As filed with the Securities and Exchange Commission on March 22, 1995

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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FORM 10-K

(MARK ONE)

/X/ Annual Report Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934 [Fee Required]

For the Fiscal Year Ended December 31, 1994

or

/ / Transition Report Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934 [No Fee Required]

For the transition period from \_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_

Commission File No. 1-3305

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MERCK & CO., INC.

P.O. Box 100

Whitehouse Station, N. J. 08889-0100

(908) 423-1000

Incorporated in New Jersey I.R.S. Employer

Identification No. 22-1109110

Securities Registered pursuant to Section 12(b) of the Act:

Name of Each Exchange

Title of Each Class on which Registered

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Common Stock New York and Philadelphia Stock Exchanges

(no par value)

Number of shares of Common Stock (no par value) outstanding as of

February 28, 1995: 1,240,402,835.

Aggregate market value of Common Stock (no par value) held by

non-affiliates on December 31, 1994 based on closing price on February 28,

1995: $52,862,000,000.

Indicate by check mark whether the registrant (1) has filed all reports

required to be filed by Section 13 or 15(d) of the Securities Exchange Act of

1934 during the preceding 12 months (or for such shorter period that the

registrant was required to file such reports), and (2) has been subject to

such filing requirements for the past 90 days. Yes [X]. No [ ].

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained,

to the best of registrant's knowledge, in definitive proxy or information

statements incorporated by reference in Part III of this Form 10-K or any

amendment to this Form 10-K. [X]

Documents Incorporated by Reference:

Document Part of Form 10-K

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Annual Report to stockholders for the fiscal year Parts I and II

ended December 31, 1994

Proxy Statement for the Annual Meeting of Part III

Stockholders to be held April 25, 1995

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PART I

Item 1. Business.

Merck & Co., Inc. is a worldwide research-intensive health products company

that discovers, develops, produces and markets human and animal health products

and services. The Company's dominant industry segment is the Human and Animal

Health Products and Services segment, which includes Medco Containment Services,

Inc. ("Medco"), acquired in November 1993.

The following table shows the sales of various classes of the Company's

products and services:

($ in millions) 1994 1993 1992

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Cardiovasculars............................... $ 5,351.6 $ 4,820.8 $4,482.0

Anti-ulcerants................................ 1,565.7 1,324.0 1,043.9

Antibiotics................................... 827.4 868.7 942.2

Vaccines/biologicals.......................... 485.3 522.9 485.3

Ophthalmologicals............................. 482.3 454.6 457.2

Anti-inflammatories/analgesics................ 270.6 336.8 430.5

Other Merck human health...................... 433.4 446.8 373.4

Other human health............................ 4,103.9 296.6 ---

Animal health/crop protection................. 1,027.4 916.7 853.1

Specialty chemical............................ 422.2 510.3 594.9

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Total.................................... $14,969.8 $10,498.2 $9,662.5

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Human health products include therapeutic and preventive agents, generally

sold by prescription, for the treatment of human disorders. Among these are

cardiovascular products, of which Vasotec (enalapril maleate), Mevacor

(lovastatin), Zocor (simvastatin), Prinivil (lisinopril) and Vaseretic

(enalapril maleate-hydrochlorothiazide) are the largest-selling;

anti-ulcerants, of which Pepcid (famotidine) and Prilosec (omeprazole) (through

October 31, 1994) are the largest-selling; antibiotics, of which Primaxin

(imipenem-cilastatin sodium), Noroxin (norfloxacin) and Mefoxin (cefoxitin

sodium) are the largest-selling; vaccines/biologicals, of which M-M-R II

(measles, mumps and rubella virus vaccine live) and Recombivax HB (hepatitis B

vaccine recombinant) are the largest-selling; ophthalmologicals, of which

Timoptic (timolol maleate) is the largest-selling; anti-inflammatory/ analgesic

products, of which Indocin (indomethacin), Clinoril (sulindac) and Dolobid

(diflunisal) are the largest-selling; and other Merck human health products

which include Proscar (finasteride), a treatment for symptomatic benign prostate

enlargement, antiparkinsonism products, psychotherapeutics and a muscle

relaxant. "Other human health" primarily includes Medco sales of non-Merck

products and Medco human health services, principally managed prescription drug

programs.

Animal health/crop protection products include animal medicinals used for

control and alleviation of disease in livestock, small animals and poultry.

These products are primarily antiparasitics, of which Ivomec (ivermectin) for

the control of internal and external parasites in livestock and Heartgard-30

(ivermectin) for the prevention of canine heartworm disease are the

largest-selling; crop protection products, of which abamectin-based

miticides/insecticides are the largest-selling; coccidiostats for the treatment

of poultry disease; and poultry breeding stock.

Specialty chemical products are used in health care, food processing, oil

exploration, paper, textiles and personal care.

In 1994, the Federal Food and Drug Administration ("FDA") cleared Trusopt

(dorzolamide hydrochloride), the first topical carbonic anhydrase inhibitor for

treatment of elevated intraocular pressure in patients with ocular hypertension

or open-angle glaucoma, for marketing in the United States. The drug has also

been cleared for marketing in Sweden, the United Kingdom and New Zealand. In

addition, Fosamax (alendronate sodium), for treatment of osteoporosis in

postmenopausal women, was cleared for marketing in Italy in 1993 and in Mexico

in 1994. Regulatory filings for Fosamax have been made in 35 countries and are

planned in the United States in 1995. Fosamax is licensed to the Company by

Istituto Gentili of Italy. Also during 1994, the Company submitted licensing

applications for Vaqta, a highly purified vaccine for the prevention of

hepatitis A, in Canada, China, Germany and the United Kingdom and the Product

License Application for Vaqta was filed in the United States. On March 17, 1995,

the FDA licensed Varivax [varicella virus vaccine live (Oka/Merck)] for use

against chickenpox in healthy children, adolescents and adults.

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In June 1993, the Company sold its Calgon Water Management business for

$307.5 million to English China Clays plc. In August 1994, the Company announced

its intention to sell its remaining specialty chemical units, Kelco and Calgon

Vestal Laboratories. The decision reflects the Company's intention to focus its

resources more fully on its core human and animal health business. In January

1995, the Company sold its Calgon Vestal Laboratories business to Bristol-Myers

Squibb for $261.5 million. In February 1995, the Company sold its Kelco business

to Monsanto Company for $1.075 billion. These businesses were not significant to

the Company's financial position, liquidity or results of operations. Following

these divestitures, the Company is no longer engaged in the specialty chemical

business.

In November 1993, the Company acquired all of the outstanding shares of

Medco for approximately $6.6 billion. The purchase price consisted of $2.4

billion in cash, 114.0 million common shares with a market value of $3.8 billion

and 36.1 million options valued at $387.1 million, net of tax. Medco principally

provides services designed to reduce prescription drug benefit costs through

managed prescription drug programs.

