

Consolidated Statement of Income

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions except per share amounts)

	2005	2004	2003
Sales	\$22,011.9	\$22,938.6	\$22,485.9
Costs, Expenses and Other			
Materials and production	5,149.6	4,959.8	4,436.9
Marketing and administrative	7,155.5	7,238.7	6,200.3
Research and development	3,848.0	4,010.2	3,279.9
Restructuring costs	322.2	107.6	194.6
Equity income from affiliates	(1,717.1)	(1,008.2)	(474.2)
Other (income) expense, net	(110.2)	(344.0)	(203.2)
	14,648.0	14,964.1	13,434.3
Income from Continuing Operations Before Taxes	7,363.9	7,974.5	9,051.6
Taxes on Income	2,732.6	2,161.1	2,462.0
Income from Continuing Operations	4,631.3	5,813.4	6,589.6
Income from Discontinued Operations, Net of Taxes	—	—	241.3
Net Income	\$ 4,631.3	\$ 5,813.4	\$ 6,830.9
Basic Earnings per Common Share			
Continuing Operations	\$2.11	\$2.62	\$2.95
Discontinued Operations	—	—	.11
Net Income	\$2.11	\$2.62	\$3.05*
Earnings per Common Share Assuming Dilution			
Continuing Operations	\$2.10	\$2.61	\$2.92
Discontinued Operations	—	—	.11
Net Income	\$2.10	\$2.61	\$3.03

* 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)

	2005	2004	2003
Balance, January 1	\$36,626.3	\$34,142.0	\$35,434.9
Net Income	4,631.3	5,813.4	6,830.9
Common Stock Dividends Declared	(3,338.7)	(3,329.1)	(3,264.7)
Spin-off of Medco Health	—	—	(4,859.1)
Balance, December 31	\$37,918.9	\$36,626.3	\$34,142.0

Consolidated Statement of Comprehensive Income

Merck & Co., Inc. and Subsidiaries

Years Ended December 31

(\$ in millions)

	2005	2004	2003
Net Income	\$ 4,631.3	\$ 5,813.4	\$ 6,830.9
Other Comprehensive Income (Loss)			
Net unrealized gain (loss) on derivatives, net of tax and net income realization	81.3	(31.7)	(21.3)
Net unrealized gain (loss) on investments, net of tax and net income realization	50.3	(100.9)	(46.3)
Minimum pension liability, net of tax	(7.0)	(4.9)	231.9
Cumulative translation adjustment relating to equity investees, net of tax	(26.4)	26.1	—
	98.2	(111.4)	164.3
Comprehensive Income	\$ 4,729.5	\$ 5,702.0	\$ 6,995.2

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

Consolidated Balance Sheet

Merck & Co., Inc. and Subsidiaries

December 31

(\$ in millions)

	2005	2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,585.3	\$ 2,878.8
Short-term investments	6,052.3	4,211.1
Accounts receivable	2,927.3	3,627.7
Inventories (excludes inventories of \$753.8 in 2005 and \$638.7 in 2004 classified in Other assets—see Note 7)	1,658.1	1,898.7
Prepaid expenses and taxes	826.3	858.9
Total current assets	21,049.3	13,475.2
Investments	1,107.9	6,727.1
Property, Plant and Equipment (at cost)		
Land	433.0	366.6
Buildings	9,479.6	8,874.3
Machinery, equipment and office furnishings	12,785.2	11,926.1
Construction in progress	1,015.5	1,641.6
	23,713.3	22,808.6
Less allowance for depreciation	9,315.1	8,094.9
	14,398.2	14,713.7
Goodwill	1,085.7	1,085.7
Other Intangibles, Net	518.7	679.2
Other Assets	6,686.0	5,891.9
	\$44,845.8	\$42,572.8
Liabilities and Stockholders' Equity		
Current Liabilities		
Loans payable and current portion of long-term debt	\$ 2,972.0	\$ 2,181.2
Trade accounts payable	471.1	421.4
Accrued and other current liabilities	5,381.2	5,288.1
Income taxes payable	3,649.2	3,012.3
Dividends payable	830.0	841.1
Total current liabilities	13,303.5	11,744.1
Long-Term Debt	5,125.6	4,691.5
Deferred Income Taxes and Noncurrent Liabilities	6,092.9	6,442.1
Minority Interests	2,407.2	2,406.9
Stockholders' Equity		
Common stock, one cent par value		
Authorized—5,400,000,000 shares		
Issued—2,976,223,337 shares—2005		
—2,976,230,393 shares—2004	29.8	29.8
Other paid-in capital	6,900.0	6,869.8
Retained earnings	37,918.9	36,626.3
Accumulated other comprehensive income (loss)	52.3	(45.9)
	44,901.0	43,480.0
Less treasury stock, at cost		
794,299,347 shares—2005		
767,591,491 shares—2004	26,984.4	26,191.8
Total stockholders' equity	17,916.6	17,288.2
	\$44,845.8	\$42,572.8

