AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 19, 1997

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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 [No Fee Required]

 For the Fiscal Year Ended December 31, 1996

 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

 MERCK & CO., INC.

 One Merck Drive

 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

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 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, 1997: 1,209,992,221.

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

affiliates on December 31, 1996 based on closing price on February 28, 1997:

$111,113,000,000.

 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. [\_]

 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, 1996

 Proxy Statement for the Annual Meeting of Part III

 Stockholders to be held April 23, 1997

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 PART I

ITEM 1. BUSINESS.

 Merck & Co., Inc. is a leading research-driven pharmaceutical company that

discovers, develops, manufactures and markets a broad range of human and animal

health products and services. The Company's industry segment is the Human and

Animal Health Products and Services segment, which includes Merck-Medco Managed

Care, L.L.C. (formerly Medco Containment Services, Inc.) ("Merck-Medco"),

acquired in November 1993.

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

products and services:

 ($ IN MILLIONS) 1996 1995 1994

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Elevated cholesterol $ 4,055.9 $ 3,211.1 $ 2,599.0

Hypertension/heart failure 3,512.4 3,021.3 2,752.6

Anti-ulcerants 1,143.6 1,019.8 1,565.7

Antibiotics 822.3 848.3 827.4

Ophthalmologicals 693.1 570.6 482.3

Vaccines/biologicals 586.8 529.9 485.3

Benign prostatic hyperplasia 450.1 405.8 322.7

Osteoporosis 281.8 45.2 4.6

Other Merck human health 71.3 221.3 376.7

Other human health 7,167.3 5,726.7 4,103.9

Animal health/crop protection 1,044.1 1,041.9 1,027.4

Specialty chemical - 39.2 422.2

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 Total $19,828.7 $16,681.1 $14,969.8

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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

elevated cholesterol products, which include Zocor (simvastatin) and Mevacor

(lovastatin); hypertension/heart failure products which include Vasotec

(enalapril maleate), the largest-selling product among this group, Prinivil

(lisinopril) and Vaseretic (enalapril maleate and hydrochlorothiazide), as well

as Cozaar (losartan potassium) and Hyzaar (losartan potassium and

hydrochlorothiazide), both of which were launched in 1995; anti-ulcerants, of

which Pepcid (famotidine) is the largest-selling, succeeding Prilosec

(omeprazole), the largest-selling prior to its 1994 transfer to the Astra Merck

joint venture; antibiotics, of which Primaxin (imipenem and cilastatin sodium)

and Noroxin (norfloxacin) are the largest-selling; ophthalmologicals, of which

Timoptic (timolol maleate), Timoptic-XE (timolol maleate ophthalmic gel forming

solution) and Trusopt (dorzolamide hydrochloride) are the largest-selling;

vaccines/biologicals, of which M-M-R II (measles, mumps and rubella virus

vaccine live), Recombivax HB (hepatitis B vaccine recombinant) and Varivax

(varicella virus vaccine live (Oka/Merck)), a live virus vaccine for the

prevention of chickenpox, are the largest-selling; benign prostatic hyperplasia,

which includes Proscar (finasteride), a treatment for symptomatic benign

prostate enlargement; osteoporosis, which includes Fosamax (alendronate sodium),

for treatment in postmenopausal women, launched in the United States in October

1995; and other Merck human health products, which include Crixivan (indinavir

sulfate), an HIV protease inhibitor, cleared for marketing in the United States

by the U.S. Food and Drug Administration ("FDA") in March 1996, anti-

inflammatories/analgesics, psychotherapeutics and a muscle relaxant. Also

included in this category are rebates and discounts on Company pharmaceutical

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

products and Merck-Medco human health services, principally managed prescription

drug programs.

 Animal health/crop protection products include medicinals used to control

and alleviate 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. The animal

health/crop protection group also includes crop protection products,

coccidiostats for the treatment of poultry diseases, and poultry breeding stock.

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

exploration, paper, textiles and personal care. All specialty chemical

businesses were fully divested by the first quarter of 1995.