In May 1993, the Company and Pasteur Merieux Serums & Vaccins ("Pasteur

Merieux"), which is part of the Rhone-Poulenc group, signed an agreement to form

a joint venture to market human vaccines and to collaborate in the development

of new combination vaccines for distribution in the European Union ("EU") and

the European Free Trade Association. In November 1994, after receiving the

approval of the EU, the Company and Pasteur Merieux contributed their European

vaccine businesses for equal shares in the joint venture, known as Pasteur

Merieux MSD, S.N.C. The joint venture is subject to monitoring by the EU, to

which the partners agreed to certain undertakings in return for an exemption

from European Competition Law, effective until December 2007. The joint venture

is active through affiliates in Belgium, Denmark, Italy, Germany, Spain and the

United Kingdom, and through distributors throughout the rest of Europe.

Effective April 1992, the Company, through the Merck Vaccine Division, and

Connaught Laboratories, Inc. ("Connaught"), an affiliate of Pasteur Merieux,

agreed to collaborate on the development and marketing of combination pediatric

vaccines and to promote selected vaccines in the United States. The research and

marketing collaboration enables the companies to pool their resources to

expedite the development of vaccines combining several different antigens to

protect children against a variety of diseases, including Haemophilus influenzae

type B, hepatitis B, diphtheria, tetanus, pertussis and poliomyelitis. In

addition, the Company and Connaught have agreed to promote a number of each

other's vaccine products.

In 1989, the Company and E. I. du Pont de Nemours and Company ("DuPont")

agreed to form a long-term research and marketing collaboration to develop a new

class of therapeutic agents for high blood pressure and heart disease,

discovered and developed by DuPont, called angiotensin II receptor antagonists.

In return, the Company provided DuPont marketing rights in the United States and

Canada to its prescription medicines, Sinemet (carbidopa-levodopa) and Sinemet

CR (sustained-release formulation).

Effective January 1991, the Company and DuPont entered into a joint venture

to form a worldwide pharmaceutical company for the research, marketing,

manufacturing and sale of pharmaceutical and imaging agent products. DuPont

contributed its entire worldwide pharmaceutical and radiopharmaceutical imaging

agents businesses to the joint venture and is providing administrative services.

The Company is providing research and development expertise, development funds,

certain European marketing rights to several of its prescription medicines,

international industry expertise and cash. In January 1995, the joint venture

began co-promotion of the Company's prescription medicines, Prinivil and

Prinzide (lisinopril and hydrochlorothiazide), in the United States.

Under separate agreements between the Company and DuPont, the Company has

an exclusive license to market Cozaar (losartan potassium) and Hyzaar (losartan

potassium and hydrochlorothiazide), the first of a new class of drugs for

treatment of high blood pressure and heart failure. Commencing in 1993,

marketing applications were submitted worldwide for Cozaar and in the United

States and France for Hyzaar. In 1994, Cozaar was cleared for marketing in

Denmark, Norway, Sweden, Switzerland and the United Kingdom for the treatment of

hypertension.

In December 1994, the Company agreed to arrangements that, among other

things, eliminated the Company's right to offset the consequences of

disproportionate allocations of the DuPont Merck joint venture

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income and expense against the Company's right to receive a disproportionate

share of income arising from its 1989 long-term research and marketing agreement

with DuPont. Accordingly, the Company recorded a $499.6 million provision for an

obligation to the joint venture. This obligation is a function of the favorable

performance of assets contributed by DuPont to the joint venture through

December 31, 1994 and certain contractual commitments of the Company. It is

anticipated that this obligation will be discharged over a period of six years

beginning in 1995.

In January 1993, the Company and Johnson & Johnson finalized an agreement

to extend into Europe the U.S. joint venture that was formed in 1989. This

European extension currently markets and sells over-the-counter pharmaceutical

products in France, Germany, Italy, Spain and the United Kingdom. In January

1994, the Company and Johnson & Johnson acquired all of the stock of

Laboratoires J.P. Martin, a leading self-medication business in France.

In January 1993, the Company submitted a New Drug Application ("NDA") to

the FDA for Pepcid AC, an over-the-counter form of the Company's ulcer

medication Pepcid, to be marketed in the United States by the joint venture.

Beginning January 1993, marketing approval applications for over-the-counter

Pepcid have also been filed in 16 European countries and 6 other countries. In

1994, the marketing licenses for Pepcid AC were cleared in the United Kingdom,

New Zealand and Cyprus.

In 1982, the Company entered into an agreement with Astra AB ("Astra") to

develop and market Astra products in the United States. Under the first phase of

the agreement, the Company marketed three Astra products, Prilosec, Plendil

(felodipine) and Tonocard (tocainide hydrochloride), in exchange for a royalty.

In July 1993, the Company's total sales of Astra products reached the level that

triggered the first step in the establishment of a separate entity for

operations related to Astra products in the United States. On November 1, 1994,

Astra paid the Company $820.0 million for an interest in a joint venture that

will be carried on in a company called Astra Merck Inc., in which the Company

and Astra each own a 50 percent share. This joint venture will develop and

market most new prescription medicines from Astra's research.

In 1994, the Company established new subsidiaries in South Korea, Cyprus,

Peru, Holland and Germany, and established new branch offices in Chile, the

Philippines and Slovenia. The Company also established new representation

offices in Latvia, Croatia, Estonia and Sri Lanka, and established a new joint

venture company in China for manufacturing, sales and promotion of certain

products of the Company.

Competition -- The markets in which the Company's business is conducted are

highly competitive. Such competition involves an intensive search for

technological innovations and the ability to market these innovations

effectively. With its long-standing emphasis on research and development, the

Company is well prepared to compete in the search for technological innovations.

Additional resources to meet competition include quality control, flexibility to

meet exact customer specifications, an efficient distribution system and a

strong technical information service. The Company is active in acquiring and

marketing products through joint ventures and licenses and has been expanding

its sales and marketing efforts to further address changing industry conditions.

However, the introduction of new products and processes by competitors may

result in price reductions and product replacements, even for products protected

by patents. For example, the number of compounds available to treat each disease

entity has increased during the past several years and has resulted in slowing

the growth in sales of certain of the Company's products.

In addition, particularly in the area of human pharmaceutical products,

legislation enacted in all states allows, encourages or, in a few instances, in

the absence of specific instructions from the prescribing physician, mandates

the use of "generic" products (those containing the same active chemical as an

innovator's product) rather than "brand-name" products. Governmental and other

pressures toward the dispensing of generic products have significantly reduced

the sales of certain of the Company's products no longer protected by patents,

such as Clinoril and Aldomet (methyldopa), and slowed the growth of certain

other products. In 1992, the Company formed a new division, West Point Pharma,

to market the generic form of its product Dolobid. In 1993, West Point Pharma

began marketing an additional 11 off-patent Company drugs in more than 20

different packages. In December 1994, the Company entered into a distribution

agreement with Endo Laboratories, L.L.C. ("Endo"), a

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wholly-owned subsidiary of The DuPont Merck Pharmaceutical Company, effectively

transferring most of its generics business to Endo.

