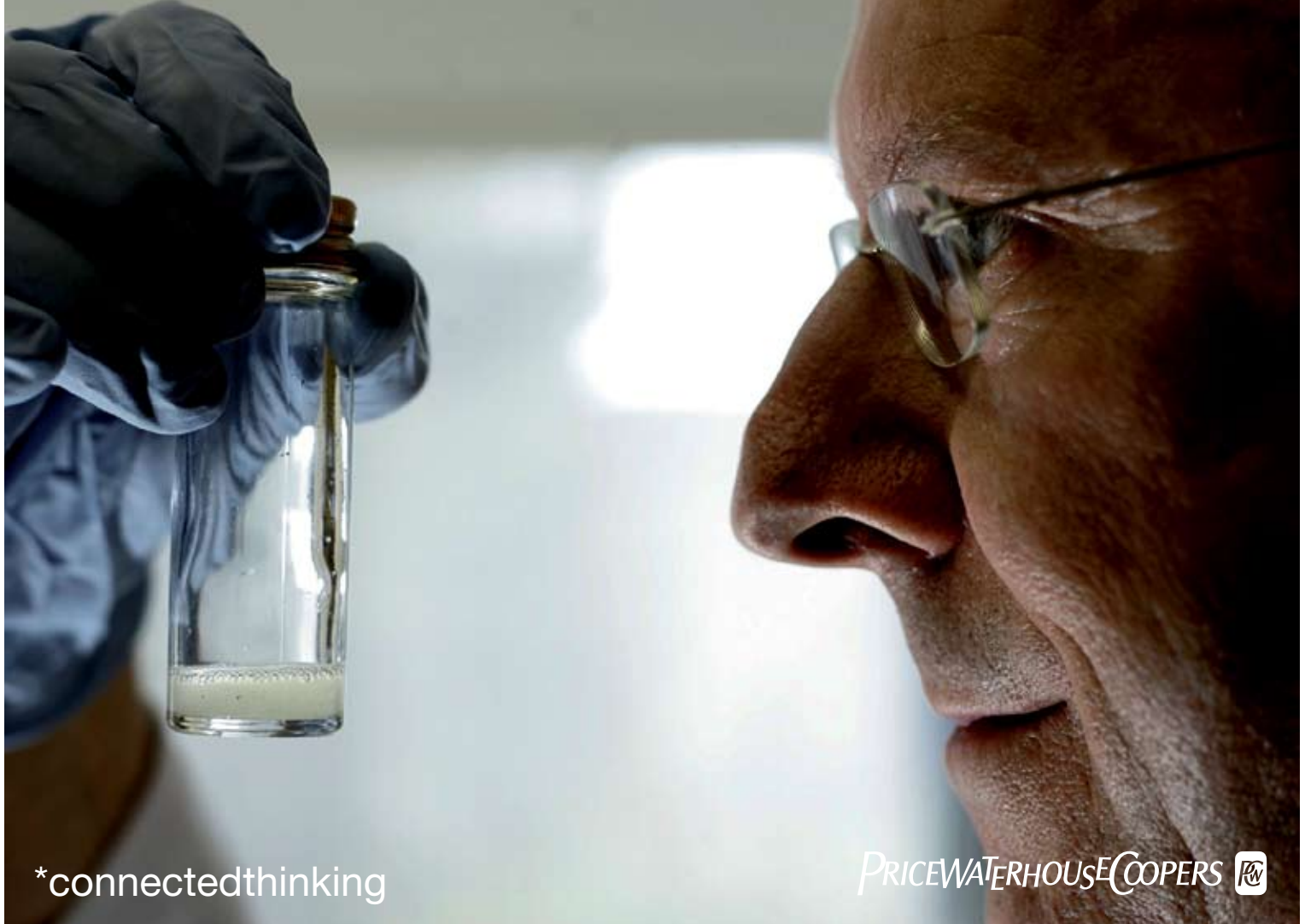


A review of the implementation of IFRS in the pharmaceuticals industry



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The move to International Financial Reporting Standards (IFRS) as a statutory requirement in the EU and other parts of the world is changing the way pharmaceutical companies present their business and are judged by analysts, investors and other key users of their accounts.

Following the publication of the 2006 financial statements, PricewaterhouseCoopers* carried out an analysis of the financial statements of the 12 largest Pharmaceutical entities reporting under IFRS to see how they had applied IFRS. The findings outlined in this report are designed to help pharmaceutical companies to compare their disclosure against their peers' and help users of financial statements to interpret and understand the methods and presentational options adopted in the new financial statements. The study does not seek to cover all of the accounting rules, focusing instead on benchmarking selected key accounting topics for the industry. More broadly, the report looks at how IFRS has affected the transparency, consistency and comparability of disclosures relating to Pharmaceutical business.

The findings of this survey indicate how diverse reporting remains under IFRS and underline how important it is for pharmaceutical companies to work together to enhance the clarity, consistency and usability of their financial statements, especially in areas where the new regime leaves pharmaceutical entities substantially free to choose the nature or format of presentation.

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* In this publication, the terms "PricewaterhouseCoopers" and "PwC" refer to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Executive summary

The focus of our study has been the application of IFRS to Pharmaceutical accounting rather than the broader field of life sciences companies, though issues surrounding revenue recognition of royalty payments for instance will be of interest to all. The 12 companies covered in the survey are the largest pharmaceutical entities reporting under IFRS. They include companies that have applied IFRS in the past and others that have published year-end financial statements on an IFRS basis for the first time. The analysis is based on the translated English versions of the report and accounts provided by the companies, where these have originally been provided in another language.

Key findings

- The Pharmaceutical industry has overcome an enormous implementation challenge in moving to IFRS. The most significant developments range from extensive new disclosure requirements to the first internationally-agreed definition of a Pharmaceutical contract.
- With the obvious exception of the valuation of Pharmaceutical liabilities and the corresponding impact on investment classification, the survey found relatively little other diversity in accounting policy. Equally, certain areas that had been expected to be overhauled actually saw limited change. These included segmental disclosures and the consolidation of additional entities.
- The financial statements are considerably longer and provide valuable new information for users of accounts. However, the wide degree of discretion in the format of presentation has made them harder to compare.
- The financial statements tend to be less clear and are harder to follow than before as a result of the differing approaches in this first year. Some financial statements seemed better structured and more intelligible than others.
- Almost all the sample pharmaceutical companies disclosed different metrics to report business segmentation. Only sales was consistently reported by all companies. As a result comparability between companies remains very difficult.
- Pharmaceutical companies still have some way to go to satisfy users of accounts' demands for greater quality, clarity and comparability in their disclosure. Peer group comparison, greater co-operation to enhance consistency and more active engagement with (and by) the International Accounting Standards Board (IASB) would be invaluable in achieving this.