 2

 In January 1996, the Company submitted a New Drug Application ("NDA") to

the FDA for Crixivan. On March 1, 1996, an FDA Advisory Committee recommended

that the FDA, under the provisions of an accelerated review process, clear

Crixivan for marketing. On March 13, 1996, the FDA cleared Crixivan for

marketing in the United States for treatment of HIV infection in adults when

antiretroviral therapy is warranted. In April 1996, Vaqta (hepatitis A

vaccine), a new vaccine for the prevention of hepatitis A, was cleared for

marketing and launched in the United States. The Company has also submitted

licensing applications for Vaqta in Canada, China, the United Kingdom and

Germany (where it was cleared and launched in 1995). The Company filed on April

29, 1996 a supplement with the FDA for a new indication for Fosamax for the

prevention of osteoporosis in postmenopausal women. In February 1997, an FDA

Advisory Committee unanimously recommended that the FDA clear for marketing

Fosamax for this new indication. The FDA is not bound by the decision of its

advisory committee. Fosamax is licensed to the Company by Istituto Gentili of

Italy. On October 4, 1996, the FDA cleared Comvax (haemophilus b conjugate

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(meningococcal protein conjugate) and hepatitis B (recombinant) vaccine), a

combination vaccine indicated for protection against diseases caused by

haemophilus influenzae type b and hepatitis B, for marketing in the United

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States.

 Divestitures -- 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. The decision to divest these specialty chemicals businesses, which

were not significant to the Company's financial position, liquidity or results

of operations, reflects the Company's intention to focus its resources more

fully on its core human and animal health business. Following these

divestitures, the Company is no longer engaged in the specialty chemicals

business.

 In a continued effort to focus on its core business, in October 1995, the

Company sold Medco Behavioral Care Corporation ("MBC"), a managed mental health

care service business which was acquired as part of Medco, to MBC management and

Kohlberg Kravis Roberts & Co. for $340.0 million.

 Strategic Alliances -- In 1982, the Company entered into an agreement with

Astra AB ("Astra") to develop and market Astra products in the United States.

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

business carried on by Astra Merck Inc., in which the Company and Astra each own

a 50% share. The joint venture develops and markets Astra's new prescription

medicines in the United States. Joint venture sales consist primarily of

Prilosec, the first of a class of medications known as proton pump inhibitors

which slow the production of acid from the cells of the stomach lining. In

December 1996, the FDA cleared Prilosec for use as initial therapy in the

treatment of heartburn and other symptoms associated with gastroesophageal

reflux disease.

 In 1989, the Company formed a joint venture with Johnson & Johnson to

develop, market and manufacture consumer healthcare products in the United

States. In April 1995, the joint venture obtained FDA clearance in the United

States for marketing Pepcid AC Acid Controller (famotidine), an over-the-counter

form of the Company's ulcer medication Pepcid. This 50% owned joint venture was

expanded into Europe in 1993, and Canada in 1996. The European extension

currently markets and sells over-the-counter pharmaceutical products in France,

Germany, 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 1991, the Company and E.I. du Pont de Nemours and Company ("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 and is providing administrative

services. The Company contributed cash and European marketing rights to several

of its prescription medicines and is providing research and development funding

and expertise and international industry expertise. 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.

 3

 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 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 Company contractual commitments. This obligation

was discharged in 1996.

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

Connaught Laboratories, Inc. ("Connaught"), recently renamed Pasteur Merieux

Connaught USA ("PMC USA"), an affiliate of Pasteur Merieux Serums et Vaccins

("Pasteur Merieux"), recently renamed Pasteur Merieux Connaught ("PMC"), which

is part of the Rhone-Poulenc group, 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,

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tetanus, pertussis and poliomyelitis. In addition, the Company and Connaught

have agreed that PMC USA will promote selected Company vaccine products.

 In 1994, the Company, through the Merck Vaccine Division, and PMC formed 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. The Company and PMC contributed, among other

things, 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 made certain undertakings in return for an

exemption from European Competition Law, effective until December 2006. 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.

 In 1995, Merck-Medco entered into a joint venture with Wyeth-Ayerst

Laboratories, a division of American Home Products Corporation, to develop,

market and implement health management programs for certain conditions,

including several involving women's health. The joint venture company,

Innovative Health Solutions, L.P., will introduce its first health management

programs in 1997.