Medco's pharmacy benefit management business is highly competitive. Medco

competes with other pharmacy benefit managers, retail prescription drug claims

processors, insurance companies and other providers of health care and/or

administrators of health-care programs. Medco competes primarily on the basis of

its ability to design and administer innovative programs which contain a plan

sponsor's overall prescription drug costs, its flexibility in handling

integrated prescription drug programs resulting from its ability to dispense

drugs through mail service and act as retail prescription drug manager, and the

sophistication and quality of its systems, procedures and services.

See also the description of the effect upon competition of the Drug Price

Competition and Patent Term Restoration Act of 1984 ("PTRA") on page 6.

It is generally the Company's position to limit individual product price

increases of its pharmaceutical products in the United States to the Consumer

Price Index ("CPI") plus 1 percent on an annual basis and to limit the net

weighted average price increase for the full human health pharmaceutical product

line to the general rate of inflation as measured by the CPI.

Distribution -- Promotion of the Company's human and animal health products

and services are generally made by professional representatives. Customers for

human health products include drug wholesalers and retailers, hospitals,

clinics, governmental agencies, managed health-care providers such as health

maintenance organizations and other institutions. Customers for human health

services include corporations, labor unions, insurance companies, Blue Cross and

Blue Shield organizations, Federal and state employee plans, health maintenance

and similar organizations. Customers for animal health/crop protection products

include veterinarians, distributors, wholesalers, retailers, feed

manufacturers, veterinary suppliers and laboratories.

Raw Materials -- Raw materials and supplies are normally available in

quantities adequate to meet the needs of the Company's business.

Government Regulation and Investigation -- The pharmaceutical industry is

subject to global regulation by country, state and local agencies. Of particular

importance is the FDA in the United States, which administers requirements

covering the testing, approval, safety, effectiveness, manufacturing, labeling

and marketing of prescription pharmaceuticals. In many cases, the FDA

requirements have increased the amount of time and money necessary to develop

new products and bring them to market in the United States, although revised

regulations are designed to reduce somewhat the time for approval of new

products. In 1992, the Prescription Drug User Fee Act was passed, under which

the FDA will collect revenues through user fees. The FDA has pledged to devote

these revenues to its process for reviewing and approving applications for new

drugs, antibiotics and biological products.

In recent years, an increasing number of legislative proposals have been

introduced or proposed in Congress and in some state legislatures that would

effect major changes in the health-care system, either nationally or at the

state level. Although a Federal reform bill was not enacted during the last

Congress, some states have passed reform legislation and further Federal and

state developments are expected. The debate to reform the health-care system is

expected to be protracted and intense. Although the Company is positioned to

respond to evolving market forces, it cannot predict the outcome or effect of

legislation resulting from the reform process.

For some years the pharmaceutical industry has been under Federal and state

oversight with the new drug approval system, drug safety, advertising and

promotion, drug purchasing and reimbursement programs and formularies variously

under review. The Company believes that it will continue to be able to bring new

drugs to market in this regulatory environment. One Federal initiative to

contain costs is the prospective payment system, established under the Social

Security Amendments of 1983 to hold down the growth of Medicare payments to

hospitals, which provides a flat rate for reimbursement to hospitals in advance

of the care for patients. The system establishes a number of patient

classifications -- Diagnosis Related Groups ("DRG's"). A hospital receives the

flat rate as full payment for each Medicare patient treated within a given DRG

regardless of whether the hospital's

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actual costs are higher or lower than the flat rate. This system and other

cost-cutting programs have caused hospitals and other customers of the Company

to be more cost conscious in their treatment programs and to implement

cost-containment measures, including cost containment for the drugs they

administer.

Additionally, Congress and the regulatory agencies have sought to reduce

the cost of drugs paid for with Federal funds. In 1990, the Company initiated

its Equal Access to Medicines Program ("EAMP") on its single source products,

under which it generally offered its "best price" discount to state Medicaid

programs that grant open access to the Company's products. The Omnibus Budget

Reconciliation Act of 1990 ("OBRA") largely reflects the Company's best price

approach. As a result of a national agreement, effective January 1, 1991, signed

by the Company with the Secretary of Health and Human Services and administered

by the Health Care Financing Administration ("HCFA") pursuant to OBRA, Medicaid

received a minimum rebate of 12.5 percent off average manufacturer's price

("AMP") through September 30, 1992, and will receive a minimum rebate of 15.4

percent off AMP through 1995, on the Company's outpatient drugs reimbursed under

Medicaid. In conjunction with implementation of the Federal program under OBRA,

the Company's separate EAMP agreements with individual states have been

permitted to lapse or have been terminated. Effective in 1992, the terms of the

Federal HCFA rebate agreement were generally substituted for the EAMP

agreements.

In January 1992, the Company announced that it would provide discounts on

its single-source prescription medicines to non-profit health centers for the

poor that are Federally funded under sections 329-330 of the Public Health

Service Act that qualify for the Company's program and agree to assure access to

the Company's drugs. The discounts were largely based on those that the Company

provided Medicaid under the Federal "best price" legislation. The discounts were

ultimately provided to such centers for single-source, outpatient prescription

drugs (not reimbursed by Medicaid) purchased directly from the Company by the

centers for their patients.

The Federal Veterans Health Care Act of 1992 was enacted on November 4,

1992, superceding the Company's Public Health Service initiative and mandating

Medicaid rebate-equivalent discounts on covered outpatient drugs purchased by

certain Public Health Service entities and "disproportionate share hospitals"

(hospitals meeting certain qualification criteria). The Act further mandates

minimum discounts of 24 percent off non-Federal AMP to the Veterans

Administration, Federal Supply Schedule and certain other Federal sector

purchasers on their pharmaceutical drug purchases.

The Omnibus Budget Reconciliation Act of 1993 established a new Federal

Vaccines for Children entitlement program, under which the U.S. Centers for

Disease Control and Prevention ("CDC") funds and purchases recommended pediatric

vaccines at a capped public sector price for the immunization of

Medicaid-eligible, uninsured native American and certain underinsured children.

The Company was awarded three CDC contracts in September 1994 for the supply of

its pediatric vaccines for this program, and is currently negotiating an

agreement with CDC for distribution of these vaccines to participating

physicians.

The Company encounters similar regulatory and legislative issues in most of

the foreign countries where it does business. There, too, the primary thrust of

governmental inquiry and action is toward determining drug safety and

effectiveness, often with mechanisms for controlling the prices of prescription

drugs and the profits of prescription drug companies. The EU has adopted

directives concerning the classification, labeling, advertising and wholesale

distribution of medicinal products for human use. The Company's policies and

procedures are already consistent with the substance of these directives;

consequently, it is believed that they will not have any material effect on the

Company's business.

