



Merck's commitment:

novel medicines that make a difference

“As we envision the environment in



which pharmaceutical companies will be operating in the years ahead, we believe—and we’re hardly alone in this belief—that those companies that develop competitively priced, novel medicines that demonstrably improve the health and well-being of patients will prosper.”

–Raymond V. Gilmartin

Dear Shareholders:

I appreciate the opportunity to report to you about Merck’s performance in 2003 and about significant actions we have taken to strengthen Merck and better position our Company for growth in 2004 and beyond.

In 2003, our earnings did not reach the double-digit growth we projected and believed we could achieve. We also terminated development of two products in late-phase clinical trials—discontinuing further study on a compound to treat depression because it failed to demonstrate efficacy, and halting further study of a compound to treat diabetes, due to findings of a rare form of malignant tumors in mice.

These events, while unwelcome, should not overshadow the one fundamental truth most important to Merck’s future success: Merck’s ability to discover novel medicines and bring to market true advances in patient care remains the bedrock principle on which Merck will conduct its business and is the key to the future success of our Company.

Our scientific capabilities; our talented and committed workforce; our experienced and involved Board of Directors; our dedication to the highest standards of ethical behavior; and our strict adherence to principles of good corporate governance have kept—and will continue to keep—Merck in the forefront of discovery, innovation and integrity.

As we envision the environment in which pharmaceutical companies will be operating in the years ahead, we believe—and we’re hardly alone in this belief—that those companies that develop competitively priced, novel medicines that demonstrably improve the health and well-being of patients will prosper.

Merck has a long and distinguished record of scientific excellence, discovering drugs and vaccines that have literally transformed the practice of medicine and saved and improved the lives of millions. Our research and development efforts are the foundation of this Company and the engine of its future growth. We will continue to invest in the discovery and development of the novel medicines that have defined success at Merck and are confident that these investments will lead to future growth.

To support that commitment, we took significant actions in 2003 to strengthen our Company for the future:

- We completed the successful spin-off of Medco Health Solutions, Inc., in August. This spin-off has not only brought value to our shareholders, it also has sharpened Merck’s focus as a pure pharmaceutical research company.
- We increased Merck’s ownership of Tokyo-based Banyu Pharmaceutical Co., Ltd., from 51 percent to 99.4 percent, through two tender offers. This action further strengthened

Financial Highlights

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions except per share amounts)

	2003 ⁽¹⁾	2002	2001	Percentage Change from Preceding Year	
				2003	2002
Sales ⁽¹⁾	\$22,485.9	\$21,445.8	\$21,199.0	+5%	+1%
Research and development expenses	3,178.1	2,677.2	2,456.4		
Income from continuing operations	6,589.6	6,794.8	7,053.2	-3%	-4%
Net income	6,830.9	7,149.5	7,281.8		
Earnings per common share assuming dilution					
Continuing operations	\$2.92	\$2.98	\$3.04	-2%	-2%
Net income	\$3.03	\$3.14	\$3.14		
Cash dividends paid per common share	\$1.45	\$1.41	\$1.37	+3%	+3%
Average common shares outstanding assuming dilution (millions)	2,253.1	2,277.0	2,322.3		
Total assets ⁽²⁾	40,587.5	47,561.2	44,021.2		
Capital expenditures ⁽¹⁾	1,915.9	2,128.1	2,401.8		
Net income as a % of average total assets	14.9%	15.5%	17.3%		
Number of stockholders of record	233,000	246,300	256,200		
Number of employees ⁽²⁾	63,200	77,300	78,100		

⁽¹⁾ Prior year amounts have been restated to reflect the results of Medco Health as discontinued operations.

⁽²⁾ Decrease in 2003 primarily reflects the impact of the spin-off of Medco Health.

⁽³⁾ Amounts for 2003 include the impact of the implementation of a new distribution program for U.S. wholesalers and restructuring costs related to position eliminations.

Merck's position in Japan, the world's second-largest pharmaceutical market.

- We announced the elimination of 4,400 positions worldwide as part of our effort to fundamentally lower our cost structure and improve the efficiency of our operations.
- And, in the last half of 2003, we submitted New Drug Applications (NDAs) for *Vytorin*, the ezetimibe/simvastatin combination, and *Arcoxia* to the U.S. Food and Drug Administration (FDA) for approval.

Vytorin (which is a result of our partnership with Schering-Plough) is expected to be the first product to reduce cholesterol by targeting both its absorption in the intestine and its production in the liver. This represents a new approach to treating high cholesterol, a true innovation in patient care. The FDA accepted the filing for standard review in November.

Arcoxia, Merck's newest coxib, has already been launched successfully in 38 countries around the world. Merck's NDA for *Arcoxia* seeks approval for three indications that no other coxib in the United States currently has—chronic low back pain, acute gouty arthritis and ankylosing spondylitis (a painful condition of the spine). We are awaiting notification from the FDA regarding the acceptance of our filing.

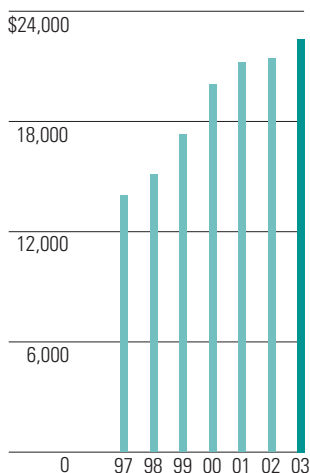
Both of these products have significant sales potential and we expect them to make substantial contributions to earnings.

We ended 2003 as a much stronger Company as a result of our actions, better positioned to draw on what has always made Merck uniquely successful—a commitment to developing novel medicines that will deliver true advances in patient care. This commitment, when combined with our actions to reduce costs and maximize earnings, has positioned Merck to succeed in the long term.

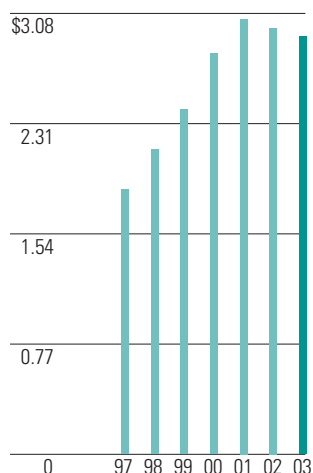
Of course, to succeed in the long term, we must first succeed in the near term. The strength of our existing product franchises, their positions in the market, and the steps we have taken to contain costs and increase efficiency, will drive our near-term growth.