 In December 1996, Merck and Rhone-Poulenc announced plans to combine their

respective animal health and poultry genetics businesses to form an equally

owned joint venture to be called Merial. The joint venture, which is subject to

approval by European, French and U.S. authorities, is expected to be fully

operational by the second quarter of 1997. The Company also announced in

December 1996 that it intends to divest its crop protection business.

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

highly competitive and, in many cases, highly regulated. 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 diseases typically increases over time 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

 4

have significantly reduced the sales of certain of the Company's products no

longer protected by patents, such as Clinoril (sulindac) 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 (diflunisal). 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 wholly-owned subsidiary of The DuPont Merck

Pharmaceutical Company, effectively transferring most of its generics business

to Endo.

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

Merck-Medco competes with other pharmacy benefit managers, insurance companies

and other providers of health care and/or administrators of healthcare programs.

Merck-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 7.

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

increases of its human health products in the United States to the projected

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

net weighted average price change for all human health products to the projected

general rate of inflation as measured by the CPI.

 Distribution -- The Company sells its human health products to drug

wholesalers and retailers, hospitals, clinics, government agencies and managed

healthcare providers such as health maintenance organizations and other

institutions. The Company's professional representatives communicate the

effectiveness, safety and value of the Company's products to healthcare

professionals in private practice, group practices and managed-care

organizations. Animal health/crop protection products are sold to

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 collects 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 healthcare system, either nationally or at the state

level. Although a federal reform bill has not been enacted by Congress, some

states have passed reform legislation and further federal and state developments

are expected. In 1995, Congress did pass certain measures, which were vetoed by

President Clinton, restructuring the existing Medicaid program and substituting

block grants to the states for many federal entitlements, including the Vaccines

for Children program. The debate on reforms to the healthcare system will be

protracted. 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

 5

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 Group(s) ("DRG"). A hospital receives the flat rate as full

payment for each Medicare patient treated within a given DRG regardless of

whether the hospital's actual costs are higher or lower than the flat rate. This

system and other cost-cutting programs have caused hospitals, health maintenance

organizations 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% off average manufacturer's

price ("AMP") through September 30, 1992, and has received a minimum rebate of

15.1% off AMP since January 1, 1996, 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, superseding 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% 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 five CDC contracts in 1996 for the supply of its pediatric

vaccines for this program.

 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, wholesale

distribution and approval for marketing 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 actions. 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

 6

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 healthcare programs.

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

governing its operation and the licensing of and standards of professional

practice by its pharmacists. These regulations are issued by an administrative

body in each state (typically, a pharmacy board), which is empowered to impose

sanctions for non-compliance. The policies and procedures of the Company comply

with these regulations.

 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), Cozaar, Crixivan,

Enacard (enalapril maleate) for use in dogs, ivermectin-containing products,

Fosamax, Hyzaar, Mefoxin (cefoxitin sodium), Mevacor, Noroxin, PedvaxHIB

(haemophilus b conjugate vaccine), Pepcid, Primaxin, Proscar, Timoptic, Trusopt,

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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

(cyclobenza-prine hydrochloride), HydroDiuril (hydrochlorothiazide), Indocin

(indomethacin), Moduretic (amiloride HCl and hydrochlorothiazide), Sinemet

(carbidopa and levodopa), 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.

 7

 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 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 ("GATT") negotiations were concluded in

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

1994. The required changes in U.S. law became effective in June 1995. The GATT

implementing law changed the patent term of new inventions to 20 years from the

date of patent filing. Existing patents were granted a patent term of the

greater of 17 years from issue or 20 years from filing. Patents on several

products of the Company obtained longer life as a result. In a related matter,

the Company and several other research-based pharmaceutical companies received a

favorable ruling from a Federal District Court in a lawsuit which challenged the

U.S. Patent and Trademark Office ("PTO") and the FDA on their interpretation of

the new law. The Court held that the PTO and FDA were in error in interpreting

the GATT implementing legislation to disallow the adding of previously obtained

patent term restoration (as compensation for regulatory delays) to the new GATT

20-year term. Patents on several products of the Company are impacted. The

favorable ruling of the Federal District Court was affirmed on appeal to the

Federal Circuit Court. A petition for a writ of certiorari to the U.S. Supreme

Court filed by other companies was recently denied.