The Company is subject to the jurisdiction of various regulatory agencies

and is, therefore, subject to potential administrative action. Such actions may

include product recalls, seizures of products and other civil and criminal

sanctions. Under certain circumstances, the Company may deem it advisable to

initiate product recalls voluntarily. Although it is difficult to predict the

ultimate effect of these activities and legislative, administrative and

regulatory requirements and proposals, the Company believes that its development

of new and improved products should enable it to compete effectively within this

environment.

There are extensive Federal and state regulations applicable to the

practice of pharmacy and the administration of managed health-care programs.

Each state in which Medco operates a pharmacy has laws and regulations governing

its operation and the licensing of and standards of professional practice by its

pharmacists.

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These regulations are issued by an administrative body in each state (typically,

a pharmacy board), which is empowered to impose sanctions for non-compliance.

Patents, Trademarks and Licenses -- Patent protection is considered, in the

aggregate, to be of material importance in the Company's marketing of human and

animal health products in the United States and in most major foreign markets.

Patents may cover products per se, pharmaceutical formulations, processes for or

intermediates useful in the manufacture of products or the uses of products.

Protection for individual products extends for varying periods in accordance

with the date of grant and the legal life of patents in the various countries.

The protection afforded, which may also vary from country to country, depends

upon the type of patent and its scope of coverage.

Patent portfolios developed for products introduced by the Company normally

provide marketing exclusivity. This is the case with the following major

products in the United States: Chibroxin (norfloxacin), Enacard (enalapril

maleate for use in dogs), ivermectin-containing products, Mefoxin, Mevacor,

Noroxin, PedvaxHIB (the Company's pediatric vaccine for prevention of

Haemophilus influenzae type B infections), Pepcid, Primaxin, Proscar, Timoptic,

Trusopt, Vaseretic, Vasotec and Zocor. Prinivil is subject to a license to a

third party and is not marketed exclusively by the Company.

Product patent protection in the United States has expired for the

following human and animal pharmaceutical products: Aldomet, Aldoril (methyldopa

and hydrochlorothiazide), Amprol (amprolium), Blocadren (timolol maleate),

Clinoril, Decadron (dexamethasone), Diuril (chlorothiazide), Dolobid, Flexeril

(cyclobenzaprine hydrochloride), HydroDiuril (hydrochlorothiazide), Indocin,

Moduretic (amiloride HCl-hydrochlorothiazide), Sinemet, and TBZ and Thibenzole

(thiabendazole).

While the expiration of a product patent normally results in the loss of

marketing exclusivity for the covered product, commercial benefits may continue

to be derived from: (i) later-granted patents on processes and intermediates

related to the most economical method of manufacture of the active ingredient of

such product; (ii) patents relating to the use of such product; (iii) patents

relating to special compositions and formulations; and (iv) marketing

exclusivity that may be available under the PTRA. The effect of product patent

expiration also depends upon many other factors such as the nature of the market

and the position of the product in it, the growth of the market, the

complexities and economics of the process for manufacture of the active

ingredient of the product and the requirements of new drug provisions of the

Federal Food, Drug and Cosmetic Act or similar laws and regulations in other

countries.

The PTRA in the United States permits restoration of up to five years of

the patent term for new products to compensate for patent term lost during the

regulatory review process. Additionally, under the PTRA new chemical entities

approved after September 24, 1984 receive a period of five years' exclusivity

from the date of NDA approval, during which time an "abbreviated NDA" or "paper

NDA" may not be submitted to the FDA. Similarly, in the case of non-new chemical

entities approved after September 24, 1984, the applications for which include

the new data of clinical investigations conducted or sponsored by the applicant

essential to approval, no abbreviated NDA or paper NDA may become effective

before three years from NDA approval. However, the PTRA has also resulted in a

general increase in the number and use of generic products marketed in the

United States because the regulatory requirements for approval of generic

versions of off-patent pioneer drugs have significantly lessened. Additionally,

the PTRA has increased the incentive for abbreviated NDA applicants to challenge

the validity of U.S. patents claiming pioneer drugs because such a challenge

could result in an earlier effective approval date for the generic version of

the pioneer drug and a six-month period during which other generic versions of

the pioneer drug could not be marketed.

In Japan, a patent term restoration law enacted in 1988 provides, under

specific conditions, up to five years of additional patent life for

pharmaceuticals. In 1992, the Council of the European Communities published a

regulation which created supplementary protection certificates for medicinal

products. Thus, as of January 1993, certain medicinal products sold in the EU

became eligible for up to five years of market exclusivity after patent

expiration. However, this market exclusivity will expire throughout the EU 15

years after the first product approval in the EU. In February 1993, Canada

enacted Bill C91 which significantly modified Canadian patent

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law by eliminating compulsory licensing of pharmaceutical products after

December 20, 1991. Thus, patented pharmaceutical products will have market

exclusivity for the full 20-year patent life in Canada.

The North American Free Trade Agreement was passed in November 1993.

Pursuant to the agreement, Mexico improved its patent law to meet international

standards and to provide full patent protection to pharmaceutical products. The

General Agreement on Tariff and Trade negotiations were concluded in December

1993 and the U.S. implementing legislation was enacted in December 1994,

requiring certain changes in U.S. law by June 1995. This agreement requires

developing countries to upgrade their intellectual property laws to meet minimum

international standards and to provide full patent protection for pharmaceutical

products not later than the end of a ten-year transition period.

The Generic Animal Drug and Patent Term Restoration Act, enacted in

November 1988, provides for the extension of term of patents claiming new animal

drugs approved after enactment. This legislation also establishes a process by

which generic versions of new animal drugs can be approved via an Abbreviated

New Animal Drug Application procedure. The provisions of this legislation, in

general, are parallel to those found in the PTRA covering human health products.

Worldwide, all of the Company's important products are sold under

trademarks that are considered in the aggregate to be of material importance.

Trademark protection continues in some countries as long as used; in other

countries, as long as registered. Registration is for fixed terms and can be

renewed indefinitely.

Royalties received during 1994 on patent and know-how licenses and other

rights amounted to $76.0 million. The Company also paid royalties amounting to

$272.5 million in 1994 under patent and know-how licenses it holds.

Research and Development

The Company's business is characterized by the introduction of new products

or new uses for existing products through a strong research and development

program. Approximately 6,300 people are employed in the Company's research

activities. Expenditures for the Company's research and development programs

were $1,230.6 million in 1994, $1,172.8 million in 1993 and $1,111.6 million in

1992 and will be close to $1.3 billion in 1995. The Company maintains its

ongoing commitment to research over a broad range of therapeutic areas and

clinical development in support of new products. Total expenditures for the

period 1980 through 1994 exceeded $9.8 billion with a compound annual growth

rate of 13 percent. Costs incurred by the joint ventures in which the Company

participates, totaling $319.4 million in 1994, are not included in the Company's

consolidated research and development expenses.

