiaries who may also be participants in the Plan. These actions qualify as permitted party-in-interest activities. No such officer or employee receives compensation from the Plan.

All plan administration expenses are paid by the Sponsor.

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6. NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

During 2006 and 2005, investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2006	2005
	(dollars in thousands)	
*Schering-Plough Stock Fund	$ 43,835	$ 73
*Vanguard 500 Index Fund Investor Shares	30,813	6,606
*Vanguard Windsor Fund Investor Shares	28,783	(16,572)
*Vanguard Wellington Fund Investor Shares	13,274	874
*Vanguard International Growth Fund Investor Shares	11,170	7,442
*Vanguard LifeStrategy Growth Fund	5,715	1,592
*Vanguard LifeStrategy Moderate Growth Fund	3,405	857
*Vanguard LifeStrategy Conservative Growth Fund	1,571	288
*Vanguard LifeStrategy Income Fund	537	(39)
*Vanguard U.S. Growth Fund Investor Shares	382	2,934
*Vanguard Short-Term Investment-Grade Fund Investor Shares	209	(581)
*Vanguard Intermediate-Term Investment-Grade Fund Investor Shares	(257)	(1,050)
*Vanguard Explorer Fund Investor Shares	(1,404)	963
Net appreciation in fair value of investments	$ 138,033	$ 3,387

* Permitted party-in-interest to the Plan.

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7. INVESTMENTS

The following investments represented 5 percent or more of the Plan s net assets available for benefits at:

	December 31	
	2006	2005
	(dollars in thousands)	
*Vanguard Windsor Fund Investor Shares, 20,779,923 and 19,722,382 shares, respectively	$387,338	$338,239
*Schering-Plough Stock Fund, 874,972 and 908,809 units, respectively	372,003	341,158
*Vanguard 500 Index Fund Investor Shares, 1,977,479 and 1,985,941 shares, respectively	258,239	228,225
*Vanguard Wellington Fund Investor Shares, 6,939,267 and 6,302,602 shares, respectively	225,040	191,284
*Vanguard Treasury Money Market Fund, 210,057,453 and 186,990,917 shares, respectively	210,057	186,991
*Vanguard Explorer Fund Investor Shares, 2,384,354 and 2,147,811 shares, respectively	178,135	161,322
*Vanguard International Growth Fund Investor Shares, 5,458,038 and 3,784,064 shares, respectively	130,229	**

* Permitted party-in-interest to the Plan.

** Less than 5 percent of the Plan s net assets available for benefits at December 31, 2005

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SCHERING-PLOUGH EMPLOYEES SAVINGS PLAN
Form 5500, Schedule H, Part IV, Line 4 i SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2006
Employer Identification Number: 22-1261880
Plan Number: 003

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value (dollars in thousands)
*	Vanguard	Windsor Fund Investor Shares	**	$ 387,338
*	Vanguard	500 Index Fund Investor Shares	**	258,239
*	Vanguard	Wellington Fund Investor Shares	**	225,040
*	Vanguard	Treasury Money Market Fund	**	210,057
*	Vanguard	Explorer Fund Investor Shares	**	178,135
*	Vanguard	International Growth Fund Investor Shares	**	130,229
*	Vanguard	LifeStrategy Growth Fund	**	53,645
*	Vanguard	Short-Term Investment-Grade Fund Investor Shares	**	43,367
*	Vanguard	LifeStrategy Moderate Growth Fund	**	40,594
*	Vanguard	Intermediate-Term Investment-Grade Fund Investor Shares	**	40,541
*	Vanguard	U.S. Growth Fund Investor Shares	**	35,713
*	Vanguard	LifeStrategy Conservative Growth Fund	**	25,002
*	Vanguard	LifeStrategy Income Fund	**	17,474
		Total Vanguard Mutual Funds		1,645,374
*	Schering-Plough Corporation	Schering-Plough Stock Fund	**	372,003
*	Various participants	Outstanding Loan Balance (interest rates ranging from 5.00% to 11.50%, maturing from 1 to 20 years)	**	26,865

Total	$ 2,044,242

* Permitted party-in-interest to the Plan.

** Cost information is not required for participant-directed investments and therefore is not included.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Schering-Plough Employees Savings Plan

Date: June 28, 2007

By: /s/ Vincent Sweeney
Name: Vincent Sweeney
Title: Plan Administrator

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