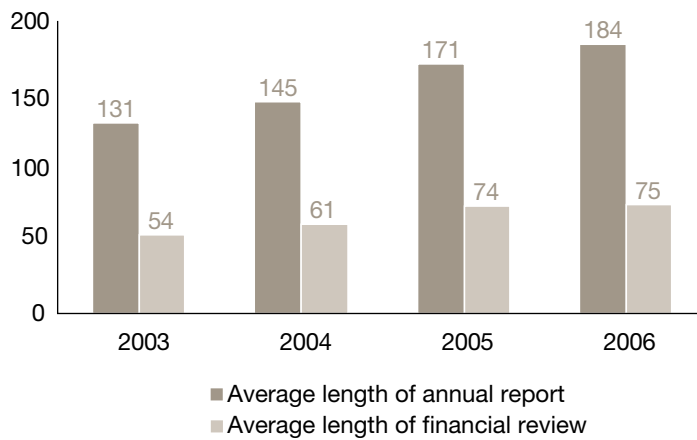
This study assesses the impact of the adoption of International Financial Reporting Standards (IFRS) on the financial reporting of pharmaceutical companies. The findings are designed to help companies compare their disclosure against their peers, and to help those using and preparing financial statements to interpret and understand the methods and presentational options adopted in the new financial statements. The study does not seek to cover all of the accounting rules, but focuses instead on benchmarking selected key accounting topics for companies in the industry. These industry-specific issues are:

- How each company disclosed the criteria for capitalisation of in-house R&D costs as intangible assets under IAS 38 *Intangible Assets*;
- How in-process R&D was accounted for in business combinations and partnering arrangements, how those assets were amortised, and how the requirements of IAS 36 *Impairment of Assets* were met;
- How each company reported their segments – by business, by geography, etc;
- How each company explained the rebates and allowances included in their revenue;
- How risks were disclosed and reflected in provisions.

The companies whose annual reports were surveyed represent the 12 largest pharmaceutical entities reporting under IFRS. They are: AstraZeneca, Bayer, GlaxoSmithKline, Lundbeck, Merck KGaA, Novartis, Novo Nordisk, Roche, Sanofi-aventis, Shire, Solvay, and UCB. Of the 12 companies analysed, five – AstraZeneca, GlaxoSmithKline, Sanofi-aventis, Shire and UCB – were first-time adopters of IFRS as of 1 January 2005, whilst seven had already produced accounts under IFRS prior to 2005.

Clearly, the adoption of IFRS precipitated a significant increase in the nature and extent of disclosures in 2005 and 2006, as is evident from the increased length of the annual reports, and the financial statements contained therein, as illustrated in figure 1. Lundbeck was the most restrained of the companies surveyed, with an annual report length of just 112 pages in 2006 (which was four pages less than in 2003), while Sanofi-aventis's annual reports are the most wordy – in 2005 it stretched to 318 pages, and increased to 340 pages in 2006. No other company came close, Bayer were the nearest with 248 pages, up from 150 pages in 2003. Even Roche, which started to publish separate business and financial reports in 2005, could only manage a combined 216 pages in 2006.

Figure 1: Average length of annual report, and average length of financial review section, 2003–2006.



It is instructive to look back at the annual reports of just a few years ago and compare, both the quantity and quality of information, that companies were then willing to disclose. And although it is often argued that the adoption of IFRS has resulted in much greater complexity in financial reports, vastly greater transparency has also been achieved, allowing greater insight into the inner workings of pharmaceuticals companies, which is undoubtedly a good thing for investors, regulators, analysts and other stakeholders.

2 How each company approached the capitalisation of in-house R&D costs as intangible assets under IAS 38 Intangible Assets

According to IAS 38 *Intangible Assets*, research costs cannot be capitalised, and development costs should be capitalised if a number of specific criteria are met. These include:

- Assessing the technical and commercial feasibility of bringing the product to market;
- Being able to reliably estimate development costs;
- Demonstrating that the intangible asset will generate sufficient future economic benefits to cover the associated costs.

Securing regulatory approval is generally viewed by pharmaceutical entities as the best evidence that all the criteria for capitalisation have been met, although obtaining approval in one country might not provide a sufficient basis for capitalising the development costs incurred to obtain new drug approvals in other countries. Some entities indicate that the probable future economic benefits criteria in IAS 38 is met as soon as regulatory approval is received, no matter which country issued the approval. Other entities take a more conservative position and indicate that the approval must be obtained in a major market, such as the United States or the European Union.

Most of the companies expensed all development costs prior to regulatory approval, and most used similar language to Merck KGaA to explain this decision:

“The costs of research and development are expensed in full in the period in which they are incurred. Development expenses in the Pharmaceuticals business sector cannot be capitalized since the high level of risk up to the time that pharmaceutical products are marketed means that the requirements of IAS 38 are not satisfied in full.”

(Merck KGaA Annual Report 2006)

Some companies were not quite so clear as to their criteria for capitalisation, with Roche stating in its 2006 annual report that internal development costs were capitalised as intangible assets

“only when there is an identifiable asset that can be completed and that will generate probable future economic benefits and when the cost of such an asset can be measured reliably”.

This statement does not say explicitly that regulatory approval is the criteria for capitalisation of development expenditure, although Roche goes on to say that it does not currently have any such internal development costs that qualify for capitalisation as an intangible asset.

Bayer was more explicit about its policy, stating in its 2006 annual report that the conditions for the capitalisation of costs incurred were not normally satisfied before regulatory approval. Lundbeck was similarly clear in its 2006 annual report, stating that the long development period and significant uncertainty associated with the development of new products meant that development costs could not be capitalised until

“the development of the product has been completed and all the necessary public registration and marketing approvals have been obtained”.

In contrast, in both 2005 and 2006 GlaxoSmithKline was the only one of the companies to state clearly that it capitalised development costs in the balance sheet before approval, namely when a filing for approval had been made in a major market, and approval was considered *“highly probable”*.

Figure 2: GlaxoSmithKline's treatment of development costs in its 2006 annual report.

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development is depreciated in accordance with the Group's policy.

Source: GlaxoSmithKline annual report 2006, pp91.

While there remain risks of non-approval, the threshold for asset recognition requires the probability criteria to be set at a high level to satisfy capitalisation.

Prior to the adoption of IFRS, of all the companies studied, only UCB capitalised a significant proportion of R&D costs prior to product filing or approval. In UCB's 2005 annual report this resulted in a reversal of €302 million on intangible assets and €51 million on operating profit, due to R&D expenses that had been capitalised under Belgian GAAP. In fact this represented by far the largest impact on UCB's net equity position after the transition to IFRS, with net equity as per 31 December 2004 being reduced from €1,965 million to €1,645 million.

3 How acquired in-process research and development was accounted for, how those assets were amortised, and how the requirements of IAS 36 Impairment of Assets were met

IFRS 3 *Business Combinations* provides new recognition criteria for intangible assets acquired by means of a business combination, with the result that many acquired intangible assets that would previously have been included within goodwill should now be separately identified, valued and capitalised on the balance sheet. In particular, acquired in-process research & development (IPR&D) must be recognised in the purchase price allocation and allocated a value separately from goodwill, and must be assessed for impairment on an annual basis.

Such detailed disclosures have not previously been available to users of financial statements, and this increased disclosure should allow greater transparency and greater post-deal scrutiny by investors and analysts. Nonetheless, in their 2005 annual reports, AstraZeneca, Bayer, Lundbeck, Merck KGaA, Shire and Solvay, comprising fully 50% of our sample, presented no information at all on the recognition and measurement of acquired IPR&D.

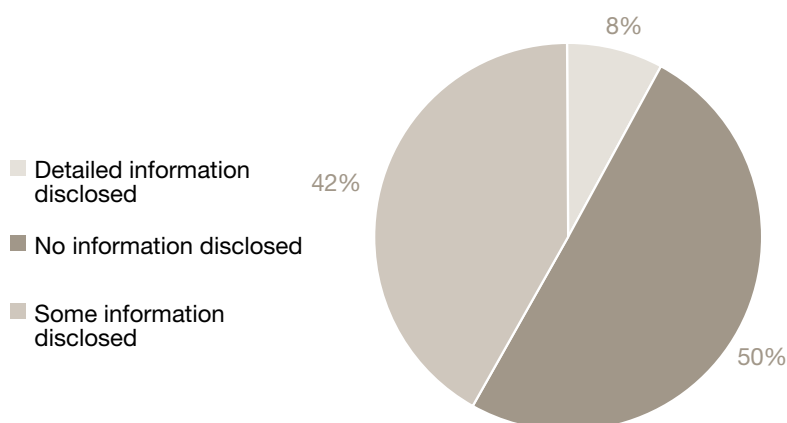


Figure 3: Disclosures of information on the recognition and measurement of acquired in-process R&D in 2005 annual reports.