The Company maintains a number of long-term exploratory and fundamental

research programs in biology and chemistry as well as research programs directed

toward product development. Projects related to human and animal health are

being carried on in various fields such as bacterial and viral infections,

cardiovascular functions, cancer, diabetes, inflammation, ulcer therapy, kidney

function, mental health, the nervous system, ophthalmic research, prostate

therapy, the respiratory system, bone diseases, animal nutrition and production

improvement, endoparasitic and ectoparasitic diseases and poultry genetics.

In the development of human and animal health products, industry practice

and government regulations in the United States and most foreign countries

provide for the determination of effectiveness and safety of new chemical

compounds through pre-clinical tests and controlled clinical evaluation. Before

a new drug may be marketed in the United States, recorded data on the experience

so gained are included in the NDA, the biological Product License Application or

the New Animal Drug Application to the FDA for the approval required. The

development of certain other products, such as insecticides, is also subject to

government regulations covering safety and efficacy in the United States and

many foreign countries. There can be no assurance that a compound that is the

result of any particular program will obtain the regulatory approvals necessary

for it to be marketed.

A new product for the Human and Animal Health segment resulting from this

research and development program for which a Product License Application was

submitted to the FDA in 1992 is Varivax, a vaccine for the prevention of

chickenpox. On March 17, 1995, the FDA

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licensed Varivax for use against chickenpox. In 1993, the Company submitted an

NDA for Pepcid AC, an over-the-counter form of the Company's ulcer medication

Pepcid, to be marketed by the Johnson & Johnson--Merck Consumer Pharmaceuticals

Co.

Employees

At the end of 1994, the Company had 47,500 employees worldwide, with 30,400

employed in the United States, including Puerto Rico. Approximately 25 percent

of the Company's worldwide employees are represented by various collective

bargaining groups.

Environmental Matters

The Company believes that it is in compliance in all material respects with

applicable environmental laws and regulations. The Company has maintained a

leadership role in supporting environmental initiatives and fostering pollution

prevention by actions including the elimination of, or application of best

available technology to, air emissions of carcinogens or suspect carcinogens by

the Company, which was accomplished in 1993. Projects are currently underway to

reduce all environmental releases of toxic chemicals by 90 percent by the end of

1995. In 1994, the Company incurred capital expenditures of approximately $76.2

million for environmental control facilities. Capital expenditures for this

purpose are forecasted to exceed $300.0 million for the years 1995 through 1999.

In addition, the Company's operating and maintenance expenditures for pollution

control were approximately $64.8 million in 1994. Expenditures for this purpose

for the years 1995 through 1999 are forecasted to exceed $380.0 million. The

Company is also remediating environmental contamination resulting from past

industrial activity at certain of its sites. Remediation expenditures were $24.1

million in 1994 and are estimated at $160.0 million for the years 1995 through

1999. The Company has been accruing for these costs. Management does not believe

that these expenditures should ultimately result in a material adverse effect on

the Company's financial position, results of operations, liquidity or capital

resources.

Geographic Area Information

The Company's operations outside the United States are conducted primarily

through subsidiaries. Sales by subsidiaries outside the United States were 32

percent of sales in 1994, 44 percent of sales in 1993 and 46 percent of sales in

1992. The decline in the percentage of sales outside the United States in 1994

is due to higher domestic sales resulting from the Medco acquisition.

The Company's worldwide business is subject to risks of currency

fluctuations, governmental actions and other governmental proceedings abroad.

The Company does not regard these risks as a deterrent to further expansion of

its operations abroad. However, the Company closely reviews its methods of

operations, particularly in less developed countries, and adopts strategies

responsive to changing economic and political conditions.

The ongoing integration of the European market is impacting businesses

operating within the EU, particularly on businesses such as the Company, which

maintain research facilities, manufacturing plants and marketing and sales

organizations in several different countries in the EU. The Company is in the

process of rationalizing its EU operations.

Over the years, the Company has divested and restructured to reduce its

operational exposure in countries where economic conditions or government

policies make it difficult to earn fair returns. At the same time, the Company

is actively pursuing opportunities in Latin America, Eastern Europe, Asia

Pacific and other regions where changes in government, fiscal and regulatory

policies are making it possible for the Company to earn fair economic returns.

While none of these actions individually has significantly affected operations,

the overall impact has been favorable.

Financial information about geographic areas of the Company's business is

incorporated by reference to page 48 of the Company's 1994 Annual Report to

stockholders.

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Item 2. Properties.

The Company's corporate headquarters is located in Whitehouse Station, New

Jersey. The human and animal health business is conducted through divisional or

subsidiary headquarters located in Montvale, New Jersey; Rahway, New Jersey;

Walpole, New Hampshire; West Point, Pennsylvania; and Woodbridge, New Jersey.

Principal research facilities for human and animal health products are located

in Rahway and West Point. The Company also has production facilities for human

and animal health products at 12 locations in the United States. Branch

warehouses are conveniently located to serve markets throughout the country.

Medco operates its primary businesses through owned or leased facilities in

various locations throughout the United States. Outside the United States,

through subsidiaries, the Company owns or has an interest in manufacturing

plants or other properties in most major countries of the free world.

Capital expenditures for 1994 were $1,009.3 million compared with $1,012.7

million for 1993. In the United States, these amounted to $772.1 million for

1994 and $759.7 million for 1993. Abroad, such expenditures amounted to $237.2

million for 1994 and $253.0 million for 1993.

The Company and its subsidiaries own their principal facilities and the

manufacturing plants under titles which they consider to be satisfactory. The

Company considers that its properties are in good operating condition and that

its machinery and equipment have been well maintained. Plants for the

manufacture of products are suitable for their intended purposes and have

capacities adequate for current and projected needs for existing Company

products. Some capacity of the plants is being converted, with any needed

modification, to the requirements of newly introduced and future products.

Item 3. Legal Proceedings.

The Company, including Medco, is party to in excess of 40 antitrust suits,

two of which are class actions, instituted by retail pharmacies alleging

conspiracies in restraint of trade and challenging the pricing and purchasing

practices of the Company and Medco, respectively. A significant number of other

pharmaceutical companies have also been sued in the same or similar litigation.

Most of these actions, except for several actions pending in California, Alabama

and Wisconsin state courts, have been consolidated for pre-trial purposes in the

United States District Court for the Northern District of Illinois. While it is

not feasible to predict the outcome of these proceedings, in the opinion of the

Company, such proceedings should not ultimately result in any liability which

would have a material adverse effect on the financial position, liquidity or

results of operations of the Company. In addition, prior to the Company's merger

with Medco, the Company and Medco were named in an action by a retail pharmacy

seeking to enjoin such merger. This proceeding was settled by the Company in

March 1995. The settlement includes a consent order that imposes certain

restrictions on the exchange of information between the Company and Medco and

requires that Medco offer an open formulary. In the opinion of the Company,

compliance with the consent order will not have a material adverse effect on the

financial position, liquidity or results of operations of the Company.

