

- **Intangible assets:** Amortisation and impairment of intangible assets are no longer reported as a separate line, but are now reported as part of 'Cost of sales' (for intangibles relating to marketed products) or as part of 'Research and Development' (for intangibles relating to technology and development, and including any impairment on intangibles that are not yet available for use).
- **Alliance and royalty expenses:** All royalties, alliance and collaboration expenses, including all collaboration profit-sharing arrangements are now reported as part of 'Cost of sales'. Previously some of these were included in 'Marketing and distribution' or 'General and administration' depending upon the terms of the particular agreement. Additionally, royalty expenses payable on royalty income are now reported as part of 'Royalties and other operating' income to more accurately reflect the substance of the underlying transactions. Previously these expenses were included in 'General and administration'.
- **Phase IV and similar costs:** All such costs, which only arise in the Pharmaceuticals Division, are now reported as part of 'Research and development'. Previously some of these costs were included in 'Marketing and distribution' and 'General and administration' depending on their nature.

Restated income statement for the year ended 31 December 2006 in millions of CHF

	As originally published	Intangible assets	Alliances/ royalties	Phase IV	Restated
Group					
Sales	42,041	-	-	-	42,041
Royalties and other operating income	1,466	-	(75)	-	1,391
Cost of sales	(10,616)	(1,059)	(1,610)	-	(13,285)
Marketing and distribution	(10,856)	-	1,260	642	(8,954)
Research and development	(6,589)	(115)	-	(661)	(7,365)
General and administration	(2,542)	-	425	19	(2,098)
Amortisation and impairment of intangible assets	(1,174)	1,174	-	-	-
Operating profit	11,730	-	-	-	11,730
Pharmaceuticals Division					
Sales	33,294	-	-	-	33,294
Royalties and other operating income	1,277	-	(68)	-	1,209
Cost of sales	(6,868)	(619)	(1,545)	-	(9,032)
Marketing and distribution	(8,761)	-	1,260	642	(6,859)
Research and development	(5,889)	(40)	-	(661)	(6,590)
General and administration	(1,849)	-	353	19	(1,477)
Amortisation and impairment of intangible assets	(659)	659	-	-	-
Operating profit	10,545	-	-	-	10,545
Diagnostics Division					
Sales	8,747	-	-	-	8,747
Royalties and other operating income	189	-	(7)	-	182
Cost of sales	(3,748)	(440)	(65)	-	(4,253)
Marketing and distribution	(2,095)	-	-	-	(2,095)
Research and development	(700)	(75)	-	-	(775)
General and administration	(456)	-	72	-	(384)
Amortisation and impairment of intangible assets	(515)	515	-	-	-
Operating profit	1,422	-	-	-	1,422

Future changes in IFRS: The Group has early adopted IFRS 8 'Operating Segments' and IAS 23 (revised) 'Borrowing Costs' which are required to be implemented from 1 January 2009 at the latest. The Group does not expect that the new interpretations that will be effective from 1 January 2008 will have a significant effect on the Group's results and financial position. The Group is currently assessing the potential impacts of the new and revised standards that will be effective from 1 January 2009 and beyond, which include further revisions to IAS 1: 'Presentation of Financial Statements' and revisions to IFRS 3 'Business Combinations', IAS 27 'Consolidated and Separate Financial Statements' and IFRS 2 'Share based Payment'.