## MERCK \& CO INC

## Form 11-K

June 30, 2003

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549<br>FORM 11-K<br>ANNUAL REPORT<br>PURSUANT TO SECTION $15(\mathrm{~d})$ OF THE<br>SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR
[ ] TRANSITION REPORT PURSUANT TO SECTION $15(\mathrm{~d})$ OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from $\qquad$ to $\qquad$

Commission File Number: 1-3305
Employer Identification Number: 22-1109110
Plan Number: 004
MERCK \& CO., INC. EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

> (Full title of the plan)

MERCK \& CO., INC.
(Name of issuer of the securities held pursuant to the plan)

P.O. Box 100

Whitehouse Station, New Jersey 08889-0100
(Address of principal executive office)

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

EMPLOYER IDENTIFICATION NUMBER: 22-1109110
PLAN NUMBER: 004
INDEX

Report of Independent Accountants

Financial Statements:

Statements of Net Assets Available for Benefits as of December 31, 2002 and 2001

Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2002

Notes to Financial Statements
Supplemental Schedule*
H - Line 4 i - Schedule of Assets (Held at End of Year)
Signature

## Exhibit Index

Exhibit 23 - Consent of Independent Accountants
Exhibit 99.1 - Certification by the Chief Executive Officer of the Merck \& Co., Inc. Employee Stock Purchase and Savings Plan Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 99.2 - Certification by the Chief Financial Officer of the Merck \& Co., Inc. Employee Stock Purchase and Savings Plan Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable.
[PRICEWATERHOUSECOOPERS LOGO]

> PRICEWATERHOUSECOOPERS LLP
> 400 Campus Drive
> P.O. Box 988
> Florham Park NJ 07932
> Telephone (973) $236-4000$
> Facsimile (973) $236-5000$

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants in the Merck \& Co., Inc. Employee Stock Purchase and Savings Plan and Merck \& Co., Inc.:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Merck \& Co., Inc. Employee Stock Purchase and Savings Plan (the "Plan") as of December 31, 2002 and 2001 and the changes in net assets available for benefits for the year ended December 31,2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on $a$ test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic

## Edgar Filing: MERCK \& CO INC - Form 11-K

financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.
/s/ PricewaterhouseCoopers LLP
June 20, 2003

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

|  | DECEMBER 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2002 |  | 2001 |  |
| ASSETS |  |  |  |  |
| Investment in the Master Trust | \$ | 295,114,642 | \$ | 298,258,625 |
| Participant loans at contract value |  | 10,049,597 |  | 9,845,903 |
| Total investments |  | 305,164,239 |  | 308,104,528 |
| RECEIVABLES |  |  |  |  |
| Employer's contribution |  | 146,787 |  | 175,763 |
| Participants' contributions |  | 472,386 |  | 547,289 |
| Total receivables |  | 619,173 |  | 723,052 |
| Net assets available for benefits | \$ | 305,783,412 | \$ | 308,827,580 |

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

$$
-2-
$$

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED
DECEMBER 31,
2002

Contributions to the Plan

By participants
By the employer

Total contributions
Transfers in

Total additions

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO
Investment loss from the Master Trust
Benefits paid to participants
Transfers out

Total deductions

Net decrease
NET ASSETS AVAILABLE FOR BENEFITS Beginning of the year

End of year
\$ 22,891,471
6,832,524
---------------

29,723,995

173,028

29,897,023
----------------

13,247,065
17,709,128
$1,984,998$

32,941,191
-------------
$3,044,168$
$308,827,580$
$\$ \quad 305,783,412$
$==============$

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

$$
-3-
$$

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN

The following description of the Merck \& Co., Inc. Employee Stock Purchase and Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

GENERAL

The Plan was designed to provide an easy, economical way for employees to become stockholders of Merck \& Co., Inc. (the "Company" or "Merck") as well as a systematic means of saving and investing for the future. Generally, any regular full-time, part-time, or temporary employee of the Company who is a U.S. resident covered by a collective bargaining agreement providing for participation in this Plan as defined by the Plan document, and has completed one year of employment, is eligible to participate. Certain unions have negotiated to allow their members to join the Plan on or after the first day of the third month following commencement of employment.

The Plan is administered by a management committee appointed by the Chief Executive Officer of the Company.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

## MASTER TRUST

The assets of the Plan are maintained, for investment purposes only, on a commingled basis with the assets of the Merck \& Co., Inc. Employee Savings \& Security Plan and the Merck-Medco Managed Care $401(k)$ Savings Plan in the Merck \& Co., Inc. Employee Savings \& Security Plan and the Merck \& Co., Inc. Employee Stock Purchase \& Savings Plan Trust (the "Master Trust"). The plans do not own specific Master Trust assets but rather maintain individual beneficial interests in such assets. The portion of fund assets allocable to each plan is based upon the participant's account balance within each plan. Investment income for each fund is allocated to each plan based on the relationship of each plan's beneficial interest in the fund to the total beneficial interest of all plans in the fund.

## CONTRIBUTIONS

Depending on the terms of the applicable collective bargaining agreements, employees earning less than $\$ 90,000$ are allowed to contribute a maximum of $18 \%$ of base pay. Employees earning $\$ 90,000$ or more are limited to maximum contributions of $15 \%$ of base pay. In addition, the Company will match $60 \%$ of employee contributions up to $6 \%$ of base pay per pay period, or contributions of a predetermined dollar amount negotiated with each bargaining group, whichever is less. Company matching contributions are invested according to the following age parameters:

Under age 50 -- $50 \%$ of Company matching contributions is invested in the Merck Common Stock Fund (non-participant directed) and 50\% is invested in the funds to which the participant is currently contributing (participant directed).

