

## Consolidated Statement of Income

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions except per share amounts)

	2004	2003	2002
Sales	\$22,938.6	\$22,485.9	\$21,445.8
Costs, Expenses and Other			
Materials and production	4,959.8	4,436.9	4,004.9
Marketing and administrative	7,346.3	6,394.9	5,652.2
Research and development	4,010.2	3,279.9	2,677.2
Equity income from affiliates	(1,008.2)	(474.2)	(644.7)
Other (income) expense, net	(344.0)	(203.2)	104.5
	14,964.1	13,434.3	11,794.1
Income from Continuing Operations Before Taxes	7,974.5	9,051.6	9,651.7
Taxes on Income	2,161.1	2,462.0	2,856.9
Income from Continuing Operations	5,813.4	6,589.6	6,794.8
Income from Discontinued Operations, Net of Taxes	—	241.3	354.7
Net Income	\$ 5,813.4	\$ 6,830.9	\$ 7,149.5
Basic Earnings per Common Share			
Continuing Operations	\$2.62	\$2.95	\$3.01
Discontinued Operations	—	.11	.16
Net Income	\$2.62	\$3.05*	\$3.17
Earnings per Common Share Assuming Dilution			
Continuing Operations	\$2.61	\$2.92	\$2.98
Discontinued Operations	—	.11	.16
Net Income	\$2.61	\$3.03	\$3.14

\* Amount does not add as a result of rounding.

## Consolidated Statement of Retained Earnings

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions)

	2004	2003	2002
Balance, January 1	\$34,142.0	\$35,434.9	\$31,489.6
Net Income	5,813.4	6,830.9	7,149.5
Common Stock Dividends Declared	(3,329.1)	(3,264.7)	(3,204.2)
Spin-off of Medco Health	—	(4,859.1)	—
Balance, December 31	\$36,626.3	\$34,142.0	\$35,434.9

## Consolidated Statement of Comprehensive Income

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions)

	2004	2003	2002
Net Income	\$ 5,813.4	\$ 6,830.9	\$ 7,149.5
Other Comprehensive (Loss) Income			
Net unrealized loss on derivatives, net of tax and net income realization	(31.7)	(21.3)	(20.0)
Net unrealized (loss) gain on investments, net of tax and net income realization	(100.9)	(46.3)	73.1
Minimum pension liability, net of tax	(4.9)	231.9	(162.5)
Cumulative translation adjustment relating to equity investees, net of tax	26.1	—	—
	(111.4)	164.3	(109.4)
Comprehensive Income	\$ 5,702.0	\$ 6,995.2	\$ 7,040.1

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

# Consolidated Balance Sheet

Merck & Co., Inc. and Subsidiaries

December 31

(\$ in millions)

	2004	2003
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 2,878.8	\$ 1,201.0
Short-term investments	4,211.1	2,972.0
Accounts receivable	3,627.7	4,023.6
Inventories	1,898.7	2,554.7
Prepaid expenses and taxes	858.9	775.9
Total current assets	13,475.2	11,527.2
Investments	6,727.1	7,941.2
Property, Plant and Equipment (at cost)		
Land	366.6	356.7
Buildings	8,874.3	8,016.9
Machinery, equipment and office furnishings	11,926.1	11,018.2
Construction in progress	1,641.6	1,901.9
	22,808.6	21,293.7
Less allowance for depreciation	8,094.9	7,124.7
	14,713.7	14,169.0
Goodwill	1,085.7	1,085.4
Other Intangibles, Net	679.2	864.0
Other Assets	5,891.9	5,000.7
	<b>\$42,572.8</b>	<b>\$40,587.5</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Loans payable and current portion of long-term debt	\$ 2,181.2	\$ 1,700.0
Trade accounts payable	421.4	735.2
Accrued and other current liabilities	5,288.1	3,772.8
Income taxes payable	3,012.3	2,538.9
Dividends payable	841.1	822.7
Total current liabilities	11,744.1	9,569.6
Long-Term Debt	4,691.5	5,096.0
Deferred Income Taxes and Noncurrent Liabilities	6,442.1	6,430.3
Minority Interests	2,406.9	3,915.2
Stockholders' Equity		
Common stock, one cent par value		
Authorized – 5,400,000,000 shares		
Issued – 2,976,230,393 shares	29.8	29.8
Other paid-in capital	6,869.8	6,956.6
Retained earnings	36,626.3	34,142.0
Accumulated other comprehensive (loss) income	(45.9)	65.5
	43,480.0	41,193.9
Less treasury stock, at cost		
767,591,491 shares – 2004		
754,466,884 shares – 2003	26,191.8	25,617.5
Total stockholders' equity	17,288.2	15,576.4
	<b>\$42,572.8</b>	<b>\$40,587.5</b>