Source: Company annual reports 2005, PricewaterhouseCoopers analysis

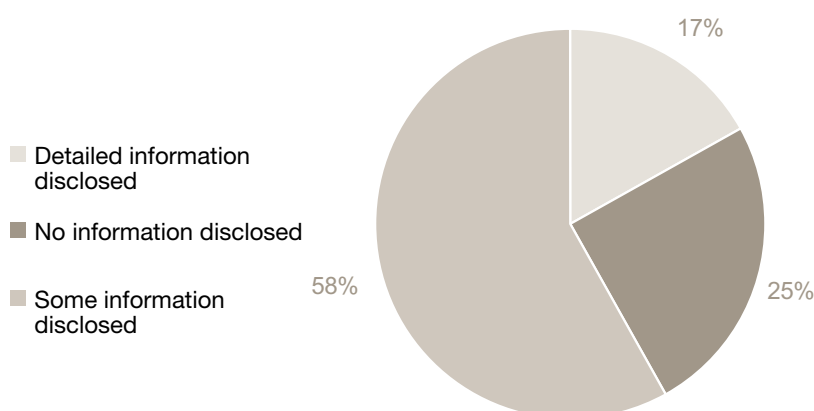


Figure 4: Disclosures of information on the recognition and measurement of acquired in-process R&D in 2006 annual reports.

Source: Company annual reports 2006, PricewaterhouseCoopers analysis

Another five (42%) of the companies surveyed presented some information on acquired IPR&D, while just one company, Novartis, presented detailed information.

Merck presented a treatment of acquired intangible assets in both its 2005 and 2006 annual reports, but did not discuss IPR&D in particular. Its disclosure of IPR&D is likely to be more detailed in its 2007 annual report, with the inclusion of its €10bn acquisition of Serono and its estimated €1.2bn in goodwill and €7.1bn in other intangible assets.

Figure 5: Novartis' presentation of intangible assets in its 2006 annual report.

Divisional segmentation of intangible assets for continuing operations

The net book values at December 31, 2006 of intangible assets are allocated to the Group's Divisions as summarized below:

	Goodwill USD millions	Acquired research & development USD millions	Core development technologies USD millions	Trademarks, products & marketing rights USD millions	Other intangible assets USD millions	Total USD millions
Pharmaceuticals	2 349	1 404		2 194	124	6 071
Vaccines and Diagnostics	1 111	465	160	1 853	43	3 632
Sandoz	6 567	336	414	2 160	65	9 542
Consumer Health – continuing operations	632	161		880	298	1 971
Corporate				11	3	14
Total	10 659	2 366	574	7 098	533	21 230
Amount at risk if discounted cash flows fell by 5%	1			8		9
Amount at risk if discounted cash flows fell by 10%	4			20		24

Source: Novartis annual report 2006, pp176.

Novartis was the only company in the survey to present a full disclosure of its treatment of acquired IPR&D, which included a detailed breakdown of the net book value of intangible assets (including acquired IPR&D), presented along divisional lines as shown in figure 5. Novartis also stated that when a project included in IPR&D had been successfully developed it was subsequently amortised over its useful life into Cost of Goods Sold, where any related impairment charge was also recorded.

Many of the companies in our sample significantly improved their disclosure with respect to acquired IPR&D in their 2006 annual reports. Only three companies, AstraZeneca, Merck KGaA and Solvay, continued to disclose no information, compared to six in 2005. Seven companies (58%) presented partial disclosures, and Novartis was joined by Bayer in presenting detailed disclosures. Bayer presented not only the value of acquired IPR&D in its acquisition of Schering AG, but also a detailed explanation of the valuation methods used and the judgements and assumptions made regarding the purchase price allocation. Novartis and Bayer were the only companies to reveal that they used the services of third party valuation specialists when valuing their acquired IPR&D.

In its 2005 annual report, Shire simply stated that the value ascribed to its acquired IPR&D, which related entirely to the acquisition of Transkaryotic Therapies (TKT), was based on “management’s best estimates”. However, in February 2007 the company announced that it would have to restate the value of the IPR&D and goodwill acquired with the TKT deal for its US GAAP reconciliation, due to a “material weakness” in the company’s internal control over financial reporting with respect to US GAAP. The financial statements prepared under IFRS were unaffected. Shire’s description of the valuation of acquired IPR&D was more detailed in its 2006 report.

The purchase price allocation to the acquired assets and assumed liabilities at the date of acquisition is shown in the table. Including the acquired cash and cash equivalents and the ancillary acquisition costs, it resulted in the net cash outflow shown below:

	Net carrying amount at the date of first-time consolidation	Fair-value adjustment	Net carrying amount after the acquisition
€ million			
Acquired assets and assumed liabilities			
Goodwill	364	5,407	5,771
Other intangible assets	297	11,745	12,042
Property, plant and equipment	1,123	453	1,576
Other noncurrent assets	233	(1)	232
Inventories	837	848	1,685
Other current assets	1,671	-	1,671
Cash and cash equivalents	1,025	-	1,025
Pensions and other post-employment benefits	(345)	-	(345)
Other provisions	(1,078)	(78)	(1,156)
Financial liabilities	(243)	-	(243)
Other liabilities	(690)	-	(690)
Deferred taxes	295	(4,841)	(4,546)
Net assets	3,489	13,533	17,022
Minority interests			(15)
Purchase price			17,007
of which ancillary acquisition costs			71
Acquired cash and cash equivalents			1,025
Liabilities to minority stockholders			736
Net cash outflow for the acquisition			15,246

The fair-value adjustment reflects the differences between the previous net carrying amounts and the respective fair values in the acquirer's balance sheet at the date of acquisition.

The purchase price allocation reflects all information with respect to revaluation amounts calculated as of the date of acquisition, but has not yet been completed. Therefore, changes may yet be made in the allocation of the purchase price to the individual assets.

The goodwill remaining after the purchase price allocation is attributable to a number of factors. Apart from general synergies in administration processes and infrastructures, such factors also include significant cost savings in the R&D, marketing, sales, procurement and production functions. In addition, the acquisition strengthens the Bayer Group's global market position in the pharmaceuticals business.

The fair values of the acquired intangible assets are as follows:

	Fair value
€ million	
Company names	725
Product-related brand names	940
Product-related technologies	9,118
IPR&D projects	1,191
Software	68

Source: Bayer annual report 2006, pp138.

Figure 6: Extract from Bayer's 2006 annual report describing the Schering AG purchase price allocation.

In-process research and development acquired via collaborations and alliances

While it is clear that IPR&D acquired in a business combination must be capitalised on the balance sheet as an intangible asset, the treatment of payments for research conducted externally, such as milestone and upfront payments for an in-licensed compound, is more subject to interpretation. These types of payment can have very different treatments depending on the specific arrangement, and the in-licensing company needs to consider carefully whether such payments simply reflect the funding of research, or the acquisition of an asset. In the former case expensing is always required, and in the latter case, the costs are capitalised.