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

## NOTES TO FINANCIAL STATEMENTS

Age 50 and above -- Participants have the option to invest all Company matching contributions in any of the available fund options (participant directed). Also, the Economic Growth and Tax Relief Reconciliation Act of 2001 permits catch-up contributions that are designed to provide individuals age 50 and above with an additional pre-tax retirement savings opportunity. As such, effective July 1, 2002, eligible participants in the Plan may contribute an additional $\$ 1,000$ for 2002. The limit for this "catch-up" contribution increases by $\$ 1,000$ each year until it reaches $\$ 5,000$ a year in 2006 .

Participants direct the investment of their contributions into any investment option available under the Plan, including Merck Common Stock (participant directed). During 2001, the Plan offered 21 mutual funds and the Merck Common Stock Fund. Effective January 1, 2002, the

Plan offers 20 mutual funds and the Merck Common Stock Fund.

## PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution, the Company's matching contribution and allocation of Plan earnings and fees. The allocation is based on participants' account balances, as defined in the Plan document.

## VESTING

Participants are immediately vested in their contributions, all Company matching contributions, plus actual earnings thereon.

## PARTICIPANT LOANS

Participants may borrow from their account balances with interest charged at the prime rate plus $1 \%$. Loan terms range from one to five years or up to thirty years for the purchase of a primary residence. The minimum loan is $\$ 500$ and the maximum loan is the lesser of $\$ 50,000$ less the highest outstanding loan balance during the one year period prior to the new loan application date, or $50 \%$ of the participant's account balance less any current outstanding loan balance.

PAYMENT OF BENEFITS

In-service (which include hardship withdrawals) and termination distributions are made throughout the year in accordance with applicable Plan provisions.
2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting.

USE OF ESTIMATES

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

## INVESTMENT VALUATION AND INCOME RECOGNITION

Valuation of investments of the Plan represents the Plan's allocable portion of the Master Trust. Participant loans are valued at cost which approximates fair value.

$$
-5-
$$

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. The net
appreciation (depreciation) in market value of investments is based on the beginning of the year market value or value at the time of purchase during the year and is included in the statement of changes in net assets available for benefits.

CONTRIBUTIONS

Employee and Company matching contributions are recorded in the period in which the Company makes the payroll deductions from the participant earnings.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

EXPENSES

The Plan's administrative expenses are paid by the Company.

RISKS AND UNCERTAINTIES

The Plan provides for various investment options in investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.
3. NON-PARTICIPANT-DIRECTED INVESTMENTS

The non-participant-directed portion of the Company match is invested in the Merck Common Stock Fund. Information about the net assets and the significant components of the changes in net assets relating to the Merck Common Stock Fund is as follows:


MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS


$$
-7-
$$

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
7. OTHER MATTERS

Transfers in during 2002 of $\$ 173,028$ consist of transfers between the

Plan and the Merck \& Co., Inc. Employee Savings \& Security Plan for employees who changed their status during the year.

Transfers out consist of transfers of $\$ 1,382,303$ for employees who transferred out to the Merck \& Co., Inc. Employee Savings and Security Plan and $\$ 602,695$ for employees who transferred out to the Merck-Medco Managed Care 401 (K) Savings Plan.

8
MASTER TRUST

The Plan has a 9\% interest in the Master Trust at December 31, 2002 and December 31, 2001. The net assets of the Master Trust are as follows:

|  | DECEMBER 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2002 |  | 200 |  |
| Mutual Funds |  | 1,472,422,521 | \$ | 1,546, |
| Merck Common Stock |  | 1,651,008,624 |  | 1, 713, |
| Accrued interest and dividends |  | 10,375,281 |  | 10, |
|  |  | 3,133,806,426 |  | 3,270, |

$$
-8-
$$

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
Changes in net assets for the year ended December 31, 2002 for the Master Trust are as follows:

```
Additions to net assets
    Contributions
        Participant $ 235,188,546
        Employer
        93,535,066
        Total contributions
        328,723,612
    Transfers in
    8,487,705
    Loan repayments
        21,359,843
        Total additions
        358,571,160
Deductions from net assets
    Investment loss, net
        Interest and dividends
        Net depreciation in mutual funds
        64,130,614
        (285,057,632)
    Net depreciation in Merck Common Stock
        (59,679,186)
```

Total investment loss

Benefits paid
Transfers out
Loan issuance

Total deductions

Net decrease

```
Net assets
```

Beginning of year

End of year
$(280,606,204)$
$(180,707,030)$
$(8,482,149)$
$(25,058,394)$
----------------
$(494,853,777)$
$(136,282,617)$
-------------------

3,270,089,043
\$ 3,133,806,426
===============

$$
-9-
$$

MERCK \& CO., INC.
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN
(c) DESCRIPTION OF INVESTMENT INCLUDING
(b) IDENTITY OF ISSUE, BORROWER, (a) LESSOR OR SIMILAR PARTY MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR

* Participants' Loans

Interest rates ranging from 6\% to $12.5 \%$ and with maturities through 2032

Total

* Denotes a party-in-interest to the Plan.

$$
-10-
$$

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned plan administrator has duly caused this annual report to be signed on behalf of the Merck \& Co., Inc. Employee Stock Purchase and Savings Plan by the undersigned hereunto duly authorized.

Merck \& Co., Inc., as plan administrator

# By:/s/ Caroline Dorsa 

# Caroline Dorsa <br> Vice President \& Treasurer 

June 27,2003

$$
-11-
$$

EXHIBIT INDEX