- Each of our key product franchises ranks either No. 1 or 2 in worldwide sales in large and growing markets. We continue to reinforce our strong competitive position through ongoing clinical and outcomes studies that broaden indications and drive continued growth.
- Our competitive position is further reinforced by the strong relationships we have built with our managed care customers. These relationships stem from Merck's ability to work with managed care in a way that brings value to payers and patients alike. With our top 31 customers—

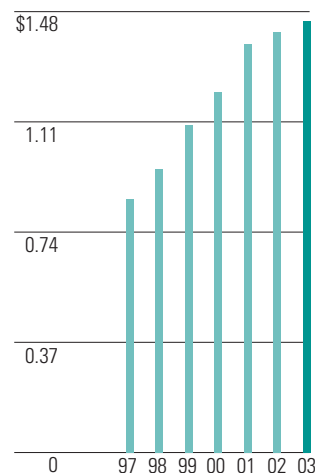
Consolidated Sales⁽¹⁾
\$ in millions



Earnings per Common Share
Assuming Dilution from
Continuing Operations



Cash Dividends Paid
per Common Share



who represent about 90 percent of the managed care universe—products such as *Vioxx*, *Fosamax*, *Singulair*, *Cozaar* and *Zocor* hold exclusive or co-preferred positions on their formularies in the vast majority of cases.

- We are reducing our cost of doing business without sacrificing research, manufacturing quality, or our support for our sales and marketing efforts. We are ensuring that our operations run as efficiently and economically as possible. The savings we have identified and are implementing, including the reduction in the size of our workforce, will begin benefiting our bottom line in 2004 and are expected to generate annual savings of \$250 to \$300 million in 2005 in payroll and benefits.
- We are using our capital as efficiently as possible. Through such efforts as reducing inventories, streamlining our supply chain, making optimal use of our manufacturing capacity, and reducing the costs of capital projects, we expect to free up approximately \$600 million in additional cash flow through 2006.

All of these actions are part of the strong financial position Merck enjoys (and which is detailed elsewhere in this report) and are expected to contribute to growth in our earnings per share in the next several years, as Merck becomes a more efficient operation.

In June 2006, the U.S. market exclusivity for *Zocor*, which has been an important contributor to our earnings, will expire. Patent expirations are a fact of life in this industry, and their timing and impact are somewhat predictable. The true measure of our success in meeting this challenge is our ability to bring new products to market that provide true clinical benefit at a competitive price. It is a challenge we are ready to meet.

In the second half of 2004, we expect to submit an application for *ProQuad* to the FDA. *ProQuad* adds chickenpox vaccine to the existing measles, mumps and rubella vaccine, potentially increasing the number of children who will be vaccinated against chickenpox.

In 2005, we expect to file applications for three other vaccines that hold significant promise to help prevent: human papillomavirus, a primary cause of cervical cancer; rotavirus, a highly contagious virus that is the most common cause of gastroenteritis in infants and young children, and which causes the hospitalization of at least 50,000 American children under the age of 5 every year; and, the pain associated with shingles, the reactivation of the chickenpox virus that afflicts 1 million adults every year in the United States.

If ongoing trials are successful, in 2006 we anticipate filing for approval for a DP-IV inhibitor for diabetes. Early tests have demonstrated that the product does not lead to



Merck's Management Committee provides the Company with an extraordinary level of experience, talent and integrity. In June, Richard T. Clark, who served as chairman, president and chief executive officer of Medco Health Solutions, Inc., joined the Management Committee when he returned to Merck as president of the Merck Manufacturing Division.

From left to right: **David W. Anstice**, 55, president, Human Health; **Marcia J. Avedon, Ph.D.**, 42, senior vice president, Human Resources; **Kenneth C. Frazier**, 49, senior vice president and general counsel; (seated) **Per Wold-Olsen**, 56, president, Human Health-Europe, Middle East and Africa; **Judy C. Lewent**, 55, executive vice president, chief financial officer, and president, Human Health Asia;

Raymond V. Gilmartin, 63, chairman, president and chief executive officer; **Richard T. Clark**, 58, president, Merck Manufacturing Division; (seated) **Margaret G. McGlynn**, 44, president, U.S. Human Health; **Adel A.F. Mahmoud, M.D., Ph.D.**, 62, president, Merck Vaccines; **Bradley T. Sheares, Ph.D.**, 47, president, U.S. Human Health; **Peter S. Kim, Ph.D.**, 45, president, Merck Research Laboratories.

weight gain and does not produce edema. Additional studies to confirm these findings are under way. With 5 percent of the U.S. population living with diabetes, it would be a welcome addition to our product line.

Our early-stage pipeline also shows strong promise. Merck scientists are working in a significant number of disease areas to treat such ailments as Alzheimer's disease, obesity, respiratory disease, coronary heart disease and rheumatoid arthritis. In addition to working in these important areas, we are also working on novel and effective approaches to accelerating drug development and improving the probability of success of our internal R&D efforts. These efforts will maximize our research investment at every stage of the pipeline.

While we are enhancing our internal research capabilities, we are mindful that other pharmaceutical and biotech firms are also doing valuable scientific work. That is why we have expanded our approach to external collaborations and relationships. This effort has made a real difference.

In 1999, for example, we completed just 10 deals with external partners. In 2003, we closed on 47 significant

transactions, including research collaborations, preclinical and clinical compounds, and technology transactions. Approximately 70 potential opportunities are in detailed review. We are pursuing partnerships across the entire continuum of scientific possibilities—from early research to late-stage development. They add value to our pipeline and should contribute to our growth.

Some have suggested that Merck should look beyond partnerships and alliances and consider a major merger with another pharmaceutical company. We have consistently pursued external alliances that make sense long term for Merck and its shareholders. Our partnership with Schering-Plough on *Zetia* and now on *Vytorin*, and our most recent alliances with such firms as Lundbeck, GenPath, Neurogen, Amrad and Actelion are all good examples of external alliances that make sense for Merck.