Not all of the companies surveyed addressed this subject, but most of those that did had capitalised all milestone payments and other costs incurred in collaborations and alliances with third parties. AstraZeneca disclosed the most information in its 2005 and 2006 annual reports, revealing that it had capitalised all upfront and milestone payments to its collaborators, and going on to list the most significant agreements and the amounts capitalised.

Figure 7: Extract from AstraZeneca's 2006 annual report disclosing treatment of upfront and milestone payments.

These acquisitions were complemented by significant licensing and collaboration agreements. These were led by four significant agreements with AtheroGenics, Inc., Protherics PLC, Targacept Inc., and Pozen, Inc., with combined payments (capitalised as intangible assets) in 2006 of \$151 million. With AtheroGenics we entered into a development and commercialisation agreement for AGI-1067, a novel anti-atherosclerotic agent being studied for the treatment of patients with coronary disease, paying an upfront fee of \$50 million in January 2006. Our agreement with Protherics is in respect of the anti-sepsis product CytoFab™ and involved both a 4.3% equity investment in Protherics of \$13 million and an intangible asset of \$31 million. In the case of Targacept, we have capitalised as an intangible asset payments totalling \$30 million in respect of a neuronal nicotinic partial agonist focused on cognitive disorders. The payments comprised a \$10 million upfront fee on signing and a

\$20 million milestone payment when proof of concept studies commenced. The agreement with Pozen is for the co-development of a combination product comprising esomeprazole and naproxen with an upfront fee of \$40 million. In addition to these, we have entered into agreements with Schering AG, Array, Kinacia, Dynavax, Cubist and Argenta, capitalising around \$70 million in intangible assets. All of these agreements include provisions for further payments over and above the initial signing or upfront fees, depending on certain development and sales milestones. The second payment to Targacept is an example of such milestones.

Source: AstraZeneca annual report 2006, pp57.

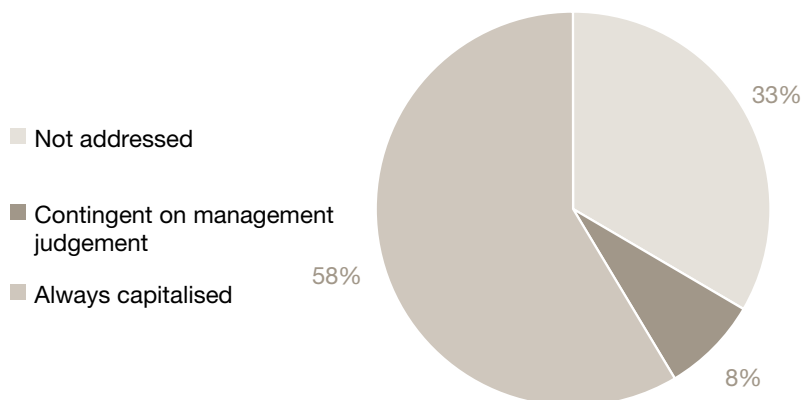


Figure 8: Treatment of payments to third parties for R&D in 2005 annual reports.

Source: Company annual reports 2005, PricewaterhouseCoopers analysis

In 2005, only Bayer stated that a certain amount of management judgement was required with respect to capitalising costs incurred in collaborations and alliances with external parties. In its 2006 annual report, the company expanded considerably on its treatment. Whereas in 2005 it stated simply that “*considerable judgement*” was required in assessing whether milestone payments should be capitalised or expensed, in 2006 it went on to explain the factors that must be taken into account when making this judgement. These included whether a payment was related to regulatory approval, a sales target or outsourced R&D activities, and also the relative fair value of the planned R&D activities compared to the value of the payment.

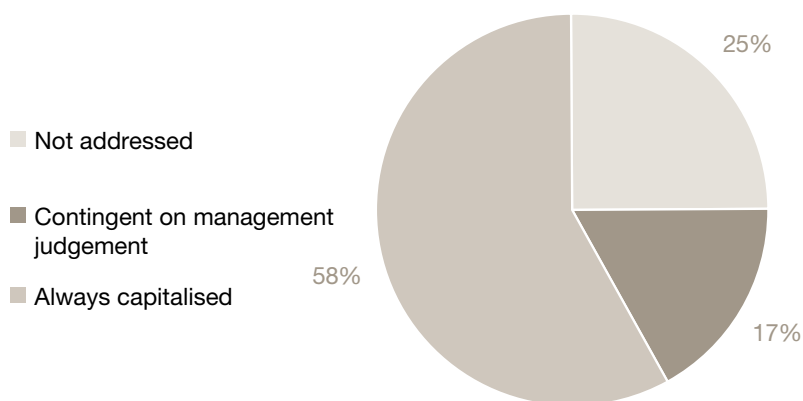


Figure 9: Treatment of payments to third parties for R&D in 2006 annual reports.

Source: Company annual reports 2006, PricewaterhouseCoopers analysis

Merck did not address the issue in its 2005 report, but in its 2006 report it stated that

“an assessment is required as to whether... upfront or milestone payments represent ongoing research and development expense or whether the payments represent the acquisition of the right to capitalise the R&D expense”.

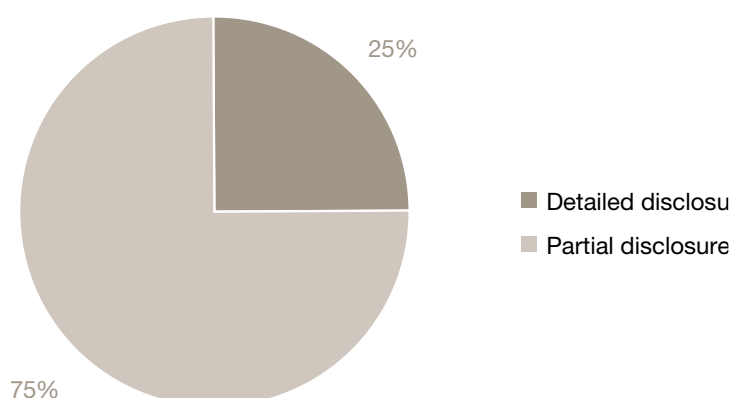
Novartis did not explicitly present its treatment of payments relating to collaborations and alliances, but stated that such expenses which did not qualify for capitalisation were recognised based on their percentage of completion.

Treatment of impairment of in-process research and development

Under IAS 36 Impairment of Assets, IPR&D compounds acquired in a business combination and capitalised as intangible assets are subject to impairment testing at each balance sheet date, or more frequently if changes in circumstances indicate a possible impairment. In our sample of companies, there was a marked variation in the level of disclosure made in respect of these impairment reviews and the key assumptions underlying them.

In both 2005 and 2006, only three of the 12 companies (25%) gave detailed disclosures setting out the basis of their impairment reviews, including valuation methods and the assumptions underlying them. Bayer provided the most detailed description over four pages of its 2006 annual report. Its disclosures included the discount rates used by each of its business segments when calculating the present value of future cash flows. It also presented the results of a sensitivity analysis which modelled a 10% change in the present value of cash flows, and a 10% change in the weighted average cost of capital used for the impairment tests.

Figure 10: Disclosure of impairment reviews in both 2005 and 2006 annual reports.



Source: Company annual reports 2005, 2006, PricewaterhouseCoopers analysis.

Novartis was similarly open about its treatment of impairments, listing eight factors to be considered when developing the associated discounted cash flow models, ranging from the amount and timing of projected costs to develop IPR&D into commercially viable products, to the potential behaviour of competitor companies and products.

The nine companies that did not present detailed disclosures generally just stated that an impairment review had been undertaken, and described some of the factors taken into account.

