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MERCK & CO INC
Form 11-K
June 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K
ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

☒ 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(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 1-3305
Employer Identification Number: 66-0288298
Plan Number: 061

MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY 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 PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Report of Independent Accountants

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at December 31, 2002 and 2001

Statement of Changes in Net Assets Available for Benefits
for the year ended December 31, 2002

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Signature

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Exhibit 23 - Consent of Independent Accountants

Exhibit 99.1 - Certification by the Chief Executive Officer of the
Merck Puerto Rico Employee Savings and Security 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 Puerto Rico Employee Savings and Security 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 ERISA have been omitted because they are not applicable.

[PRICEWATERHOUSECOOPERS LOGO]

PRICEWATERHOUSECOOPERS LLP
254 Munoz Rivera Avenue
BBV Tower, 9th Floor
Hato Rey PR 00918
Telephone (787) 754-9090
Facsimile (787) 766-1094

REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants and Plan Administrator of the
Merck Puerto Rico Employee Savings and Security Plan

In our opinion, the accompanying statements of assets available for benefits and the related statement of changes in assets available for benefits present fairly, in all material respects, the assets available for benefits of Merck Puerto Rico Employee Savings and Security Plan (the "Plan") at December 31, 2002 and 2001, and the changes in 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 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

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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.

The Schedule of Assets (Held at End of Year) that accompanies the Plan's financial statements does not disclose the historical cost of certain nonparticipant directed plan assets held by the Plan's trustee. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Securities Act of 1974.

/s/ PRICEWATERHOUSECOOPERS LLP

May 2, 2003

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)

License No. 216 Expires Dec. 1, 2004
Stamp 1862757 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of the report

MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002 AND 2001

	2002	2001
	-----	-----
ASSETS		
Investments, at market value	\$31,257,692	\$29,831,972
Participant Loans, at contract value	2,135,301	2,103,597
	-----	-----
Total investments	33,392,993	31,935,569
	-----	-----
Receivables:		
Employer's contribution	44,076	40,915
Participants' contributions	188,942	144,925
Accrued interest and dividends	167,959	159,598
	-----	-----
Total receivables	400,977	345,438
	-----	-----
Net assets available for benefits	\$33,793,970	\$32,281,007
	=====	=====

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

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MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2002

Additions to net assets attributed to:

Investment income:

Net depreciation in market value of investments	\$ (1,555,934)
Interest and dividends	839,322

Net investment loss	(716,612)
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Contributions to the Plan:

By participants	4,636,974
By employer	1,322,204

Total contributions	5,959,178
---------------------	-----------

Total additions	5,242,566
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Deductions from assets attributed to:

Benefits paid to participants	(3,729,603)
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Net increase in assets available for benefits	1,512,963
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Net assets available for benefits, beginning of the year	32,281,007
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Net assets available for benefits, end of the year	\$ 33,793,970
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The accompanying notes are an integral part of these financial statements.

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MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

1. DESCRIPTION OF THE PLAN

The following description of the Merck Puerto Rico Employee Savings and Security 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

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The Plan is a profit sharing plan designed to provide an opportunity for employees of Merck Sharp & Dohme Quimica de Puerto Rico, Inc. and Merck Sharp & Dohme (I.A.) Corp. (the "Companies") to become stockholders of Merck & Co., Inc. ("Merck") and to encourage them to save on a regular basis by setting aside part of their earnings. Regular full-time and part-time employees of the Companies, as defined in the Plan document, who have completed at least one year of employment and are not covered by a collective bargaining agreement, are eligible to enroll in the Plan.

The Plan is administered by the Employee Benefits Committee appointed by the President of the Companies. All costs of administering the Plan are borne by the Companies.

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

Contributions

Participants may contribute from 2% up to 15% of their base pay, provided that pre-tax contributions shall not exceed 10% of base compensation or \$8,000. In addition, the Companies match 50% of pre-tax and after-tax employee contributions up to 2.5% of each participant's base compensation applicable to the pay period in which the contribution is being made. The Companies' matching contributions are invested entirely in Merck common stock (non-participant directed) and may not be reallocated into any other investment option.

Participants direct the investment of their contributions into any investment option including the Merck Common Stock Fund (participant directed). During 2002, the Plan offered 21 investment options: 20 mutual funds and the Merck Common Stock Fund.