 The GATT agreement also requires 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. Many countries are in the process of upgrading their patent

laws due to the GATT agreement.

 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 1996 on patent and know-how licenses and other

rights amounted to $105.9 million. The Company also paid royalties amounting to

$214.7 million in 1996 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 6,995 people are employed in the Company's research

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

were $1,487.3 million in 1996, $1,331.4 million in 1995 and $1,230.6 million in

1994 and will be approximately $1.7 billion in 1997. 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 1987 through 1996 exceeded $10.0 billion with a compound annual growth

rate of 12%. Research and development costs incurred by the joint ventures in

which the Company participates, totaling $440.7 million in 1996, are not

included in the Company's consolidated research and development expenses.

 8

 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.

 New product candidates resulting from this research and development program

include Propecia (finasteride), a treatment for male pattern baldness, for which

the Company submitted an NDA to the FDA in December 1996; Singulair (montelukast

sodium), an oral leukotriene D4 receptor antagonist for the treatment of

asthma, for which the Company filed an NDA with the FDA on February 21, 1997;

Aggrastat (tirofiban hydrochloride), an intravenous platelet blocker for the

treatment of cardiovascular disorders; Maxalt (rizatriptan), a migraine

treatment; and Cosopt (dorzolamide hydrochloride and timolol maleate), a

combination of Timoptic-XE and Trusopt. Other products in development include

an oral growth hormone secretagogue, a new product to treat arthritis pain and

inflammation, an injectable antibiotic, an antifungal agent and certain new

vaccines.

 All product or service marks appearing in type form different from that of

the surrounding text are trademarks or service marks owned by or licensed to

Merck & Co., Inc., its subsidiaries or affiliates; except that Cozaar and Hyzaar

are registered trademarks of E.I. du Pont de Nemours and Company, Wilmington,

DE.

EMPLOYEES

 At the end of 1996, the Company had 49,100 employees worldwide, with 30,400

employed in the United States, including Puerto Rico. Approximately 29.5% 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 the application of best

available technology to reduce air emissions of known or suspect carcinogens at

its facilities worldwide. In 1996, the Company evaluated emission data reported

in accordance with Superfund Amendments and Reauthorization Act ("SARA")

regulations to the Environmental Protection Agency ("EPA") as adjusted for

foreign operations using SARA criteria to determine if the voluntary goal of a

90% reduction from a 1987 baseline of emissions had been attained. Despite a 60%

increase in production since 1987, the Company did reduce emissions 90% from the

baseline year. In 1996, the Company incurred capital expenditures of

approximately $29.2 million for environmental protection facilities. Capital

expenditures for this purpose are forecasted to exceed $350.0 million for the

years 1997 through 2001. In addition, the Company's operating and maintenance

expenditures for pollution control were approximately $78.4 million in 1996.

Expenditures for this purpose for the years 1997 through 2001 are forecasted to

exceed $492.0 million. The Company is also remediating environmental

contamination resulting from past industrial activity at certain of its sites.

Expenditures for environmental purposes were $18.9 million in 1996 and are

estimated at $136.0 million for the years 1997 through 2001. The Company has

taken an active role in identifying and providing for these costs; and

therefore, management does not believe that these expenditures should result in

a materially adverse effect on the Company's financial position, results of

operations, liquidity or capital resources.

 9

GEOGRAPHIC AREA INFORMATION

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

through subsidiaries. Sales by subsidiaries outside the United States were 30%

of sales in 1996 and 32% of sales in 1995 and 1994.

 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 and adopts strategies responsive to changing economic and political

conditions.

 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 53 of the Company's 1996 Annual Report to

stockholders.

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 provide services throughout the country.

Merck-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 Australia, Canada, countries in Western Europe,

Central and South America, Africa and the Far East.

 Capital expenditures for 1996 were $1,196.7 million compared with $1,005.5

million for 1995. In the United States, these amounted to $937.8 million for

1996 and $793.5 million for 1995. Abroad, such expenditures amounted to $258.9

million for 1996 and $212.0 million for 1995.