Figure 11: Extract from Novartis' 2006 annual report disclosing treatment of impairments.

Impairment of long-lived assets

Long-lived assets, including identifiable intangible assets and goodwill are regularly reviewed for impairment, whenever events or changes in circumstance indicate that the balance sheet carrying amount of the asset may not be recoverable. In order to assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal.

All goodwill is considered to have an indefinite life and is subject to at least annual impairment testing. Any goodwill impairment charge is recorded in the income statement under Other Income and Expense and IPR&D must also be assessed for impairment on an annual basis and any impairment charge is recorded in Research & Development expenses. Once a project included in IPR&D has been successfully developed and is available for use, it is amortized over its useful life into Cost of Goods Sold where any related impairment charge is also recorded. Other long-lived assets are reviewed when there is an indication that an impairment may have occurred.

If the balance sheet carrying amount of the asset exceeds the higher of its value in use to Novartis or its anticipated fair value less costs to sell, an impairment loss for the difference is recognized. There are several methods that can be used to determine the fair value of assets. For intangible assets, including IPR&D or product and marketing rights, Novartis typically uses the discounted cash flow method. This method starts with a forecast of all expected future net cash flows. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flow streams. Actual outcomes could vary significantly from the forecasted future cash flows. The development of discounted future

cash flows, in particular for IPR&D, involves highly sensitive estimates and assumptions specific to the nature of the Group's activities with regard to:

- the amount and timing of projected future cash flows;
- the discount rate selected to measure the risks inherent in the future cash flows;
- the outcome of Research & Development activities (compound efficacy, results of clinical trials, etc.);
- the amount and timing of projected costs to develop the IPR&D into commercially viable products;
- the probability of obtaining regulatory approval;
- long-term sales forecasts for periods of up to 20 years;
- selling price erosion rates after the end of patent protection and entry of generic competition; and
- the behavior of competitors (launch of competing products, marketing initiatives, etc.).

Factors that could result in shortened useful lives or impairment include lower than anticipated sales for acquired products; or for sales associated with patents and trademarks; or lower than anticipated future sales resulting from acquired Research & Development; or the closing of facilities; or changes in the planned use of property, plant or equipment. Changes in the discount rates used for these calculations also could lead to impairments.

Novartis has adopted a uniform method for assessing goodwill for impairment and any other intangible asset indicated as possibly impaired. If no cash flow projections for the whole useful life of an intangible asset are available, cash flow projections for the next 5 years are utilized based on Management's range of forecasts with a terminal value using sales projections usually in line or lower than inflation thereafter. Typically three probability-weighted scenarios are used.

The discount rates used are based on the Group's weighted average cost of capital adjusted for specific country and currency risks associated with the cash flow projections. Since the cash flows also take into account tax expenses a post-tax discount rate is utilized.

The recoverable amount of a cash-generating unit and related goodwill is usually based on the value-in-use which is derived from applying discounted future cash flows using the key assumptions indicated below:

	Pharmaceuticals %	Vaccines and Diagnostics %	Sandoz %	Consumer Health %
Sales growth rate assumptions after forecast period	1	2	-1 to 6	-2 to 3
Discount rate	7 to 9	2	8 to 10	9 to 10

¹Forecast period covers useful life

²No value-in-use analysis performed as newly acquired and no indication of impairment

Source: Novartis annual report 2006, pp139.

4 How each company reported its primary and secondary segments

Under IAS 14 *Segment Reporting*, a two-tier approach to segment reporting is required, with segments being reported as either primary or secondary. Business segmentation should be the primary format if products and services represent the main source of a company's risks and returns, and geographical segmentation is secondary. The order is reversed if the geographical risks are dominant.

All of the companies surveyed¹ used business segments as the primary format in their 2005 and 2006 annual reports, as shown in table 1. AstraZeneca and Lundbeck had just one business segment each – “Pharmaceuticals” and “Pharmaceuticals for the treatment of illnesses in the field of CNS”, respectively – so they restricted their segmental breakdown to geographic information only. UCB reported on two segments in 2005, but then divested its Surface Specialties business, leaving just Biopharmaceuticals. As a result of its primary business segment now being geographical, UCB disclosed a little more data in 2006, with Liabilities, Depreciation, Amortisation, and Operating Profit being disclosed on a geographic basis.

The two German conglomerates, Merck KGaA and Bayer, also presented data on sub-segments within their business segments. Merck disclosed information in its Pharmaceuticals segment in three sub-segments: Ethicals, Generics and Consumer Healthcare, while in 2006 Bayer reported its Healthcare segment data in two sub-segments: Pharmaceuticals and Consumer Health. The newly-acquired business of Schering AG was included in the Pharmaceuticals segment along with Bayer's existing pharmaceuticals operations.

¹ Uniquely, Schering AG used geography as its primary segment in its 2005 annual report. This clearly changed in 2006 after its acquisition by Bayer, which uses business segments as its primary format.

COMPANY	PRIMARY SEGMENT Business Segments	SECONDARY SEGMENT Geographic Segments
AstraZeneca	<ul style="list-style-type: none"> • Pharmaceuticals 	<ul style="list-style-type: none"> • UK • Continental Europe • The Americas • Asia • Africa & Australasia
Bayer	<ul style="list-style-type: none"> • Pharmaceuticals • Consumer Health • Crop Protection • Environmental • Science/Bio Science • Materials • Systems 	<ul style="list-style-type: none"> • Europe • North America • Asia/Pacific • Latin America/Africa/ Middle East
GlaxoSmithKline	<ul style="list-style-type: none"> • Pharmaceuticals • Consumer Healthcare 	<ul style="list-style-type: none"> • USA • Europe • International
Lundbeck	<ul style="list-style-type: none"> • Pharmaceuticals for the treatment of illnesses in the field of CNS 	<ul style="list-style-type: none"> • Denmark • Rest of Europe • USA • Rest of the World
Merck KGaA	<ul style="list-style-type: none"> • Pharmaceuticals • Chemicals • Corporate & Others 	<ul style="list-style-type: none"> • Germany • France • Rest of Europe • North America • Latin America • Asia • Rest of World
Novartis	<ul style="list-style-type: none"> • Pharmaceuticals • Vaccines & Diagnostics • Sandoz • Consumer Health • Corporate 	<ul style="list-style-type: none"> • Europe • The Americas • Asia/Africa/Australia
Novo Nordisk	<ul style="list-style-type: none"> • Diabetes Care • Biopharmaceuticals 	<ul style="list-style-type: none"> • Europe • North America • International Operations • Japan & Oceania
Roche	<ul style="list-style-type: none"> • Pharmaceuticals • Diagnostics • Corporate 	<ul style="list-style-type: none"> • Europe • North America • Latin America • Asia • Africa, Australia & Oceania
Sanofi-aventis	<ul style="list-style-type: none"> • Pharmaceutical Products • Vaccines 	<ul style="list-style-type: none"> • Europe • United States • Other Countries
Shire	<ul style="list-style-type: none"> • Pharmaceutical Products • Royalties 	<ul style="list-style-type: none"> • North America • Rest of the World
Solvay	<ul style="list-style-type: none"> • Pharmaceuticals • Chemicals • Plastics 	<ul style="list-style-type: none"> • Europe • NAFTA • Mercosur • Asia-Pacific & Other
UCB	<ul style="list-style-type: none"> • Biopharmaceuticals 	<ul style="list-style-type: none"> • USA • Europe • Rest of the World (Japan & Emerging Markets)

Table 1: Categories used for Primary and Secondary reporting segments in 2006 annual reports.