The Company is a party to a number of proceedings brought under the

Comprehensive Environmental Response, Compensation and Liability Act, commonly

known as Superfund. These proceedings seek to require the operators of hazardous

waste disposal facilities, transporters of waste to the sites and generators of

hazardous waste disposed of at the sites to clean up the sites or to reimburse

the government for cleanup costs. The Company has been made a party to these

proceedings as an alleged generator of waste disposed of at the sites. In each

case, the government alleges that the defendants are jointly and severally

liable for the cleanup costs. Although joint and several liability is alleged,

these proceedings are frequently resolved so that the allocation of cleanup

costs among the parties more nearly reflects the relative contributions of the

parties to the site situation. The Company's potential liability varies greatly

from site to site. For some sites the potential liability is de minimis and for

others the costs of cleanup have not yet been determined. While it is not

feasible to predict the outcome of many of these proceedings brought by state

agencies or private litigants, in the opinion of the Company, such proceedings

should not ultimately result in any liability which would have a material

adverse effect on the financial position, results of operations, liquidity or

capital resources of the Company. The Company has accrued for these costs and

such accruals do not include any reduction for anticipated recoveries of cleanup

costs from former site owners or operators or other recalcitrant potentially

responsible parties.

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In March 1991, the Company reached agreement with the New Jersey Department

of Environmental Protection ("DEP") to settle a proceeding, commenced in

September 1989, regarding alleged violations by the Company of discharge

limitations in two permits for its Rahway, New Jersey site. The Administrative

Consent Order ("ACO") settling this matter provided that improvements to the

site's wastewater and stormwater discharge systems be completed no later than

November 1, 1994. In addition to equipment improvements made to the site's

wastewater discharge system, the Company also initiated a comprehensive

stormwater investigation to determine the causes for the alleged stormwater

contamination. In response to the study's findings that some of the limits set

in the original permit were not technically achievable, DEP issued a new

discharge permit to the Rahway site on November 1, 1994, effective January 1,

1995. Issuance of the new permit satisfies the remaining requirements of the

ACO.

A consent decree was entered into in July 1993 between Kelco Division and

the State of California in settlement of allegations by the State that Kelco's

San Diego facility had violated its wastewater discharge permit pH limits. The

consent decree provided that Kelco pay penalties of $200,000 for alleged past

violations and that the San Diego facility continuously monitor its wastewater

discharges to the sewerage authority and demonstrate continuous compliance with

its permit pH limits for a period of one year. Kelco recently satisfied the

terms of the consent decree and the Court entered an order terminating the

consent decree on December 23, 1994.

In May 1994, Kelco received a Notice of Violation from Environmental

Protection Agency Region 9 alleging that Kelco failed to obtain agency

pre-construction approvals required by the Clean Air Act for physical and/or

process modifications made at its San Diego facility. It is likely that any

final settlement of these and other possible violations will require the

installation of additional pollution reduction equipment as well as the payment

of a fine of approximately $1.5 million.

In December 1994, the Federal Trade Commission requested the Company to

produce documents and information in connection with a non-public investigation

concerning the pharmacy benefit management business. Although it is not feasible

to predict the outcome of this proceeding, it is the opinion of management that

its outcome will not have a material adverse effect on the financial position,

liquidity or results of operations of the Company.

There are various other legal proceedings, principally product liability

and intellectual property suits, which are pending against the Company. While it

is not feasible to predict the outcome of these proceedings, in the opinion of

the Company, all such proceedings are either adequately covered by insurance or,

if not so covered, should not ultimately result in any liability which would

have a material adverse effect on the financial position, liquidity or results

of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

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Executive Officers of the Registrant (as of March 1, 1995)

RAYMOND V. GILMARTIN -- Age 54

November, 1994 -- Chairman of the Board, President and Chief Executive

Officer

June, 1994 -- President and Chief Executive Officer

Prior to June, 1994, Mr. Gilmartin was President and Chief Executive

Officer (1989 to 1992) and Chairman, President and Chief Executive

Officer (1992 to 1994) of Becton Dickinson and Company (medical

supplies and devices and diagnostic systems).

DAVID W. ANSTICE -- Age 46

September, 1994 -- President, Human Health-U.S./Canada--responsible for

the Company's prescription drug business in the United States and

Canada, worldwide coordination of marketing policies and medical and

scientific affairs

January, 1994 -- President, Human Health-Europe

January, 1993 -- Senior Vice President, Merck Human Health Division

(MHHD)-Europe

April, 1991 -- Senior Vice President, MHHD and President, U.S. Human

Health

July, 1989 -- Vice President, Marketing, Merck Sharp & Dohme Division

CELIA A. COLBERT -- Age 38

November, 1993 -- Secretary and Assistant General Counsel

September, 1993 -- Secretary

February, 1993 -- Secretary, New Products Committee

October, 1992 -- Counsel, Corporate Staff

May, 1991 -- Associate Counsel, Corporate Staff

November, 1988 -- Senior Attorney, Corporate Staff

CLIFFORD S. CRAMER -- Age 43

July, 1993 -- Vice President, Planning and Development -- responsible

for strategic planning and external growth activities

April, 1990 -- Executive Director, Corporate Development

June, 1987 -- Senior Director, Corporate Development

STEVEN M. DARIEN -- Age 52

April, 1990 -- Vice President, Human Resources

May, 1989 -- Vice President, Worldwide Personnel

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CAROLINE DORSA -- Age 35

January, 1994 -- Treasurer

July, 1993 -- Executive Director, Customer Marketing, U. S. Human Health

(USHH)

June, 1992 -- Executive Director, Pricing and Strategic Planning, USHH

April, 1990 -- Executive Director, Financial Evaluation and Analysis

June, 1989 -- Director, Pension and Benefits Investment

R. GORDON DOUGLAS JR. -- Age 60

January, 1994 -- President, Merck Vaccines--responsible for all

functional areas, including development, manufacture and marketing, of

the vaccines business

April, 1991 -- President, Merck Vaccine Division

October, 1989 -- Senior Vice President, Medical & Scientific Affairs

KENNETH C. FRAZIER -- Age 40

April, 1994 -- Vice President, Public Affairs

May, 1992 -- Vice President, General Counsel and Secretary, Astra/Merck

Group

Prior to May, 1992, Mr. Frazier was a partner at the law firm Drinker,

Biddle & Reath for more than five years.