When looking at a large-scale merger, with all that entails, we have to be certain that it would bring significant additions to our pipeline and would add to long-term growth. It would have to, in short, meet the same criteria we use to

evaluate any potential licensing or acquisition opportunity. We have consistently found that a large-scale acquisition or merger does not meet those criteria, providing instead the possibility of a short-term gain at the expense of long-term growth. That's not an appropriate trade-off, not just because of how it would affect our ability to meet our long-term goals, but because it could also compromise the values that have long made Merck a success, not only for its shareholders, but also for those who rely on its products, as well as for the larger community.

In 2003, Merck continued to honor its long-standing responsibilities as a good corporate citizen.

- Through our Patient Assistance Program, we filled more than 5.6 million prescriptions for more than 600,000 Americans who otherwise would not have been able to afford them.
- In keeping with our ongoing commitment to promoting access to essential medicines for people in need, we recently announced that we will provide our medicines free for low-income Medicare beneficiaries who exhaust their \$600 transitional assistance allowance in Medicare-endorsed drug discount cards.
- Our partnership with the Bill & Melinda Gates Foundation and the government of Botswana continues to bring hope and healing to people in that country living with HIV and their families and communities.
- Our commitment to the highest standards of ethical behavior was given the best possible ranking by Management & Excellence and Rating Research LLC, two respected corporate ethics rating organizations.
- And in December, Merck was honored by the U.S. Secretary of Commerce and the U.S. Chamber of Commerce with their first Corporate Stewardship Award. The award was presented to a small, medium and large business that "balances their responsibilities to their employees and shareholders with their responsibilities to their communities."

To help ensure access to medicines for America's seniors and the disabled, Merck was an unwavering supporter of the new Medicare prescription drug benefit, which President Bush signed into law late last year. This expansion of Medicare supports pharmaceutical innovation because it is based on competition. As more seniors—as many as 12 million more—have greater access to prescription drugs through Medicare, we will have the opportunity to compete to broaden our customer base. Based on our proven track record in both securing formulary access and in increasing our market share in managed care, we are well-positioned for this competition.

We are pursuing the strategy that is right for Merck and in the best interests of you, our shareholders. The ways in which we met the challenges of 2003, coupled with last year's accomplishments, have made Merck a stronger and more focused company—one that is well-positioned to compete in the new environment. Continuing to focus on developing and launching novel medicines and vaccines backed by proven outcomes at competitive prices, aggressively pursuing external alliances, lowering our cost structure, and maximizing our in-line franchises will allow us to grow and succeed over the long term.

While some of the actions we took last year were difficult—especially the announcement of the elimination of 4,400 positions—they strengthened the Company and will increase our competitiveness going forward. By building on our strengths, we will meet the challenges of the years ahead while contributing, as we always have, to the health and well-being of people around the world by honoring our commitment to true advances in patient care.



Raymond V. Gilmartin
Chairman, President and Chief Executive Officer
March 1, 2004

Developing true advances in patient care

At Merck, breakthrough research is the focus and passion that drives everything we do. For more than 100 years, Merck researchers have pioneered innovations for treating serious disease—a tradition that produced such major advances as cortisone for rheumatoid arthritis, streptomycin for tuberculosis, statins for cholesterol management and *Crixivan* for HIV/AIDS, to name a few. That record of achievement continues today as we develop breakthrough medicines and vaccines.

In 2003, Merck/Schering-Plough Pharmaceuticals filed for FDA approval of *Vytorin*, which contains the active ingredients of both *Zetia* and *Zocor*. If approved, this therapy would be the first single tablet containing the dual inhibition provided by a combination of two highly effective cholesterol-lowering medicines—*Zetia*, which limits cholesterol absorption in the



Dr. Ranabir Sinha Roy, research fellow, is working in Merck Research Laboratories in Rahway, N.J., on a DP-IV inhibitor that may help diabetic patients manage their disease. By using new technologies, we expect to advance our DP-IV candidate from preclinical development to Phase III in just over two years, compared to an industry average of over four.

intestine, and *Zocor*, which reduces cholesterol production in the liver.

Building on our successful experience in advancing arthritis and pain care, we resubmitted an expanded application in 2003 for FDA approval of *Arcoxia*, our new coxib. The FDA will determine whether to accept Merck's application as submitted.

In clinical studies, *Arcoxia* was highly effective in the treatment of osteoarthritis, rheumatoid arthritis, chronic low back pain, acute pain, including menstrual pain, and other painful conditions such as acute gouty arthritis and ankylosing spondylitis, a fusion of bones in the spine. No other coxib currently has indications for ankylosing spondylitis, acute gouty arthritis or chronic low back pain.

The momentum behind our research is demonstrated by our late-stage pipeline, where Merck has four vaccine candidates. The first, *ProQuad*—a pediatric combination vaccine for measles, mumps, rubella and chickenpox—is expected to reduce the number of injections a child must receive. We intend to submit a Product License Application (PLA) for *ProQuad* to the FDA in the second half of 2004.

We plan to file PLAs in 2005 for three novel vaccine candidates that address compelling health needs:

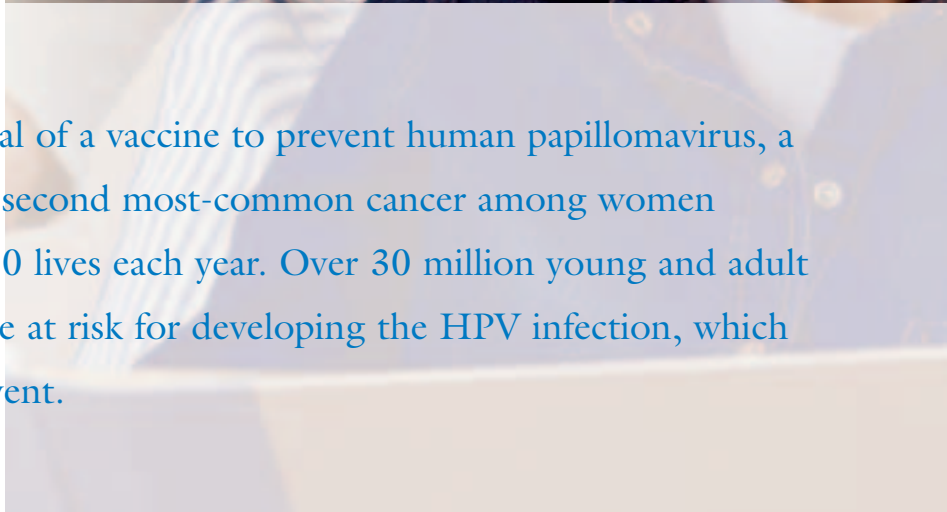
- A vaccine for human papillomavirus (HPV) has the potential to be the first vaccine to prevent the infection that is a leading cause of cervical cancer, the second most-common cancer among women worldwide. Cervical cancer strikes approximately 470,000 women each year and results in more than 200,000 deaths worldwide. An estimated 30 million adolescent and adult females in the United States are at risk for HPV infection.
- A new Merck vaccine has the potential to be the first vaccine to prevent the pain and discomfort associated with shingles, a debilitating condition caused by the reactivation of the chickenpox virus in adults, affecting as many as 1 million Americans each year.
- The vaccine, *RotaTeq*, seeks to prevent rotavirus, a highly contagious virus that is the most common cause of severe gastroenteritis in infants and young children. Rotavirus leads to at least 50,000 hospitalizations in the United States and causes more than 400,000 infant deaths in the developing world each year.