 The Company and its subsidiaries own their principal facilities and

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 and projected 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 Merck-Medco, is party to a number of antitrust

suits, certain of which have been certified as class actions, instituted by most

of the nation's retail pharmacies and consumers in several states, alleging

conspiracies in restraint of trade and challenging the pricing and/or purchasing

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

other pharmaceutical companies and wholesalers have also been sued in the same

or similar litigation. These actions, except for several actions pending in

state courts, have been consolidated for pre-trial purposes in the United States

District Court for the Northern District of Illinois. The Company and several

other defendants have entered into an agreement to settle the federal class

action alleging conspiracy, which represents the single largest group of retail

pharmacy claims, pursuant to which the Company is obligated to pay $51.8

million, in four equal annual installments. In April 1996, the court declined

to approve the settlement. Subsequently, the Company and several other

defendants entered into an amended settlement agreement, which provides for the

same monetary payment and addresses the court's concerns

 10

as expressed in its April 1996 opinion. In June 1996, the court granted approval

of the amended settlement agreement, to which objecting retail class members

filed appeals in July 1996. The Company has not engaged in any conspiracy and no

admission of wrongdoing has been made or is included in the amended agreement,

which was entered into in order to avoid the cost of litigation and the risk of

an inaccurate adverse verdict by a jury presented with a case of this size and

complexity. While it is not feasible to predict the final 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 Merck-Medco, the Company and Merck-

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 Merck-Medco and requires that Merck-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 federal

or 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 insurers, former site owners or operators or other

recalcitrant potentially responsible parties.

 In May 1994, Kelco received a Notice of Violation from the EPA 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. In November 1996, the Company reached a settlement of this

matter with the EPA which included (i) a $1.85 million civil penalty and (ii)

capital improvements to be made at the facility in the amount of approximately

$5.0 million to establish satisfactory environmental controls. Under the terms

of the Kelco Sale Agreement, the Company retained responsibility for the cost of

the settlement.

 In November 1994, the Company, along with other pharmaceutical

manufacturers and pharmaceutical benefits managers ("PBMs"), received a notice

from the Federal Trade Commission ("FTC") that the FTC intended to investigate

agreements, alliances, activities and acquisitions involving pharmaceutical

manufacturers and PBMs. In March 1996, the Company, along with other

pharmaceutical manufacturers, received a notice from the FTC that it was

conducting an investigation into pricing practices. The Company has cooperated

fully with these investigations, and believes that it is currently operating in

all material respects in accordance with applicable standards. Accordingly,

although the Company cannot predict the outcome of the investigations, it does

not believe that either investigation will 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 involving the Company, which are pending. 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.

 11

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, 1997)

RAYMOND V. GILMARTIN -- Age 55

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 48

January, 1997 -- President, Human Health-The Americas -- responsible for the

Company's prescription drug business in the United States, Canada and Latin

America, worldwide coordination of marketing policies and medical and scientific

affairs

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

PAUL R. BELL -- Age 51

Effective April, 1997 -- President, Human Health-Asia Pacific -- responsible for

the Company's prescription drug business in the Far East, Australia, New Zealand

and Japan

March, 1994 -- Vice President and Managing Director, Merck Sharp & Dohme

(Australia) Pty. Limited (MSD Australia), a wholly-owned subsidiary of the

Company

September, 1988 -- Managing Director, MSD Australia

CELIA A. COLBERT -- Age 40

January, 1997 -- Vice President, Secretary and Assistant General Counsel

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

CAROLINE DORSA -- Age 37

January, 1997 -- Vice President and Treasurer

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

 12

R. GORDON DOUGLAS JR. -- Age 62

January, 1994 -- President, Merck Vaccines

April, 1991 -- President, Merck Vaccine Division

KENNETH C. FRAZIER -- Age 42

January, 1997 -- Vice President, Public Affairs and Assistant General Counsel --

responsible for public affairs, corporate legal activities and The Merck Company

Foundation

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 55

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

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

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

MMD

JUDY C. LEWENT -- Age 48

January, 1997 -- Senior Vice President and Chief Financial Officer --

responsible for financial and corporate development functions, internal auditing

and the Company's joint venture relationships

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

HENRI LIPMANOWICZ -- Age 58

January, 1997 -- President, Human Health-Asia Pacific -- responsible for the

Company's prescription drug business in the Far East, Australia, New Zealand and

Japan

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

responsible for the Company's prescription drug business 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

 13

PER G. H. LOFBERG -- Age 49

December, 1995 -- President, Merck-Medco Managed Care, L.L.C., a wholly-owned

subsidiary of the Company

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

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

Marketing, Medco Containment Services, Inc.