Participant Accounts

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

Vesting

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

Participant Loans

Participants may borrow from their account balances with interest charged at 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

Participants are entitled to receive automatic, voluntary, in-service (which include hardship withdrawals), or mandatory distributions as provided in the applicable Plan provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are adequate. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The investments of the Plan are stated at quoted market prices in an active market (except for participant loans which are presented at the outstanding balance). Shares of mutual funds are presented at quoted market prices which represent the net asset value of the shares held by the Plan at the reporting date.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on them. Interest income on participant loans is recorded on accrual basis.

Contributions

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

Payment of Benefits

Benefits are recorded when paid.

Transfer of Assets to Other Plans

Company employees or retirees may elect to transfer their savings to other plans qualified by the Puerto Rico Department of Treasury or by the U.S. Internal Revenue Service (the "IRS").

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DECEMBER 31, 2002 AND 2001

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 statement of net assets available for benefits.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform with current year presentation.

3. INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets as of year-end.

	2002	2001
Shares of Merck Common Stock Fund	\$ 27,280,847 *	\$ 26,241,792 *
Participants loans	2,135,301	2,103,597

* Includes non-participant directed portion

During 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$1,555,934 as follows:

	2002
Mutual Funds	\$ 751,050
Merck Common Stock Fund	804,884

	\$1,555,934
	=====

4. NON-PARTICIPANT DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to non-participant directed investments is as follows:

2002	2001
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Assets -		
Merck Common Stock Fund	\$8,755,749	\$8,399,740
	=====	=====

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MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

	YEAR ENDED DECEMBER 31, 2002 -----
Changes in net assets:	
Contributions	\$ 1,254,938
Dividends and interest	256,872
Net depreciation	(262,782)
Benefits paid to participants	(706,564)
Transfers to participants loan accounts and other plans	(186,455)

	\$ 356,009
	=====

5. RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company ("Fidelity"). Fidelity is the record keeper as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

Merck & Co., Inc. also is a party-in-interest to the Plan under the definition provided in Section 3(14) of ERISA. Therefore, Merck Common Stock Fund transactions qualify as party-in-interest transactions.

6. PLAN TERMINATION

Although they have not expressed any intent to do so, the Companies have the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

7. TAX STATUS

The Plan obtained a tax determination letter from the Puerto Rico Department of Treasury dated February 18, 1998 indicating that it had been designed in accordance with applicable sections of the Puerto Rico Internal Revenue Code of 1994 ("PRIRC") and is, therefore, exempt from Puerto Rico income taxes. Therefore, no provision for income taxes has been included in the Plan's financial statements.

* * * * *

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MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN SCHEDULE H, LINE 4I - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT	SHARE BALANCE
* Merck & Co., Inc	Merck Common Stock	1,396,153.
* Fidelity Investments	Fidelity Equity-Income Fund	3,663.
	Fidelity Retirement Money Market Fund	732,453.
	Spartan U.S. Equity Index Fund	4,251.
	Spartan Government Income Fund	2,513.
	Fidelity Low-Priced Stock Fund	12,335.
	Fidelity Dividend Growth Fund	19,373.
Putnam Investments	Putnam Vista A Fund	32,716.
	Putnam International Voyager Fund	1,213.
	Putnam Global Equity Fund A	435.
T. Rowe Price	T. Rowe Price Blue Chip Growth Fund	32,839.
The Vanguard Group	Vanguard Assets Allocation Fund	10,228.
The Capital Group Company	American Funds Europacific A	9,283.
American Century Investment Services, Inc.	American Century Emerging Markets Investment Fund	14,899.
Franklin Templeton	Franklin Small-Mid Cap Growth Fund A	7,852.
Liberty Wagner Asset Management, L.P.	Liberty Acorn Fund - Class Z	2,261.
Janus	Janus Enterprises	304.
	Janus Growth & Income	18,564.
PIMCO	PIMCO Total Return Fund - Institutional Class	7,806.
	PIMCO Long-Term Government Fund - Institutional Class	6,629.
	PIMCO Foreign Bond Institution Fund - Institutional Class	450.
* Participants' Loan	Interest rates ranging from 6.0% to 10.5% and with maturities through 2012	
	Total	

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- * Denotes a party-in-interest to the Plan
- ** Historical cost is not available from the Trustee
- *** Cost is not required for participant directed investment

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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 Puerto Rico Employee Savings and Security Plan by the undersigned hereunto duly authorized.

Merck & Co., Inc., as plan administrator

By: /s/ Caroline Dorsa

Caroline Dorsa
Vice President & Treasurer

June 27, 2003

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EXHIBIT INDEX

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