Our pipeline also includes a treatment for Type II diabetes, which affects more than 40 million people in major markets worldwide, with that number expected to more than double by 2015. If trials are successful, in 2006 we expect to file for FDA approval for the new glucose-lowering drug, a DP-IV inhibitor. Early tests have demonstrated that the product does not lead to weight gain and does not produce edema. Additional studies to confirm these findings are under way. As our labs continue to produce such breakthroughs, we are also improving the process of innovation, using new technologies that give us the ability to move compounds into later stages of development faster and improve the probability of success.

We are also leveraging the cutting-edge work at other pharmaceutical and biotechnology companies through external alliances. In 2003 alone, we completed 47 significant transactions, including research collaborations, preclinical and clinical

In 2005, we expect to file for approval of a vaccine to prevent human papillomavirus, a primary cause of cervical cancer—the second most-common cancer among women worldwide, taking more than 200,000 lives each year. Over 30 million young and adult women in the United States alone are at risk for developing the HPV infection, which our vaccine is being designed to prevent.

compounds, and technology transactions, compared to 10 in 1999. Merck's ability to address significant unmet medical needs is well-reflected in the early-stage research in our labs in such critical areas as diabetes, obesity, Alzheimer's disease, respiratory disease, coronary heart disease, rheumatoid arthritis and a range of vaccines. These compelling needs and challenges drive all of us at Merck, and keep us focused on research that makes a genuine difference in the quality of people's lives.



Driving product growth

through innovation and value

Merck's strategy of offering novel medicines that are competitively priced has positioned our products well in the marketplace. Sales of our core product franchises continue to rank either No. 1 or 2 worldwide in large and growing therapeutic areas. This record of success has been achieved by providing patients, physicians and payers with better treatment options and proven value, backed up by rigorous health-outcomes studies.

In 2003, Merck began promoting to physicians and consumers the landmark Heart Protection Study (HPS) with *Zocor* 40 mg, conducted by Oxford University and funded in part by Merck. The study has provided further evidence of the value of *Zocor*, Merck's statin for modifying cholesterol. The HPS, the largest statin study conducted to date, demonstrated that *Zocor* 40 mg, combined with diet, is the first and only

Merck strives to provide physicians with better treatment options that improve the quality of their patients' lives. We remain dedicated to our long-standing commitment to develop high-quality medicines and vaccines with proven scientific outcomes in a wide range of therapeutic categories.



cholesterol-lowering medication proven to reduce the risk of heart attacks and stroke in people with heart disease or diabetes, regardless of cholesterol level.

A highly effective agent for hypertension, *Cozaar/Hyzaar* is the No. 1 angiotensin II antagonist in Europe in terms of

sales and is the No. 2 medicine of its kind in terms of sales in the United States. Two major research studies are driving sales: "LIFE," which demonstrated that *Cozaar* reduces the combined risk of cardiovascular death, heart attack and stroke in patients with hypertension and left ventricular hypertrophy; and "RENAAL," which showed the drug reduces the risk of progressing to end-stage renal disease in which dialysis or transplantation is required for survival in patients with Type II diabetes, hypertension and nephropathy.

Our highly successful osteoporosis treatment, *Fosamax*, retained its long-standing position as the world's most-prescribed osteoporosis medication in 2003. *Fosamax* is well-positioned to continue its strong performance as the market and class leader because it is the only agent indicated to reduce osteoporotic fractures consistently at both the hip and spine. *Fosamax* has strong potential for further growth—fewer than 25 percent of women with osteoporosis have been diagnosed and treated in seven major markets.

Singulair, Merck's once-a-day, non-steroidal oral medication for the treatment of chronic asthma and the relief of symptoms of seasonal allergic rhinitis, remains the No. 1 asthma controller in terms of total prescriptions in the United States and is the most widely used once-daily medicine of its kind in the world, in part because it is the only allergy medicine that blocks leukotrienes, an underlying cause of allergy symptoms, for 24 hours. *Singulair* continues to have good prospects for growth—within two years, Merck expects to submit applications for potential new uses, including the treatment of perennial allergic rhinitis, respiratory symptoms subsequent to respiratory syncytial virus, acute asthma, the prevention of exercise-induced bronchospasm and a new IV formulation of *Singulair* to treat acute exacerbations of asthma.