According to IAS 14, disclosures should concentrate mainly on the segments in the primary reporting format, with only limited information being presented on the secondary segments. This is certainly borne out in our survey, with each company disclosing an average of around 10 metrics on its business segments, and just five metrics on its geographic segments.

When IAS 14 was developed, the aim was to ensure better comparability between segments of the same entity, and also between segments of different entities within the same industry. Furthermore, IAS 14 has clear requirements regarding what is to be disclosed, and a clearly defined basis for measuring metrics such as segment profit or loss². Nevertheless, our survey reveals that, although comparability within companies from year to year and between segments was certainly achieved, with each company including a Business Segments table of financial data in the Notes to the Financial Statements, unfortunately there was very little consistency between companies in the actual metrics disclosed, and so comparability between companies remains very difficult.

In all, PwC identified 30 different financial metrics³ used by the 12 companies to report on their business segments (see table 2). Perhaps surprisingly, of these 30 metrics only one, namely Sales, was consistently reported by all 12 companies, although a majority of companies reported segmental R&D Expense, Operating Profit, Depreciation & Amortisation, Total Assets, Liabilities, Impairments and Capital Expenditure.

² The controversial move to replace IAS 14 with IFRS 8, as part of the convergence between IFRS and US GAAP, is seen by many in Europe as a step backwards, since these requirements have been watered down.

³ Reported metrics that were trivial to calculate given other disclosures, such as gross margin given the disclosure of COGS, are not included in this number.

Number of companies disclosing by business segment

Financial metric	2005	2006
Sales	10	9
Liabilities	9	8
Depreciation & Amortisation	9	8
Impairments	8	8
Operating profit	8	7
Total Assets	8	7
Total Capital Expenditure	8	7
R&D expense	7	6
Fixed assets acquired	4	4
COGS/Gross margin	3	3
EBIT	3	3
Fixed Assets	3	3
Net operating Assets	2	3
Intangible assets acquired	3	3
Gross Cash Flow	2	2
Equity Compensation Plan	2	2
SG&A	1	1
Sales & Marketing	1	1
General & Administration	1	1
EBITDA	1	1
Net Cash Flow	1	1
Free Cash Flow	1	1
CFROI	1	1
Intangible Assets	1	1
Working capital	1	1
Financial expense	1	1
Financial income	1	1
Income tax expense	1	1
Net income	1	1
Share of profit/loss of associates	1	1
Average number of metrics disclosed by each company	10.3	10.8

Table 2: Number of companies⁴ disclosing each financial metric by business segment in their 2005 and 2006 annual reports.

Source: Company annual reports 2005 and 2006, PricewaterhouseCoopers analysis.

⁴ Note that total sample size is just 10 in 2005 and 9 in 2006, since in 2005 and 2006 AstraZeneca and Lundbeck did not report business segment data, and in 2006 they were joined by UCB.

Figure 12: Extract from Novartis' 2006 annual report detailing its business segment disclosures.

DIVISIONAL SEGMENTATION OF KEY FIGURES 2006 AND 2005

(in USD millions)	Pharmaceuticals		Vaccines and Diagnostics	Sandoz	
	2006	2005	2006	2006	2005
Net sales to third parties	22 576	20 262	956	5 959	4 694
Sales to other Divisions	162	128	9	148	144
Net sales of Divisions	22 738	20 390	965	6 107	4 838
Other revenues	424	253	231	24	18
Cost of goods sold	-3 826	-3 275	-795	-3 420	-2 883
<i>Of which amortization and impairments of product and marketing rights and trademarks</i>	<i>-225</i>	<i>-195</i>	<i>-172</i>	<i>-288</i>	<i>-169</i>
Gross profit	19 336	17 368	401	2 711	1 973
Marketing & sales	-7 069	-6 485	-124	-1 061	-816
Research & development	-4 265	-3 972	-148	-477	-434
General & administration	-703	-657	-92	-311	-270
Other income & expense	-596	-240	-63	-126	-111
<i>Of which amortization and impairments of capitalized intangible assets included in function costs</i>	<i>-119</i>	<i>-342</i>		<i>-38</i>	<i>-57</i>
Operating income	6 703	6 014	-26	736	342
Income from associated companies	-44	19		7	2
Financial income					
Interest expense					
Income before taxes					
Taxes					
Group net income					
Attributable to	Shareholders of Novartis AG				
	Minority interests				
Included in operating income are:					
Depreciation of property, plant & equipment	-551	-490	-48	-233	-195
Amortization of intangible assets	-268	-178	-172	-279	-189
Impairment charges on property, plant & equipment	-3		-7		-14
Impairment charges on intangible assets	-76	-359		-47	-37
Impairment charges on financial assets	-34	-38			
Additions to restructuring provision	-85		-54	-30	-51
Divestment gains or losses from disposal of subsidiaries				-7	
Share-based compensation of Novartis equity plans	-450	-384	-1	-25	-9
Total assets	20 418	14 655	5 609	15 009	14 057
Total liabilities	-6 778	-5 848	-1 073	-1 545	-1 342
Total equity	13 640	8 807	4 536	13 464	12 715
Less net liquidity					
Net operating assets	13 640	8 807	4 536	13 464	12 715
Included in total assets are:					
Total property, plant & equipment	6 439	5 053	605	2 430	2 216
Additions to property, plant & equipment	1 135	686	113	264	212
Total intangible assets	6 071	1 670	3 632	9 542	9 331
Additions to intangible assets	351	211	13	38	24
Total investment in associated companies	2	1 471	1	15	10

Source: Novartis annual report 2006, pp 168-169.

Just one company, Sanofi-aventis, reported Sales, General and Administrative expense (SG&A) for each of its business segments, and only Bayer and Merck KGaA reported segmental Cash Flows. Novartis disclosed the most data of the companies studied (17 of the 30 metrics), presenting relatively detailed income statement and balance sheet data for each of its four business segments. Sanofi-aventis also reported a lot of information, although its total (14 out of 30 metrics) was boosted by its allocation of financial income/expense, income taxes and net income to each of its two divisions. GlaxoSmithKline disclosed the least, with just seven metrics being reported on its two divisions.

continuing operations		(including eliminations)		Total continuing operations		Discontinuing operations		Total Group	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
6 540	6 049			36 031	31 005	989	1 207	37 020	32 212
39	23	-358	-295						
6 579	6 072	-358	-295	36 031	31 005	989	1 207	37 020	32 212
39	43			718	314	3		721	314
-2 642	-2 374	384	273	-10 299	-8 259	-516	-609	-10 815	-8 868
-79	-57			-764	-421	-11	-11	-775	-432
3 976	3 741	26	-22	26 450	23 060	476	598	26 926	23 658
-2 200	-2 096			-10 454	-9 397	-302	-405	-10 756	-9 802
-288	-270	-171	-149	-5 349	-4 825	-15	-21	-5 364	-4 846
-435	-370	-416	-384	-1 957	-1 681	-50	-61	-2 007	-1 742
15	-53	29	49	-741	-355	116	-8	-625	-363
-31	-24	-8	-17	-196	-440	-10	-10	-206	-450
1 068	952	-532	-506	7 949	6 802	225	103	8 174	6 905
		301	172	264	193			264	193
				354	461			354	461
				-266	-294			-266	-294
				8 301	7 162	225	103	8 526	7 265
				-1 282	-1 090	-42	-34	-1 324	-1 124
				7 019	6 072	183	69	7 202	6 141
				6 992	6 061	183	69	7 175	6 130
				27	11			27	11
-151	-137	-33	18	-1 016	-804	-12	-17	-1 028	-821
-107	-81	-8	-12	-834	-460	-21	-21	-855	-481
-1				-11	-14			-11	-14
-3			-5	-126	-401			-126	-401
		-5	-10	-39	-48			-39	-48
				-169	-51			-169	-51
	8			-7	8	129		122	8
-46	-34	-127	-101	-649	-528	-4	-4	-653	-532
6 480	6 863	19 756	22 157	67 272	57 732	736		68 008	57 732
-2 358	-2 430	-14 753	-14 948	-26 507	-24 568	-207		-26 714	-24 568
4 122	4 433	5 003	7 209	40 765	33 164	529		41 294	33 164
		-656	-2 479	-656	-2 479	3		-653	-2 479
4 122	4 433	4 347	4 730	40 109	30 685	532		40 641	30 685
1 006	1 030	465	380	10 945	8 679	69		11 014	8 679
222	233	106	32	1 840	1 163	11	31	1 851	1 194
1 971	2 282	14	11	21 230	13 294	370		21 600	13 294
177	160			579	395	1	2	580	397
		6 093	5 605	6 111	7 086			6 111	7 086