BERNARD J. KELLEY -- Age 53

December, 1993 -- President, Merck Manufacturing Division (MMD)

August, 1993 -- Senior Vice President, Operations, MMD

September, 1991 -- Senior Vice President, Administration, Planning and

Quality, MMD

September, 1989 -- Vice President, Business Affairs, Merck AgVet Division

JUDY C. LEWENT -- Age 46

September, 1994 -- Senior Vice President and Chief Financial Officer--

responsible for financial and public affairs functions, The Merck

Company Foundation, internal auditing and the Company's joint venture

relationships

December, 1993 -- Senior Vice President and Chief Financial Officer--

responsible for financial and public affairs functions and The Merck

Company Foundation

June, 1993 -- Senior Vice President, Chief Financial Officer and

Controller

January, 1993--Senior Vice President and Chief Financial Officer

April, 1990 -- Vice President, Finance and Chief Financial Officer

October, 1987 -- Vice President and Treasurer

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HENRI LIPMANOWICZ -- Age 56

January, 1995 -- President, Human Health-Intercontinental Region and

Japan--responsible for the Company's prescription drug operations in

the Near East, the Far East, Eastern Europe, Africa, Latin America,

Australia, New Zealand and Japan

January, 1994 -- President, Human Health-Merck Intercontinental Region

(MIR)/Japan

June, 1991 -- Senior Vice President, MIR, Merck Human Health Division

April, 1989 -- Vice President, Mid-Europe, Merck Sharp & Dohme

International Division

PER G. H. LOFBERG -- Age 47

January, 1994 -- President, Merck-Medco Managed Care Division

April, 1991 -- Senior Executive Vice President, Strategic Planning and

Marketing, Medco Containment Services, Inc. (Medco)

Prior to April, 1991, Mr. Lofberg was an executive officer of Medco for

more than five years.

MARY M. MCDONALD -- Age 50

January, 1993 -- Senior Vice President and General Counsel

April, 1991 -- Vice President and General Counsel

May, 1990 -- Assistant General Counsel and Counsel, Merck Sharp & Dohme

International Division

November, 1986 -- Assistant General Counsel, Corporate Staff

PETER E. NUGENT -- Age 52

September, 1993 -- Vice President, Controller

July, 1989 -- Vice President, Corporate Taxes

JOHN M. PRESTON -- Age 48

April, 1993 -- President, Merck AgVet Division

July, 1992 -- Executive Vice President, Merck AgVet Division

September, 1991 -- Vice President, Business Affairs, MSD AGVET Division

February, 1991 -- Executive Director, Technical Services, MSD AGVET

Division

September, 1987 -- Executive Director, Animal Science Research, Merck

Sharp & Dohme Research Laboratories

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EDWARD M. SCOLNICK -- Age 54

September, 1994 -- Executive Vice President, Science and Technology and

President, Merck Research Laboratories (MRL) -- responsible for

worldwide research function and activities of Merck Manufacturing

Division, computer resources and corporate licensing

December, 1993 -- Executive Vice President, Science and Technology and

President, MRL -- responsible for worldwide research function and

activities of Merck Manufacturing Division and computer resources

January, 1993 -- Executive Vice President and President, MRL --

responsible for worldwide research function and activities of Merck

AgVet Division and computer resources

April, 1991 -- Senior Vice President and President, MRL -- responsible

for worldwide research function and activities of Merck Frosst Canada,

Inc.

May, 1985 -- President, Merck Sharp & Dohme Research Laboratories

Division

BENNETT M. SHAPIRO -- Age 55

September, 1990 -- Executive Vice President, Worldwide Basic Research,

Merck Research Laboratories

Prior to September, 1990, Dr. Shapiro was Professor, Department of

Biochemistry, University of Washington for more than five years.

PER WOLD-OLSEN -- Age 47

September, 1994 -- President, Human Health-Europe -- responsible for the

Company's European prescription drug business

January, 1994 -- Senior Vice President, Worldwide Human Health Marketing

September, 1991 -- Senior Vice President, Human Health Marketing, Merck

Human Health Division (MHHD)

June, 1991 -- Vice President, Human Health Marketing, MHHD

January, 1990 -- Regional Director-Scandinavia and Vice President, MSD

Europe

All officers listed above serve at the pleasure of the Board of Directors.

None of these officers was elected pursuant to any arrangement or understanding

between the officer and the Board. There are no family relationships among the

officers listed above.

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PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder

Matters.

The information required for this item is incorporated by reference to

pages 37 and 50 of the Company's 1994 Annual Report to stockholders.

Item 6. Selected Financial Data.

The information required for this item is incorporated by reference to the

data for the last five fiscal years of the Company included under Results for

Year and Year-End Position in the Selected Financial Data included on page 50 of

the Company's 1994 Annual Report to stockholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results

of Operations.

The information required for this item is incorporated by reference to

pages 29 through 37 of the Company's 1994 Annual Report to stockholders.

Item 8. Financial Statements and Supplementary Data.

(a) Financial Statements

The consolidated balance sheet of Merck & Co., Inc. and subsidiaries as of

December 31, 1994 and 1993, and the related consolidated statements of income,

retained earnings and cash flows for each of the three years in the period ended

December 31, 1994 and the report dated January 24, 1995 of Arthur Andersen LLP,

independent public accountants, are incorporated by reference to pages 38

through 48 and page 49 of the Company's 1994 Annual Report to stockholders.

(b) Supplementary Data

Selected quarterly financial data for 1994 and 1993 are incorporated by

reference to page 37 of the Company's 1994 Annual Report to stockholders.

Item 9. Changes in and Disagreements with Accountants on Accounting and

Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The required information on directors and nominees is incorporated by

reference to pages 2 (beginning with the caption "Election of Directors") -5 of

the Company's Proxy Statement for the Annual Meeting of Stockholders to be held

April 25, 1995. Information on executive officers is set forth in Part I of this

document on pages 11-14.

Item 11. Executive Compensation.

The information required for this item is incorporated by reference to

pages 7 and 13-19 of the Company's Proxy Statement for the Annual Meeting of

Stockholders to be held April 25, 1995.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required for this item is incorporated by reference to

pages 8-9 of the Company's Proxy Statement for the Annual Meeting of

Stockholders to be held April 25, 1995.

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Item 13. Certain Relationships and Related Transactions.

The information required for this item is incorporated by reference to page

7 (under the caption "Relationships with Outside Firms") of the Company's Proxy

Statement for the Annual Meeting of Stockholders to be held April 25, 1995.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Documents filed as part of this Form 10-K

Financial Statements:

Consolidated statement of income for the years ended December 31,

1994, 1993 and 1992

Consolidated statement of retained earnings for the years ended

December 31, 1994, 1993 and 1992

Consolidated balance sheet, December 31, 1994 and 1993

Consolidated statement of cash flows for the years ended December

31, 1994, 1993 and 1992

Notes to financial statements

Report of independent public accountants

This information is incorporated by reference to the Company's 1994 Annual

Report to stockholders, as noted on page 15 of this document.

The registrant is primarily an operating company and all of the

subsidiaries included in the consolidated financial statements filed are wholly

owned except for minority interests in six consolidated subsidiaries.

Schedules are omitted because they are either not required or not

applicable.