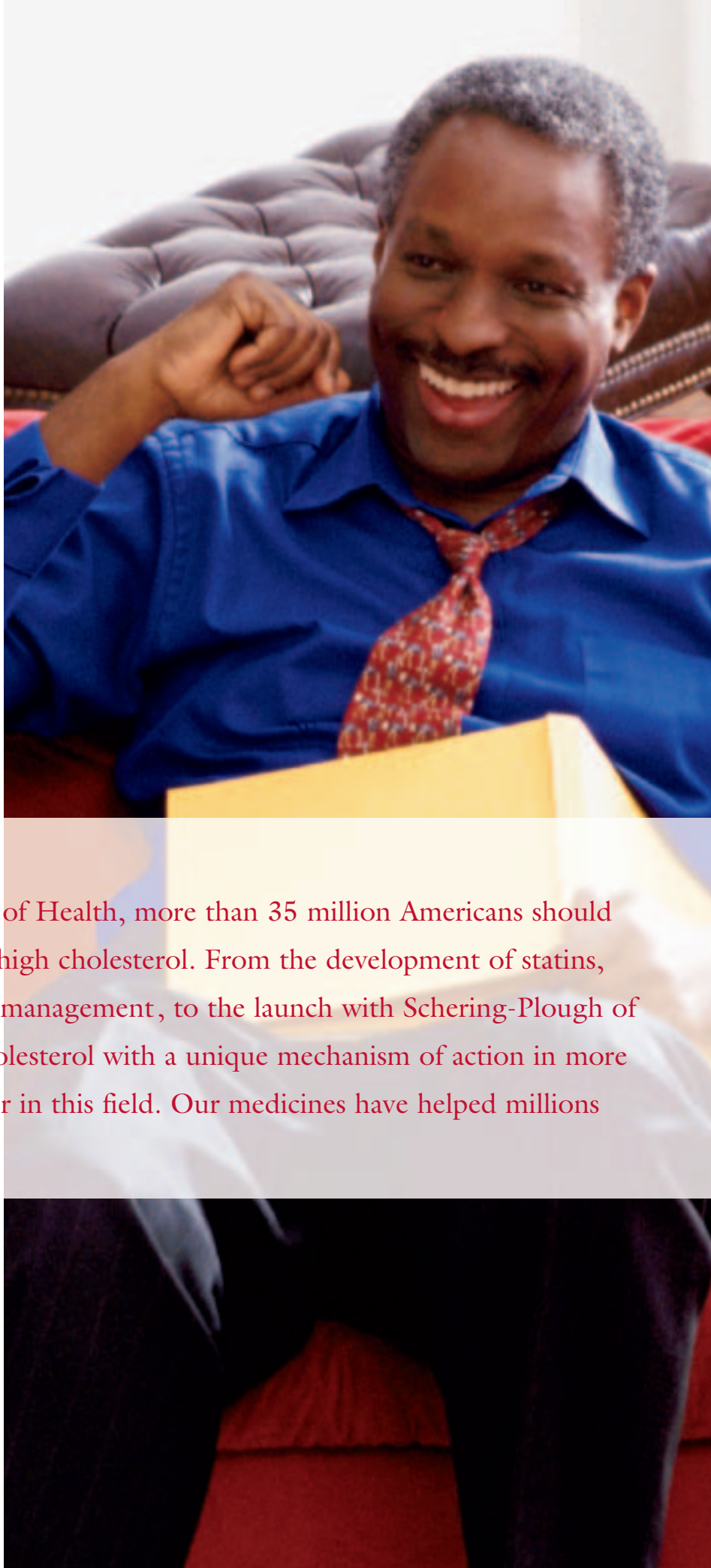
Vioxx, Merck's widely used medicine for pain relief, continues to perform well worldwide, holding the No. 2 sales position in the competitive U.S. coxib market and maintaining

its record as the best-selling arthritis and pain medicine outside of the United States. In the United States, 91 million prescriptions for *Vioxx* have been written since the product launched in 1999. Merck has filed supplemental NDAs with the FDA for new uses of *Vioxx* to treat acute migraine and juvenile rheumatoid arthritis.

In the United States, more than 5.7 million prescriptions for *Zetia*, the cholesterol absorption inhibitor from Merck/Schering-Plough Pharmaceuticals, have been filled since the FDA approved the medicine in November 2002, and studies continue to demonstrate the product's safety and effectiveness. *Zetia*—the first major advance in 15 years with a unique mechanism of action in the treatment of high cholesterol—has been launched in five European countries under the brand name *Ezetrol*.

According to the National Institutes of Health, more than 35 million Americans should be treated with medication for their high cholesterol. From the development of statins, the first breakthrough in cholesterol management, to the launch with Schering-Plough of *Zetia*—the first new treatment for cholesterol with a unique mechanism of action in more than 15 years—Merck remains a leader in this field. Our medicines have helped millions of patients worldwide.

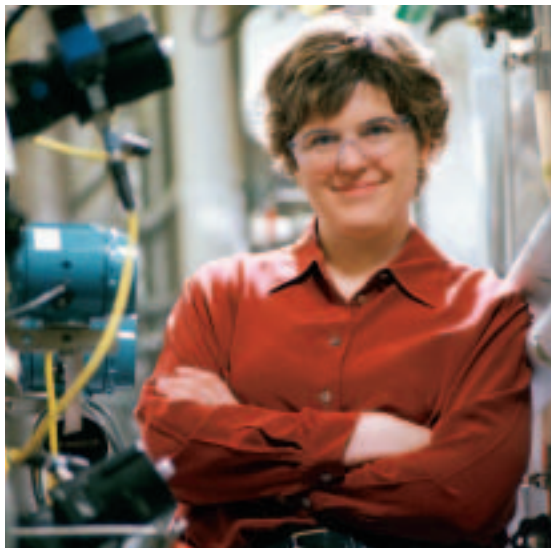
Merck's market leadership is testament to the value of our product franchises, the effectiveness of our sales and marketing efforts, and the ongoing strength of our research capabilities. Clearly, our strategy of offering competitively priced, novel medicines that demonstrably improve patients' health will drive our growth.



Fundamentally changing the way we work

As a result of actions we took during the past year, Merck entered 2004 a stronger, more focused company, better equipped to meet the challenge of developing the competitively priced, novel medicines that are core to our success. We completed the spin-off of Medco Health Solutions, Inc., which returns Merck to its roots as a pure pharmaceutical research company and allows investors to evaluate both companies as pure plays in their respective industries. We also brought Merck's ownership of Tokyo-based Banyu Pharmaceutical Co., Ltd., from 51 percent to 99.4 percent, significantly strengthening our position in Japan, the world's second-largest pharmaceutical market. And we took steps to improve operating efficiency throughout our business.

Heather Eurenus, a manufacturing process engineer at Merck's West Point, Pa., facility, champions the use of cutting-edge technologies to improve the operational efficiency of Merck's vaccine production. Her team's new design solutions represent just one way we are changing the way we work.