MARY M. MCDONALD -- Age 52

January, 1997 -- Senior Vice President and General Counsel -- responsible for

legal and public affairs functions and The Merck Company Foundation

January, 1993 -- Senior Vice President and General Counsel

April, 1991 -- Vice President and General Counsel

PETER E. NUGENT -- Age 54

September, 1993 -- Vice President, Controller

July, 1989 -- Vice President, Corporate Taxes

JOHN M. PRESTON -- Age 50

April, 1993 -- President, Merck AgVet Division

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

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

EDWARD M. SCOLNICK -- Age 56

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 (MMD), computer

resources and corporate licensing

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

President, MRL -- responsible for worldwide research function and activities of

MMD 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.

BENNETT M. SHAPIRO -- Age 57

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

Research Laboratories

 14

DEBORAH K. SMITH -- Age 49

June, 1996 -- Senior Vice President, Human Resources

Prior to June, 1996, Ms. Smith held numerous senior human resources positions

(1972 to 1995) at Xerox Corporation and most recently was Senior Vice President,

Human Resources (1995 to 1996) of Bausch & Lomb Incorporated.

PER WOLD-OLSEN -- Age 49

January, 1997 -- President, Human Health-Europe, Middle East & Africa --

responsible for the Company's prescription drug business in Europe, the Middle

East and Africa

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

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

None of these officers, other than Mr. Gilmartin (who has an employment

agreement with the Company which is an exhibit to this Form 10-K) was elected

pursuant to any arrangement or understanding between the officer and the Board.

There are no family relationships among the officers listed above.

 15

 PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

 The information required for this item is incorporated by reference to

pages 41 and 55 of the Company's 1996 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 table included on page

55 of the Company's 1996 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 32 through 41 of the Company's 1996 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, 1996 and 1995, and the related consolidated statements of income,

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

December 31, 1996 and the report dated January 28, 1997 of Arthur Andersen LLP,

independent public accountants, are incorporated by reference to pages 42

through 53 and page 54 of the Company's 1996 Annual Report to stockholders.

 (b) SUPPLEMENTARY DATA

 Selected quarterly financial data for 1996 and 1995 are incorporated by

reference to page 41 of the Company's 1996 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")

through 5 of the Company's Proxy Statement for the Annual Meeting of

Stockholders to be held April 23, 1997. Information on executive officers is set

forth in Part I of this document on pages 12 (beginning with the caption

"Executive Officers of the Registrant") through 15. The required information on

compliance with Section 16(a) of the Securities Exchange Act of 1934 is

incorporated by reference to pages 25 (beginning with the caption "Section 16(a)

Beneficial Ownership Reporting Compliance") to 26 of the Company's Proxy

Statement for the Annual Meeting of Stockholders to be held April 23, 1997.

ITEM 11. EXECUTIVE COMPENSATION.

 The information required for this item is incorporated by reference to

page 7 (beginning with the caption "Compensation of Directors"), and 9 through

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

held April 23, 1997.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

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

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

be held April 23, 1997.

 16

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 23,

1997.

 PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

 (a) DOCUMENTS FILED AS PART OF THIS FORM 10-K

 1. FINANCIAL STATEMENTS

 The following consolidated financial statements and report of

independent public accountants are incorporated herein by reference to the

Company's 1996 Annual Report to stockholders, as noted on page 16 of this

document:

Consolidated statement of income for the years ended December 31, 1996, 1995 and

1994

Consolidated statement of retained earnings for the years ended December 31,

1996, 1995 and 1994

Consolidated balance sheet, December 31, 1996 and 1995

Consolidated statement of cash flows for the years ended December 31, 1996, 1995

and 1994

Notes to financial statements

Report of independent public accountants

 2. FINANCIAL STATEMENT SCHEDULES

 Schedules are omitted because they are either not required or not applicable.