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)

	2005	2004	2003
Cash Flows from Operating Activities of Continuing Operations			
Net income	\$ 4,631.3	\$ 5,813.4	\$ 6,830.9
Less: Income from discontinued operations, net of taxes	—	—	(241.3)
Income from continuing operations	4,631.3	5,813.4	6,589.6
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	1,708.1	1,450.7	1,314.2
Deferred income taxes	9.0	48.9	131.7
Equity income from affiliates	(1,717.1)	(1,008.2)	(474.2)
Dividends and distributions from equity affiliates	1,101.2	587.0	553.4
Other	695.5	385.8	(177.3)
Net changes in assets and liabilities:			
Accounts receivable	345.9	173.1	320.9
Inventories	125.6	331.9	(435.3)
Trade accounts payable	63.6	(323.8)	(21.6)
Accrued and other current liabilities	238.2	1,382.3	505.4
Income taxes payable	663.2	453.9	494.1
Noncurrent liabilities	(412.2)	(445.4)	(255.3)
Other	156.2	(50.5)	(119.1)
Net Cash Provided by Operating Activities of Continuing Operations	7,608.5	8,799.1	8,426.5
Cash Flows from Investing Activities of Continuing Operations			
Capital expenditures	(1,402.7)	(1,726.1)	(1,915.9)
Purchase of securities, subsidiaries and other investments	(125,308.4)	(82,256.4)	(61,586.9)
Proceeds from sale of securities, subsidiaries and other investments	128,981.4	82,363.8	60,823.4
Acquisitions of Banyu shares	—	(12.8)	(1,527.8)
Other	(3.1)	(6.6)	(25.0)
Net Cash Provided (Used) by Investing Activities of Continuing Operations	2,267.2	(1,638.1)	(4,232.2)
Cash Flows from Financing Activities of Continuing Operations			
Net change in short-term borrowings	1,296.2	(252.4)	(2,347.2)
Proceeds from issuance of debt	1,000.0	405.1	1,300.3
Payments on debt	(1,014.9)	(37.3)	(736.2)
Redemption of preferred units of subsidiary	—	(1,500.0)	—
Purchase of treasury stock	(1,015.3)	(974.6)	(2,034.1)
Dividends paid to stockholders	(3,349.8)	(3,310.7)	(3,250.4)
Proceeds from exercise of stock options	136.5	240.3	388.2
Other	(93.1)	(161.8)	(148.5)
Net Cash Used by Financing Activities of Continuing Operations	(3,040.4)	(5,591.4)	(6,827.9)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(128.8)	108.2	155.7
Discontinued Operations (Revised)			
Net cash provided by Medco Health operating activities	—	—	279.2
Net cash provided by Medco Health investing activities	—	—	(31.2)
Dividend received from Medco Health, net of intercompany settlements and cash transferred	—	—	1,187.9
Net Cash Provided by Discontinued Operations	—	—	1,435.9
Net Increase (Decrease) in Cash and Cash Equivalents	6,706.5	1,677.8	(1,042.0)
Cash and Cash Equivalents at Beginning of Year	2,878.8	1,201.0	2,243.0
Cash and Cash Equivalents at End of Year	\$ 9,585.3	\$ 2,878.8	\$ 1,201.0

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