In the fourth quarter of 2003, we implemented a new strategy for U.S. pharmaceutical wholesalers to make the distribution of our medicines more efficient and to moderate fluctuations in sales caused by their purchase patterns. The program lowers limits on average monthly purchases of Merck pharmaceutical products by our U.S. customers. We expect the long-term benefits in both cost savings and more effective distribution of our products will be considerable.

Our new integrated inventory management strategy, together with the new wholesaler distribution program, is expected to produce a cumulative cash flow benefit of more than \$300 million through 2006.

We also announced reductions in our workforce of approximately 3,200 full-time positions and 1,200 contract or temporary employees that will be completed in 2004. Beginning in 2005, this action is expected to lower our annual payroll and benefit costs by approximately \$250 to \$300 million. We took this difficult step not only to improve our cost structure, but to make Merck a leaner, more responsive organization that is better positioned to prosper in the face of the competitive challenges ahead.

By streamlining our capital plan, we expect to free up approximately \$340 million in additional cash flow through 2006. We anticipate that the Company's capital efficiency initiative will improve our capital spending profile through 2006, with average annual capital spending between 2003 and 2006 estimated to be less than \$2 billion, compared to \$2.3 billion per year in prior years. We also expect additional

savings through other activities, such as changing the way we manage our supply chain and using our manufacturing capacity most efficiently.

Other changes already under way will continue this drive toward efficiency and effectiveness, including:

- Redesigning the way clinical data is gathered from doctors, patients and laboratories to make it faster and more accurate, reducing the time needed to collect valid clinical data by as much as 80 percent.
- Reducing the amount of time it takes us to process routine but widely used transactions such as accounts payable, and travel and expense reporting.
- Shortening our manufacturing cycle while safeguarding quality to get products to customers more quickly, improve service, boost productivity and cut inventory costs.

We're fundamentally changing the way we do business by streamlining our processes and improving productivity, without compromising safety or quality. These steps will allow us to lower our cost structure and continue to offer the competitively priced, breakthrough medicines that will improve the lives of this generation and the ones to come.

Operating efficiency is imperative as we focus our resources on the essential challenge of discovery, and continue to offer the novel and competitively priced medicines that drive our business.



Ensuring access

for the people who need it most

At Merck, we believe that by serving the public interest, our business interests also will be served.

This core belief is the fundamental reason Merck is a leader in health policy issues worldwide. In the United States, we supported adding a critical prescription drug benefit to Medicare, the U.S. health insurance program that provides health care benefits for millions of seniors and persons with disabilities. The landmark Medicare reform bill that President Bush signed in December 2003 will allow seniors to choose their coverage from qualified, private health plans that rely on market competition, rather than government price controls, to improve quality, integrate care and manage costs. This new legislation not only benefits patients in need, but also Merck, which is well-positioned to compete because of our focus on providing real value in patient care.

In Botswana, our partnership with the government there and the Gates Foundation goes well beyond donating medicines for people with HIV/AIDS. As part of our integrated approach, we help children who have lost their parents to the disease by providing funds for daycare, meals, clothes, education and psychological support.



Merck's support for Medicare reform is emblematic of our long-standing commitment to promoting access to essential medicines for those in need. For more than 50 years, we've been making our products available to low-income individuals and families in the United States through our

Patient Assistance Program. This program is designed to provide prescription drugs to patients who do not have insurance or other coverage for prescription medicine. In 2003 alone, the program helped make Merck medicines available to more than 600,000 Americans in need.

The Patient Assistance Program offers Merck medicines entirely free-of-charge: there are no application fees, no co-payments and no age restrictions. Patients qualify if they have a maximum household income of \$18,000 for individuals, \$24,000 for couples or \$35,000 for a family of four, and cannot afford to pay for the prescription medicine. Doctors can also request that exceptions be made for patients in special circumstances.

Patients can get information through www.merck.com or by calling 800-727-5400. They can also apply through their physician's office.

In keeping with our ongoing commitment to promoting access to essential medicines for people in need, we recently announced that we will provide our medicines free for low-income Medicare beneficiaries who exhaust their \$600 transitional assistance allowance in Medicare-endorsed drug discount cards.

As a global health care company, Merck also recognizes the link between global health and economic health. Disease is not just a consequence of poverty; it is also a cause of poverty. And, conversely, improved global health is an essential driver of economic growth.

That is why we make our medicines, expertise and experience available in developing countries that are experiencing health crises such as HIV/AIDS. While developing new medicines and vaccines will always be Merck's greatest and most important contribution to global health, we remain committed to building partnerships that help to broaden access to medicines in resource-scarce areas, along with the capacity to deliver them.

One notable example: the joint effort initiated in 2000 by the government of Botswana, The Merck Company Foundation,

Merck and the Bill & Melinda Gates Foundation in response to the crushing HIV/AIDS crisis in that country. The funding and support of this partnership have enabled government and community organizations in Botswana to develop large-scale, sustainable programs focused on prevention, treatment, care and support.

Three years into this innovative effort, the news from Botswana is encouraging. To date, the nationwide anti-retroviral treatment program has enrolled more than 18,000 patients and treated more than 11,000. These figures represent a significant proportion of the number of people in Botswana who have tested positive for HIV infection and are eligible for treatment.

More than 90 percent of individuals who have entered treatment are living healthier, more productive lives. Between 30 and 40 percent of these people would most likely have died without treatment.

Ensuring that patients have access to the medicines they need has long been a tradition at Merck. The new Medicare bill provides coverage for as many as 12 million seniors who will now have greater access to prescription drugs through Medicare. With the large number of Merck medicines that treat chronic conditions such as heart disease, high blood pressure, arthritis and osteoporosis, we are well-positioned to compete for this important group of customers.

We believe that the lessons learned from our work in Botswana serve as an example in the global fight against the HIV/AIDS pandemic, and demonstrate the value of Merck's leadership on health care policy issues around the world.