Although comparability between companies was made difficult by the lack of consistency in the metrics reported, the consistency within each company was striking; only GlaxoSmithKline and Merck KGaA changed the data they chose to report between 2005 and 2006, and then just by adding one extra metric. And for most of the companies studied, the metrics disclosed were much the same in 2005 and 2006 as they had been in 2004, before the adoption of IFRS, and in much the same format. The exceptions were Sanofi-aventis, which disclosed significantly more information in its 2005 and 2006 reports than it had in previous annual reports, and UCB, which presented its segment information in a single table in the Notes to the Financial Statements in 2005, rather than in separate sections as it had in 2004.

Table 3: Number of companies disclosing each financial metric by geographic segment in their 2005 and 2006 annual reports.

Number of companies disclosing by geographic segment		
Financial metric	2005	2006
Sales by customer	12	12
Total Assets	11	11
Total Capital Expenditure	9	9
Operating profit	4	5
Sales by subsidiary	3	4
Fixed Assets	3	3
Fixed assets acquired	3	3
Depreciation & Amortisation	2	3
EBIT	2	2
Liabilities	1	2
Net operating Assets	2	2
Intangible assets acquired	2	2
R&D expense	2	2
Profit before tax	1	1
Gross Cash Flow	1	1
Employee expense	1	1
Average number of metrics disclosed	4.9	5.3

Source: Company annual reports 2005 and 2006, PricewaterhouseCoopers analysis.

On a geographic basis, there was also very little consistency between companies in the financial data disclosed, with Sales by Customer being the only metric reported by all of the companies studied. The next most popular was Total Assets, which only Merck KGaA failed to disclose. Capital expenditure was also a favourite, with nine companies choosing to report this on a geographic basis. In all, 16 different metrics were used by the 12 companies to report on their geographic segments, most of them disclosed by just two or three companies.

5 How each company explained the various elements included in its revenue, including rebates and allowances

IFRS has no detailed rules regarding when marketing and selling expenses should be deducted from sales rather than recorded as an expense, and when Merck KGaA changed the way it reported certain customer rebates in 2006, it did not provide any additional disclosures. However, such rules do exist under US GAAP in EITF 01-09 *Accounting for Consideration Given by a Vendor to a Customer*, which requires that most marketing, advertising, and promotion payments made to customers be deducted from turnover. In the absence of IFRS rules, GlaxoSmithKline decided to adopt a revenue recognition policy in line with EITF 01-09 for its treatment of the subject in both its 2005 and 2006 annual reports. The company also revealed that such payments were most significant in its Consumer Healthcare business, where payments to large retailers for in-store advertising, preferential shelf-space, product listings, etc are the norm.

Although revenue is usually the most significant line in company financial statements, investors and other users of financial statements often have difficulty interpreting how sales and other transactions have been accounted for. The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits will flow to the company and can be measured reliably. IAS 18 *Revenue* provides some principles-based guidance relating to revenue recognition. Revenue is to be recognised when

- the entity has transferred significant risks and rewards of ownership to the buyer;
- the entity has relinquished managerial involvement, ownership and effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In addition

- royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.

For four of the companies whose annual reports were analysed in this study, namely Lundbeck, Merck KGaA, Solvay and UCB, a simple restating of these principles was deemed to be a sufficient disclosure of their revenue recognition policies. However, in both 2005 and 2006, AstraZeneca, GlaxoSmithKline and Novartis explained in detail how the discount and rebate mechanisms worked in the US. In its 2006 report, AstraZeneca expanded greatly on the information it had presented in 2005, devoting a full two and a half pages to the subject of rebates, chargebacks and discounts in the Notes to the Financial Statements, including a table detailing their effect on the reporting of gross and net sales, as shown in Figure 13.

GlaxoSmithKline, Novo Nordisk, Novartis and Sanofi-aventis also presented tables of rebates and discounts, each providing more detail in 2006 than in the year before. Shire preferred a narrative description of the system of Medicaid and HMO rebates in the US, with no data disclosure.

The amount of detail disclosed on revenue recognition appears to be loosely correlated to a company's exposure to the US market and its complex environment of discounts, chargebacks and rebates. The companies with the smallest operations in the US are Solvay, Lundbeck and Merck KGaA, whose 80-120 word descriptions of their revenue recognition policies are easily the shortest of the sample of companies studied (by comparison, Novartis dedicated over 1400 words to the subject in its 2005 annual report).

	2006 \$m	2005 \$m	2004 \$m
Gross sales	16,577	14,013	12,552
Chargebacks	(975)	(905)	(754)
Regulatory – US government and state programmes	(532)	(873)	(659)
Contractual – Managed care and group purchasing organisation rebates	(2,413)	(1,201)	(949)
Cash and other discounts	(329)	(405)	(578)
Customer returns	(46)	14	(64)
Other	(256)	(244)	(248)
Net sales	12,026	10,399	9,300

Figure 13: Extract from AstraZeneca's 2006 annual report disclosing the affect of discounts, rebates and chargebacks on revenue.

	Brought forward 1 January 2004 \$m	Provision for current year \$m	Adjustment in respect of prior years \$m	Returns and payments \$m	Carried forward at 31 December 2004 \$m
Chargebacks	127	745	9	(763)	118
Regulatory – US government and state programmes	386	724	(65)	(552)	493
Contractual – Managed care and group purchasing organisation rebates	572	1,034	(85)	(1,031)	490
Cash and other discounts	20	578	-	(575)	23
Customer returns	316	64	-	(98)	282
Other	44	248	-	(212)	80
	1,465	3,393	(141)	(3,231)	1,486

	Brought forward 1 January 2005 \$m	Provision for current year \$m	Adjustment in respect of prior years \$m	Returns and payments \$m	Carried forward at 31 December 2005 \$m
Chargebacks	118	927	(22)	(838)	185
Regulatory – US government and state programmes	493	970	(97)	(765)	601
Contractual – Managed care and group purchasing organisation rebates	490	1,284	(83)	(1,271)	420
Cash and other discounts	23	405	-	(401)	27
Customer returns	282	(14)	-	(101)	167
Other	80	244	-	(270)	54
	1,486	3,816	(202)	(3,646)	1,454

	Brought forward 1 January 2006 \$m	Provision for current year \$m	Adjustment in respect of prior years \$m	Returns and payments \$m	Carried forward at 31 December 2006 \$m
Chargebacks	185	1,001	(26)	(1,068)	92
Regulatory – US government and state programmes	601	597	(65)	(819)	314
Contractual – Managed care and group purchasing organisation rebates	420	2,367	46	(2,198)	635
Cash and other discounts	27	329	-	(327)	29
Customer returns	167	46	-	(53)	160
Other	54	256	-	(263)	47
	1,454	4,596	(45)	(4,728)	1,277

Source: AstraZeneca annual report 2006, pp62.