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(b) Exhibits

Exhibit

Number Description Method of Filing

------ ----------- ----------------

2 -- Agreement and Plan of Merger By and Incorporated by reference to Regis-

Among Merck & Co., Inc., M Acquisition tration Statement on Form S-4

Corp. and Medco Containment Services, (No. 33-50667)

Inc., as amended

3(a) -- Restated Certificate of Incorporation of \*

Merck & Co., Inc. (May 6, 1992)

3(b) -- By-Laws of Merck & Co., Inc. (as amended Filed with this document

effective June 9, 1994)

10(a) -- Executive Incentive Plan (as amended Filed with this document

effective February 23, 1994)

10(b) -- 1981 Incentive Stock Option Plan \*

(as amended effective May 6, 1992)

10(c) -- 1981 Nonqualified Stock Option Plan (as \*

amended effective May 6, 1992)

10(d) -- 1987 Incentive Stock Plan (as amended \*

effective May 6, 1992)

10(e) -- 1991 Incentive Stock Plan (as amended Filed with this document

effective February 23, 1994)

10(f) -- Non-Employee Directors Stock Option Plan \*

(as adopted on April 28, 1992 and

restated May 6, 1992)

10(g) -- Supplemental Retirement Plan (as amended Filed with this document

effective January 1, 1995)

10(h) -- Retirement Plan for the Directors of \*

Merck & Co., Inc. (as adopted on

September 22, 1987, effective

April 29, 1987)

10(i) -- Plan for Deferred Payment of Directors' Filed with this document

Compensation (as amended effective

April 1, 1994)

10(j) -- Medco 1991 Class B Stock Option Plan, as \*\*

amended

10(k) -- Medco Class A 1983 Non-Qualified Stock \*\*

Option Plan

10(l) -- Form of Stock Option Agreement \*\*

dated October 14, 1992 between Medco

and Per G.H. Lofberg (together with a list

showing the number of options held)

10(m) -- Employment Agreement between Per G.H. \*\*\*

Lofberg and Medco dated April 1, 1993

10(n) -- Employment Agreement between Raymond V. Incorporated by reference to Form

Gilmartin and the Company dated 10-Q Quarterly Report for the

June 9, 1994 period ended June 30, 1994

11 -- Computation of Earnings per Common Share Filed with this document

12 -- Computation of Ratios of Earnings to Fixed Filed with this document

Charges

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Exhibit

Number Description Method of Filing

------ ----------- ----------------

13 -- 1994 Annual Report to stockholders (only Filed with this document

those portions incorporated by reference in

this document are deemed "filed")

21 -- List of subsidiaries Filed with this document

24 -- Power of Attorney and Certified Resolution Filed with this document

of Board of Directors

27 -- Financial Data Schedule Filed with this document

- --------------

\* Incorporated by reference to Form 10-K Annual Report for the fiscal year ended December 31, 1992

\*\* Incorporated by reference to Post Effective Amendment No. 1 to Registration Statement on Form S-8 to

Form S-4 Registration Statement (No. 33-50667)

\*\*\* Incorporated by reference to Form 10-K Annual Report of Medco Containment Services, Inc. for the fiscal

year ended June 30, 1993

None of the instruments defining the rights of holders of long-term debt of

the Company and its subsidiaries (Exhibit Number 4) are being filed since the

total amount of securities authorized under any of such instruments taken

individually does not exceed 10 percent of the total assets of the Company and

its subsidiaries on a consolidated basis. The Company agrees to furnish a copy

of such instruments to the Commission upon request.

Copies of the exhibits may be obtained by stockholders upon written request

directed to the Stockholder Services Department, Merck & Co., Inc., P.O. Box

100--WS 3AB-40, Whitehouse Station, New Jersey 08889-0100 accompanied by check

in the amount of $5.00 payable to Merck & Co., Inc. to cover processing and

mailing costs.

(c) Reports on Form 8-K

During the three-month period ended December 31, 1994, the Company filed

two Current Reports on Form 8-K:

(i) In a report dated November 1, 1994 and filed November 7, 1994, the

Company announced (1) Astra AB paid the Company $820 million for an

interest in a joint venture, to be carried on in Astra Merck Inc. and (2)

the signing of a definitive agreement for the sale of the Company's Calgon

Vestal Laboratories business to Bristol-Myers Squibb.

(ii) In a report dated December 20, 1994 and filed December 28, 1994,

the Company announced the signing of a definitive agreement for the sale of

its Kelco business to Monsanto Company.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities

Exchange Act of 1934, the registrant has duly caused this report to be signed on

its behalf by the undersigned, thereunto duly authorized.

MERCK & CO., INC.

Dated: March 21, 1995

By RAYMOND V. GILMARTIN

(Chairman of the Board,

President and Chief

Executive Officer)

By /s/ CELIA A. COLBERT

--------------------

Celia A. Colbert

(Attorney-in-Fact)

Pursuant to the requirements of the Securities Exchange Act of 1934, this

report has been signed below by the following persons on behalf of the

registrant and in the capacities and on the dates indicated.

Signatures Title Date

---------- ----- ----

RAYMOND V. GILMARTIN Chairman of the Board, March 21, 1995

President and Chief Executive

Officer; Principal Executive

Officer; Director

JUDY C. LEWENT Senior Vice President and Chief March 21, 1995

Financial Officer; Principal

Financial Officer

PETER E. NUGENT Vice President, Controller; March 21, 1995

Principal Accounting Officer

H. BREWSTER ATWATER, JR. Director March 21, 1995

DEREK BIRKIN Director March 21, 1995

LAWRENCE A. BOSSIDY Director March 21, 1995

WILLIAM G. BOWEN Director March 21, 1995

JOHNNETTA B. COLE Director March 21, 1995

CAROLYNE K. DAVIS Director March 21, 1995

LLOYD C. ELAM Director March 21, 1995

CHARLES E. EXLEY, JR. Director March 21, 1995

WILLIAM N. KELLEY Director March 21, 1995

DENNIS WEATHERSTONE Director March 21, 1995

Celia A. Colbert, by signing her name hereto, does hereby sign this

document pursuant to powers of attorney duly executed by the persons named,

filed with the Securities and Exchange Commission as an exhibit to this

document, on behalf of such persons, all in the capacities and on the date

stated, such persons including a majority of the directors of the Company.

By /s/ CELIA A. COLBERT

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Celia A. Colbert

(Attorney-in-Fact)

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CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation

of our report, incorporated by reference in this Form 10-K, into the Company's

previously filed Registration Statements on Form S-8 (Nos. 33-21087, 33-21088,

33-36101, 33-40177, 33-51235 and 33-53463), on Form S-4 (No. 33-50667) and on

Form S-3 (Nos. 33-39349, 33-60322, 33-51785 and 33-57421). It should be noted

that we have not audited any financial statements of the Company subsequent to

December 31, 1994 or performed any audit procedures subsequent to the date of

our report.

ARTHUR ANDERSEN LLP

New York, New York

March 21, 1995

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EXHIBIT INDEX

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