Product review¹

Arcoxia™ (etoricoxib)	<ul style="list-style-type: none"> • Osteoarthritis • Rheumatoid arthritis (adult) • Acute pain 	<ul style="list-style-type: none"> • Chronic low back pain • Dysmenorrhea (menstrual pain) • Acute gouty arthritis
Cancidas® (caspofungin acetate)	<ul style="list-style-type: none"> • Treatment of invasive aspergillosis in patients who did not respond to or were intolerant of other antifungal therapies • Candida infections: intra-abdominal abscesses, peritonitis (infections within the lining of the abdominal cavity), pleural space infections (infections within the lining of the lung) • Candidemia (bloodstream infection) • Esophageal candidiasis 	
Comvax® (Haemophilus b conjugate and hepatitis B [recombinant] vaccine)	<ul style="list-style-type: none"> • <i>Haemophilus influenzae</i> type b disease and hepatitis B disease 	
Cosopt® (dorzolamide hydrochloride and timolol maleate)	<ul style="list-style-type: none"> • Lower intraocular pressure 	
Cozaar® (losartan potassium)	<ul style="list-style-type: none"> • High blood pressure • Reduction in progression of renal disease in patients with Type II diabetes, hypertension and nephropathy • Reduction of stroke risk in patients with hypertension and left ventricular hypertrophy² 	
Crixivan® (indinavir sulfate)	<ul style="list-style-type: none"> • HIV infection 	
Emend® (aprepitant)	<ul style="list-style-type: none"> • Prevention of chemotherapy-induced nausea and vomiting 	
Fosamax® (alendronate sodium)	<ul style="list-style-type: none"> • Treatment and prevention of postmenopausal osteoporosis • Reduction of osteoporotic fracture risk in postmenopausal women • Treatment of male osteoporosis to increase bone mass • Treatment of glucocorticoid-induced osteoporosis • Paget's disease of the bone 	
Hyzaar® (losartan potassium and hydrochlorothiazide)	<ul style="list-style-type: none"> • High blood pressure 	
Invanz® (ertapenem sodium)	<ul style="list-style-type: none"> • Treatment of many aerobic and anaerobic bacteria, particularly community acquired, such as complicated intra-abdominal and complicated skin and skin structure infections 	
Maxalt® (rizatriptan benzoate)	<ul style="list-style-type: none"> • Acute migraine 	
Pepcid AC® (famotidine) ³	<ul style="list-style-type: none"> • Heartburn 	
Primaxin® (imipenem and cilastatin)	<ul style="list-style-type: none"> • Antibiotic 	
Propecia® (finasteride)	<ul style="list-style-type: none"> • Treatment of male pattern hair loss 	
Proscar® (finasteride)	<ul style="list-style-type: none"> • Treatment of symptomatic benign prostate enlargement 	
Singulair® (montelukast sodium)	<ul style="list-style-type: none"> • Chronic asthma—adults and children as young as 12 months old • Seasonal allergic rhinitis—adults and children as young as age 2 	
Stocrin® (efavirenz) ⁴	<ul style="list-style-type: none"> • HIV infection 	
Timoptic-XE® (timolol maleate ophthalmic gel forming solution)	<ul style="list-style-type: none"> • Lower intraocular pressure 	
Trusopt® (dorzolamide hydrochloride)	<ul style="list-style-type: none"> • Lower intraocular pressure 	
Vaqta® (hepatitis A vaccine inactivated)	<ul style="list-style-type: none"> • Hepatitis A 	
Varivax® (varicella virus vaccine live [Oka/Merck strain])	<ul style="list-style-type: none"> • Chickenpox 	
Vioxx® (rofecoxib)	<ul style="list-style-type: none"> • Osteoarthritis • Acute pain 	<ul style="list-style-type: none"> • Rheumatoid arthritis (adult) • Dysmenorrhea (menstrual pain)
Zetia® (ezetimibe) ⁵	<ul style="list-style-type: none"> • Elevated cholesterol levels 	
Zocor® (simvastatin)	<ul style="list-style-type: none"> • Elevated total cholesterol levels • Associated total/coronary mortality⁶ • Lower LDL cholesterol 	<ul style="list-style-type: none"> • Raise HDL cholesterol • Reduce triglycerides • Reduce stroke risk⁶

Review of Merck's research pipeline⁽¹⁾

The Company's research programs span a significant number of therapeutic areas, including diabetes, obesity, Alzheimer's disease, respiratory disease, coronary heart disease, rheumatoid arthritis and vaccines. The Company's programs are generally designed to focus on the development of novel medicines to address large, unmet medical needs.

Preclinical⁽²⁾

Diabetes
Atherosclerosis
Parkinson's disease
Pain
Anxiety
Osteoporosis
Cancer
Rheumatoid arthritis
Glaucoma
Antibacterial
Vaccines

Phase I⁽³⁾

Diabetes	c-3347
Obesity	c-2624, c-5093
Atherosclerosis	c-8834
Alzheimer's disease	c-7617, c-9138
Multiple Sclerosis	c-6448
Pain	c-1246
Psychiatric disease	c-9054
Respiratory disease	c-3193
Rheumatoid arthritis	c-4462, c-5997
AIDS	c-2507
Vaccines	HIV vaccine

Phase II⁽³⁾

Obesity	c-2735
Alzheimer's disease	c-9136
Urinary incontinence	c-3048
Respiratory disease	c-3885
Post-operative nausea and vomiting	c-9280
Vaccines	Pediatric combination

Phase III⁽⁴⁾

Pediatric combination vaccine	<i>ProQuad</i>
Rotavirus vaccine	<i>RotaTeq</i>
Shingles	Zoster vaccine
Human papillomavirus	HPV vaccine ⁽⁵⁾
Diabetes	MK-0431 ⁽⁶⁾
Sleep disorders	MK-0928 (Gaboxadol)

2003 Submissions

Cardiovascular	<i>Vytorin</i> (Ezetimibe/Simvastatin) (submitted 3Q03)
Arthritis/Analgesia	<i>Arcoxia</i> (submitted 4Q03)

¹ This list excludes a number of older Company products introduced before 1990.

² There is evidence that this benefit does not apply to black patients.

³ Marketed by Johnson & Johnson • Merck Consumer Pharmaceuticals Co.

⁴ Efavirenz is marketed by Bristol-Myers Squibb as *Sustiva* in the U.S., Canada and certain European countries, and by Merck in the rest of the world as *Stocrin*.

⁵ Ezetimibe is marketed through a partnership with Schering-Plough Corporation.

⁶ In patients with coronary heart disease or diabetes.