 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.

 17

3. EXHIBITS

EXHIBIT

NUMBER DESCRIPTION METHOD OF FILING

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

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

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

3(b) -- By-Laws of Merck & Co., Inc. (as amended \*\*

 effective June 9, 1994)

10(a) -- Executive Incentive Plan (as amended \*\*\*

 effective February 27, 1996)

10(b) -- Base Salary Deferral Plan (as adopted on Filed with this document

 October 22, 1996, effective January 1,

 1997)

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

 effective May 6, 1992)

10(d) -- 1991 Incentive Stock Plan (as amended \*\*

 effective February 23, 1994)

10(e) -- 1996 Incentive Stock Plan (as amended \*\*\*

 on October 24, 1995, effective

 January 1, 1996)

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

 (as adopted on April 28, 1992 and

 restated May 6, 1992)

10(g) -- 1996 Non-Employee Directors Stock Option Plan Incorporated by reference to

 (as adopted on April 23, 1996) Form 10-Q Quarterly Report

 for the period ended June 30,

 1996

10(h) -- Supplemental Retirement Plan (as amended \*\*

 effective January 1, 1995)

10(i) -- Retirement Plan for the Directors of Incorporated by reference to

 Merck & Co., Inc. (amended and Form 10-Q Quarterly Report

 restated June 21, 1996) for the period ended June 30,

 1996

10(j) -- Plan for Deferred Payment of Directors' Incorporated by reference to

 Compensation (amended and Form 10-Q Quarterly Report

 restated June 21, 1996) for the period ended June 30,

 1996

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

 Option Plan

10(l) -- Medco Class A Non-Qualified Stock Option \*\*\*

 Agreement dated July 1, 1991 between

 Merck-Medco and Per G.H. Lofberg

 (together with a list showing the number of

 options held)

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

 dated October 14, 1992 between Merck-Medco

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

 showing the number of options held)

10(n) -- Employment Agreement between Per G.H. Incorporated by reference to

 Lofberg and Merck-Medco dated April 1, Form 10-K Annual Report of

 1993 Medco Containment Services,

 Inc. for the fiscal year ended

 June 30, 1993

 18

EXHIBIT

NUMBER DESCRIPTION METHOD OF FILING

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

 10(o) -- Amendment dated July 27, 1993 to \*\*\*

 Employment Agreement between Per G.H.

 Lofberg and Merck-Medco dated April 1,

 1993

 10(p) -- Letter Agreement dated May 24, 1996 with Incorporated by reference to Form

 respect to the Employment Agreement 10-Q Quarterly Report for the

 between Per G.H. Lofberg and Merck-Medco period ended June 30, 1996

 dated April 1, 1993 and amended July 27,

 1993

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

 Gilmartin and the Company dated June 9, 10-Q Quarterly Report for the

 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

 13 -- 1996 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 Form 10-K Annual Report for the fiscal year

 ended December 31, 1994

 \*\*\* Incorporated by reference to Form 10-K Annual Report for the fiscal year

 ended December 31, 1995

\*\*\*\* 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)

 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% 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.

 (b) REPORTS ON FORM 8-K

 During the three-month period ended December 31, 1996, one Current Report

was filed on Form 8-K under Item 5 --Other Events regarding the Company's

announcement of its plans to combine its animal health and poultry genetics

business with those of Rhone-Poulenc to form a 50-50 joint venture, to be called

Merial. This report was dated December 19, 1996 and filed December 23, 1996.