The accompanying notes are an integral part of this consolidated financial statement.

## Consolidated Statement of Cash Flows

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions)

	2004	2003	2002
<b>Cash Flows from Operating Activities of Continuing Operations</b>			
Net income	\$ 5,813.4	\$ 6,830.9	\$ 7,149.5
Less: Income from discontinued operations, net of taxes	—	(241.3)	(354.7)
Income from continuing operations	5,813.4	6,589.6	6,794.8
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	1,450.7	1,314.2	1,231.2
Deferred income taxes	48.9	131.7	387.5
Other	(35.4)	(98.1)	(116.9)
Net changes in assets and liabilities:			
Accounts receivable	173.1	320.9	130.2
Inventories	331.9	(435.3)	(41.5)
Trade accounts payable	(323.8)	(21.6)	325.4
Accrued and other current liabilities	1,382.3	505.4	97.0
Income taxes payable	453.9	494.1	459.9
Noncurrent liabilities	(445.4)	(255.3)	(359.9)
Other	(50.5)	(119.1)	(197.1)
Net Cash Provided by Operating Activities of Continuing Operations	8,799.1	8,426.5	8,710.6
<b>Cash Flows from Investing Activities of Continuing Operations</b>			
Capital expenditures	(1,726.1)	(1,915.9)	(2,128.1)
Purchase of securities, subsidiaries and other investments	(82,256.4)	(61,586.9)	(37,443.6)
Proceeds from sale of securities, subsidiaries and other investments	82,363.8	60,823.4	35,807.4
Acquisitions of Banyu shares	(12.8)	(1,527.8)	—
Other	(6.6)	(25.0)	(3.7)
Net Cash Used by Investing Activities of Continuing Operations	(1,638.1)	(4,232.2)	(3,768.0)
<b>Cash Flows from Financing Activities of Continuing Operations</b>			
Net change in short-term borrowings	(252.4)	(2,347.2)	(508.4)
Proceeds from issuance of debt	405.1	1,300.3	2,618.5
Payments on debt	(37.3)	(736.2)	(2,504.9)
Redemption of preferred units of subsidiary	(1,500.0)	—	—
Purchase of treasury stock	(974.6)	(2,034.1)	(2,091.3)
Dividends paid to stockholders	(3,310.7)	(3,250.4)	(3,191.6)
Proceeds from exercise of stock options	240.3	388.2	318.3
Other	(161.8)	(148.5)	(172.5)
Net Cash Used by Financing Activities of Continuing Operations	(5,591.4)	(6,827.9)	(5,531.9)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	108.2	155.7	113.2
<b>Discontinued Operations</b>			
Net cash provided by Medco Health	—	248.0	575.1
Dividend received from Medco Health, net of intercompany settlements and cash transferred	—	1,187.9	—
Net Cash Provided by Discontinued Operations	—	1,435.9	575.1
Net Increase (Decrease) in Cash and Cash Equivalents	1,677.8	(1,042.0)	99.0
Cash and Cash Equivalents at Beginning of Year	1,201.0	2,243.0	2,144.0
Cash and Cash Equivalents at End of Year	\$ 2,878.8	\$ 1,201.0	\$ 2,243.0

The accompanying notes are an integral part of this consolidated financial statement.