Selected licensing agreements

Partner/Licensor	Target/Description
Actelion	Cardiovascular
Acumen	Alzheimer's disease
Alnylam	RNAi
Amrad	Respiratory
Celera Diagnostics	Oncology
C-Sixty	Neuroscience
GenPath	Oncology
Kalypsys	High throughput screening
Kinexis	Sleep disorders
Lundbeck	Sleep disorders
MerLion	Anti-infectives
Metabasis	Hepatitis C virus
MethylGene	Antibacterials
Neurogen	Pain
NicOx	Nitric oxide
Sunesis	Alzheimer's disease
Symyx	High throughput screening
University of Dundee	Kinase consortium
University of Edinburgh	Neuroscience

⁽¹⁾ The pipeline chart reflects the Company's research pipeline as of March 1, 2004.

⁽²⁾ Preclinical areas shown are those where the Company has initiated Good Laboratory Practices (GLP) studies in compounds with mechanisms distinct from those in Phase I and II.

⁽³⁾ Candidates shown in Phase I and II include the most advanced compound with a specific mechanism in a given therapeutic area. Back-up compounds, regardless of their phase of development, additional indications in the same therapeutic areas and additional line extensions or formulations for in-line products are not shown.

⁽⁴⁾ Candidates shown in Phase III include specific products.

⁽⁵⁾ There are competing claims to intellectual property in the HPV field, but the Company is confident that the claims will not delay the Company's program.

⁽⁶⁾ The Company plans to enter Phase III trials with this investigational compound in second quarter 2004.

Board of Directors



Merck's Board of Directors elected two new members recently. Peter C. Wendell, general partner of Sierra Ventures, a technology-oriented venture capital firm, became a director in September 2003. And Wendell P. Weeks, president and chief operating officer of Corning Incorporated, joined the Board in February 2004.

Front Row (seated, from left to right): **William M. Daley**, 55, president, SBC Communications, Inc.; **Raymond V. Gilmartin**, 63, chairman, president and chief executive officer; **Johnnetta B. Cole, Ph.D.**, 67, president, Bennett College for Women.

Second Row (standing, from left to right): **William B. Harrison, Jr.**, 60, chairman and chief executive officer, J.P. Morgan Chase & Co.; **Heidi G. Miller, Ph.D.***, 50, executive vice president and chief financial officer, Bank One Corporation; **William N. Kelley, M.D.**, 64, professor of Medicine, Biochemistry and Biophysics, University of Pennsylvania School of Medicine; **Lawrence A. Bossidy**, 69, retired chairman and chief executive officer, Honeywell International Inc.; **Samuel O. Thier, M.D.**, 66, professor of Medicine and professor of Health Care Policy, Harvard Medical School; **William G. Bowen, Ph.D.**, 70, president, The Andrew W. Mellon Foundation.

Third Row (standing, from left to right): **Thomas E. Shenk, Ph.D.**, 57, Elkins professor and chairman, Department of Molecular Biology, Princeton University; **Anne M. Tatlock**, 64, chairman and chief executive officer, Fiduciary Trust Company International; **Wendell P. Weeks**, 44, president and chief operating officer, Corning Incorporated; **Peter C. Wendell**, 53, general partner, Sierra Ventures.

** Resigning from the Board effective upon the merger of J.P. Morgan Chase & Co. and Bank One Corporation.*

Corporate Information

For help with your stockholder account or information about Merck stock or dividends, call us toll-free at 800-522-9114.

Annual Meeting

The Annual Meeting of Stockholders will be held at 2 p.m., ET, on Tuesday, April 27, 2004, at the Edward Nash Theatre at Raritan Valley Community College, Route 28 and Lamington Road, North Branch, New Jersey.

Stock Trading Information

Merck stock is listed on the New York Stock Exchange (ticker symbol: MRK), the Philadelphia Stock Exchange and the Paris Stock Exchange.

Direct Purchase of Merck Stock

You can purchase shares directly from the Company through the Merck Stock Investment Plan. Shares also may be purchased by automatic investment each month.

Call 800-522-9114, or write to:
Merck Stockholder Services, WS3AB-40
Merck & Co., Inc.
One Merck Drive, P.O. Box 100
Whitehouse Station, NJ 08889-0100

Dividend Reinvestment Plan

Your dividends (all or part) can be automatically reinvested to purchase additional Merck shares. Call 800-522-9114.

Stockholder Services

Call Monday through Friday, 8 a.m. to 8 p.m., ET, with questions on stock-related matters, including verification of your holdings, to change your address or to report lost or missing dividends. Call 800-522-9114, or write to:

Merck Stockholder Services, WS3AB-40
Merck & Co., Inc.
One Merck Drive, P.O. Box 100
Whitehouse Station, NJ 08889-0100

For Changes or Lost Stock Certificates

If you want to transfer your stock, change ownership or if you have lost your stock certificates, call 800-522-9114, or write to:

Merck Shareowner Services
Wells Fargo Bank, N.A.
161 N. Concord Exchange
South St. Paul, MN 55075-1139

Independent Auditors

Independent auditors for Merck can be reached at:
PricewaterhouseCoopers LLP
400 Campus Drive
Florham Park, NJ 07932
973-236-4000

News on Call

You can access Merck news 24 hours a day, seven days a week. Included are the latest news releases on sales and earnings, dividends, new products and other Merck-related information. Call 800-CALL-MRK (800-225-5675).

Investor Relations

Securities analysts and investment professionals with business-related questions should call the Investor Relations department at 908-423-5881.

Journalists

Call Merck Public Affairs at 908-423-6308.

Write for Information

If you want a copy of one of the following, write to:
Public Affairs, WS1A-40
Merck & Co., Inc.

One Merck Drive, P.O. Box 100
Whitehouse Station, NJ 08889-0100

- **Merck's 2003 Form 10-K Annual Report, as filed with the Securities and Exchange Commission;**
- Report on Merck Corporate Responsibility (available at www.merck.com);
- Report on Diversity at Merck (available at www.merck.com);
- Policies of the Board—a statement of Merck governance principles (available at www.merck.com);
- Merck Board Committee Charters—Audit, Compensation and Benefits, and Committee on Corporate Governance (available at www.merck.com);
- Merck Code of Conduct—*Our Values and Standards* (available at www.merck.com).

Merck on the Internet

Our home page is located at www.merck.com. This Web address is provided for convenience only and materials therein are not incorporated by reference.

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