Where they were disclosed, the analysis of our sample annual reports indicated that the following elements had the greatest impact on revenue recognition in both 2005 and 2006.

- Rebates to managed care and group purchasing organisations;
- Allowances/rebates in the US federal and state healthcare programmes, ie Medicare and Medicaid;
- Wholesaler chargebacks;
- Direct customer discounts; and
- Product returns.

6 How risks were treated, and how they were reflected in provisions

The main risks identified by the 12 companies surveyed as being of greatest concern can be grouped into these broad categories:

- Risks associated with the infringement of intellectual property rights;
- Product liability risks;
- R&D pipeline failures or delays;
- Strategic alliance failures;
- Cost containment and price controls;
- Manufacturing or supply failures;
- Regulatory compliance issues;
- Reputational risk.

A wide variety of risks were presented in the annual reports of the companies studied, but most can be identified as belonging to one of these categories. Most companies presented and described risk in the management report, although AstraZeneca also included an in-depth discussion of risk in the Notes to the Financial Statements in both 2005 and 2006.

As shown in table 4, seven of the 12 companies included a dedicated risk report in their 2005 annual reports, this number increasing to 10 in 2006. Roche and UCB were the only companies not to present a risk report in either year, although Roche did include some discussion of the risks associated with infringement of intellectual property rights and product liability. UCB was the only company not to cover any of the key industry risks.

AstraZeneca's risk report runs to over 10 pages in its 2005 annual report and 12 in its 2006 annual report. Others were less comprehensive; Merck KGaA's risk report in both 2005 and 2006 was just two pages long, as was Lundbeck's. In both years, Lundbeck's Risk Management section contained detailed discussion of five risk categories, with the others simply listed in a graphic. Notably, the five categories deemed important enough for a detailed discussion changed between 2005 and 2006, with the risks associated with product liability and reputation being replaced by cost containment and reliability of supply in 2006. The company considered R&D failure, intellectual property infringements and foreign currency exposure to be important enough for detailed discussion in both 2005 and 2006.

Table 4: Treatment of risk in 2005 and 2006 annual reports. The figures refer to number of companies presenting information and/or analysis of each risk category, followed by the proportion of the total sample.

Risk category	2005		2006	
Dedicated Risk Report	7	58%	10	83%
Intellectual Property	9	75%	11	92%
Product Liability	8	67%	9	75%
R&D Failure	4	33%	7	58%
Alliance Failure	1	8%	3	25%
Cost Containment	4	33%	8	67%
Manufacturing or Supply	6	50%	9	75%
Regulatory Compliance	5	42%	7	58%
Reputation	2	17%	4	33%

Source: Company annual reports 2005 and 2006, PricewaterhouseCoopers analysis.

In 2006, every company presenting a risk analysis discussed the risks of intellectual property infringement, illustrating the singular importance of this issue to the industry. Potential product liability claims and manufacturing or supply issues were the next most important topic, while cost containment, regulatory compliance and potential R&D failure were also considered worthy of inclusion by most companies.

Interestingly, the risk of failure of alliances and partnerships was covered by just one company in 2005 – Sanofi-aventis, this most probably being due to the importance of the company's Plavix partnership with Bristol-Myers Squibb in the US market. In 2006, AstraZeneca also included alliance failure as a significant business risk; this is perhaps a reflection on the growing number and significance of this company's in-licensing deals and collaborations with biotechnology companies. Shire also presented a discussion of alliance failure in 2006, bringing the total to three companies. As these partnerships become ever more important to the industry, this number will no doubt grow.

Another category of risk that received greater coverage in 2006 was Reputation, with four companies regarding it important enough for inclusion in their risk reports, up from two in 2005. Pharmaceutical companies clearly face significant reputational issues, as evidenced by the various product liability cases in recent years, not to mention the continuing debate over provision of low-cost medicines to developing countries. And although only four companies presented reputation management as a specific risk in their risk reports, many others implied obliquely that it was an issue of note. The issue was covered most comprehensively by AstraZeneca in its 2006 report, where a sub-section of its Risk Factors section was devoted to "Reputation Strategy". The company also included a separate section on "Reputation and Responsibility" in its Management Report.

Novartis' 2005 annual report did not contain a dedicated risk report, although the Notes to the Financial Statements contained a detailed five-page description of legal and product liability claims. The management report devoted a page to "Factors Affecting Results" but, although factors affecting the company's ethical business were touched on briefly, the majority of the discussion concentrated on competition and regulatory changes in the generics market, and how these might adversely affect Novartis' generics division, Sandoz. The ethical business is the main driver of Novartis' revenues and profits, and therefore of shareholder value, and so perhaps it might be expected to have been featured more prominently. Novartis' 2006 annual report did contain a Risk Management section in the management report, but it contained discussion of just one business risk – a pandemic influenza outbreak.

In all, the coverage of business risk by all of the companies studied, with the notable exception of UCB, was much improved in the 2006 reports compared to 2005, an indication perhaps of greater senior management focus on this area, as demonstrated by Solvay's appointment of a Group Risk Manager. However, in neither year was this increased disclosure of risk reflected in the amounts of liabilities or assets in the table of provisions, which all of the companies included in the Notes to the Financial Statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. For instance, Novo Nordisk included a discussion of various risks in its 2005 and 2006 management reports, ranging from the risk of failure in the company's production facilities to potential reputational damage. But none of these categories appeared in the table of provisions, which assigned liabilities only for product returns and sales rebates.

Shire and Solvay presented much improved treatments of business risk in their 2006 annual reports. Shire's 2005 annual report contained a "Risk Management, Compliance and Internal Control" section, but little discussion of the type of business risks it actually faced, other than potential and current litigations. This was remedied in 2006, when a five-page "Business Risk Management" section was added, setting out a comprehensive overview of the key risk factors, including all those identified by PricewaterhouseCoopers.

Solvay's 2005 appointment of a Group Risk Manager, whose task was to facilitate risk assessment and make risk management within the company more systematic and consistent, is reflected in its excellent seven-page Management of Risks section in its 2006 annual report. The company identified 10 categories of risk, including all but one of the key risks identified above (Alliance Failure being the exception), each presented clearly and concisely, along with the mitigation efforts the company has in place to deal with them. This was a marked improvement over the company's 2005 report, which contained zero discussion of business risk.

Appendix A

Companies surveyed (country of domicile)

AstraZeneca	(United Kingdom)
Bayer	(Germany)
GlaxoSmithKline	(United Kingdom)
Lundbeck	(Denmark)
Merck KGaA	(Germany)
Novartis	(Switzerland)
Novo Nordisk	(Denmark)
Roche	(Switzerland)
Sanofi-aventis	(France)
Shire	(United Kingdom)
Solvay	(Belgium)
UCB	(Belgium)

Appendix B

Glossary

CFROI	Cash Flow Return On Investment
COGS	Cost of Goods Sold
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest and Tax, Depreciation and Amortisation
EITF	Emerging Issues Task Force
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPR&D	In-Process Research and Development
R&D	Research and Development
SG&A	Sales, General and Administrative costs

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