 19

 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 17, 1997

 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

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 RAYMOND V. GILMARTIN Chairman of the Board, March 17, 1997

 President and Chief Executive

 Officer; Principal Executive

 Officer; Director

 JUDY C. LEWENT Senior Vice President and Chief March 17, 1997

 Financial Officer; Principal

 Financial Officer

 PETER E. NUGENT Vice President, Controller; March 17, 1997

 Principal Accounting Officer

 H. BREWSTER ATWATER, JR. Director March 17, 1997

 DEREK BIRKIN Director March 17, 1997

 LAWRENCE A. BOSSIDY Director March 17, 1997

 WILLIAM G. BOWEN Director March 17, 1997

 JOHNNETTA B. COLE Director March 17, 1997

 LLOYD C. ELAM Director March 17, 1997

 CHARLES E. EXLEY, JR. Director March 17, 1997

 WILLIAM N. KELLEY Director March 17, 1997

 EDWARD M. SCOLNICK Director March 17, 1997

 SAMUEL O. THIER Director March 17, 1997

 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

 Celia A. Colbert

 (Attorney-in-Fact)

 20

 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, 33-53463, 33-64273 and 33-64665), on Form S-4 (No.

33-50667) and on Form S-3 (Nos. 33-39349, 33-60322, 33-51785, 33-57421 and 333-

17045). It should be noted that we have not audited any financial statements of

the Company subsequent to December 31, 1996 or performed any audit procedures

subsequent to the date of our report.

 ARTHUR ANDERSEN LLP

New York, New York

March 17, 1997

 21

 EXHIBIT INDEX

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EXHIBIT

NUMBER DESCRIPTION METHOD OF FILING

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

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

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

3(b) -- By-Laws of Merck & Co., Inc. (as amended \*\*

 effective June 9, 1994)

10(a) -- Executive Incentive Plan (as amended \*\*\*

 effective February 27, 1996)

10(b) -- Base Salary Deferral Plan (as adopted on Filed with this document

 October 22, 1996, effective January 1,

 1997)

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

 effective May 6, 1992)

10(d) -- 1991 Incentive Stock Plan (as amended \*\*

 effective February 23, 1994)

10(e) -- 1996 Incentive Stock Plan (as amended \*\*\*

 on October 24, 1995, effective

 January 1, 1996)

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

 (as adopted on April 28, 1992 and

 restated May 6, 1992)

10(g) -- 1996 Non-Employee Directors Stock Option Plan Incorporated by reference to

 (as adopted on April 23, 1996) Form 10-Q Quarterly Report

 for the period ended June 30,

 1996

10(h) -- Supplemental Retirement Plan (as amended \*\*

 effective January 1, 1995)

10(i) -- Retirement Plan for the Directors of Incorporated by reference to

 Merck & Co., Inc. (amended and Form 10-Q Quarterly Report

 restated June 21, 1996) for the period ended June 30,

 1996

10(j) -- Plan for Deferred Payment of Directors' Incorporated by reference to

 Compensation (amended and Form 10-Q Quarterly Report

 restated June 21, 1996) for the period ended June 30,

 1996

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

 Option Plan

10(l) -- Medco Class A Non-Qualified Stock Option \*\*\*

 Agreement dated July 1, 1991 between

 Merck-Medco and Per G.H. Lofberg

 (together with a list showing the number of

 options held)

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

 dated October 14, 1992 between Merck-Medco

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

 showing the number of options held)

10(n) -- Employment Agreement between Per G.H. Incorporated by reference to

 Lofberg and Merck-Medco dated April 1, Form 10-K Annual Report of

 1993 Medco Containment Services,

 Inc. for the fiscal year ended

 June 30, 1993

EXHIBIT

NUMBER DESCRIPTION METHOD OF FILING

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

10(o) -- Amendment dated July 27, 1993 to \*\*\*

 Employment Agreement between Per G.H.

 Lofberg and Merck-Medco dated April 1,

 1993

10(p) -- Letter Agreement dated May 24, 1996 with Incorporated by reference to Form

 respect to the Employment Agreement 10-Q Quarterly Report for the

 between Per G.H. Lofberg and Merck-Medco period ended June 30, 1996

 dated April 1, 1993 and amended July 27,

 1993

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

 Gilmartin and the Company dated June 9, 10-Q Quarterly Report for the

 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

 13 -- 1996 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

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 \* Incorporated by reference to Form 10-K Annual Report for the fiscal

 year ended December 31, 1992

 \*\* Incorporated by reference to Form 10-K Annual Report for the fiscal

 year ended December 31, 1994

 \*\*\* Incorporated by reference to Form 10-K Annual Report for the fiscal

 year ended December 31, 1995

 \*\*\*\* 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)