HARRAHS ENTERTAINMENT INC
Form S-3
June 09, 2005

QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on June 9, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HARRAH'S ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

62-1411755

(I.R.S. Employer Identification Number)

One Harrah's Court
Las Vegas, NV 89119
(702) 407-6000

(Address, including zip code, and telephone number, including area code, of each registrant's principal executive offices)

Stephen H. Brammell, Esq.
Senior Vice President, General Counsel and Corporate Secretary
Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, NV 89119
(702) 407-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies To:

Charles K. Ruck, Esq.
Latham & Watkins LLP
650 Town Center Drive, 20th Floor
Costa Mesa, California 92626-1925
(714) 540-1235

Approximate date of commencement of proposed sale to the public: As soon as practicable after the Registration Statement becomes effective and all other conditions to this offering described in the enclosed prospectus have been satisfied or waived.

If the only securities being registered on this Form S-3 are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being offered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of Registration Fee
Guarantees of Debt Securities	$3,898,000,000(1)	100%	3,898,000,000(1)	$458,795
Common Stock, par value $0.10 per share(2)	5,463,000(3)	72.25(4)	394,701,750(4)	$ 46,456
Total				$505,251

(1) Estimated solely for purposes of calculation of the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, as amended.

(2) Includes associated rights to purchase one two-hundredth of a share of Series A Special Stock, par value $0.10 per share, subject to adjustment. The Rights initially are attached to and trade with the common stock of Harrah's Entertainment, Inc. and will not be exercisable until the occurrence of specified events.

(3) The shares of the Registrant's common stock are being issued in connection with the pending merger (the "Merger") of Caesars Entertainment, Inc., a Delaware corporation ("Caesars"), with and into Harrah's Operating Company, Inc., a Delaware corporation and wholly owned subsidiary of the Registrant ("Harrah's Operating"). Represents the maximum number of shares of the Registrant's common stock issuable upon the conversion of $375 million aggregate principal amount of Floating Rate Contingent Convertible Senior Notes due 2024 issued by Caesars and outstanding as of June 9, 2005, calculated based on the conversion rate of 44.8632 shares of Caesars common stock per $1,000 principal amount of notes and the merger consideration of 0.3247 of a share of the Registrant's common stock for each outstanding share of Caesars common stock. The Floating Rate Contingent Convertible Senior Notes are to be assumed by Harrah' Operating upon the completion of the Merger.

(4) Estimated solely for purposes of calculation of the registration fee in accordance with Rule 457(c) of the Securities Act of 1933, as amended, based upon the average of the high and low sale prices for shares of the Registrant's common stock as reported on the New York Stock Exchange on June 6, 2005.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated June 9, 2005

PROSPECTUS

HARRAH'S ENTERTAINMENT, INC.

Guarantees of $3,525,000,000 Principal Amount of Debt Securities

Shares of Common Stock Issuable Upon Conversion of Floating Rate Contingent Convertible Senior Notes due 2024

Subject to the satisfaction or waiver of certain conditions described below, Harrah's Entertainment, Inc., a Delaware corporation ("Harrah's"), hereby offers its senior and senior subordinated guarantees, as applicable, to record holders of the following series of debt securities issued by Caesars Entertainment, Inc., a Delaware corporation ("Caesars") and to be assumed by our wholly-owned subsidiary Harrah's Operating Company, Inc., a Delaware corporation ("Harrah's Operating"), upon the completion of the merger of Caesars with and into Harrah's Operating:

- $400,000,000 8.5% Senior Notes due 2006;
- $400,000,000 8.875% Senior Subordinated Notes due 2008;
- $425,000,000 7.50% Senior Notes due 2009;
- $300,000,000 7.0% Senior Notes due 2013;
- $400,000,000 7.875% Senior Subordinated Notes due 2005;
- $500,000,000 9.375% Senior Subordinated Notes due 2007;
- $375,000,000 7.875% Senior Subordinated Notes due 2010;
- $350,000,000 8.125% Senior Subordinated Notes due 2011; and
- $375,000,000 Floating Rate Contingent Convertible Notes due 2024.

The foregoing debt securities are referred to collectively as the "notes."

The guarantees are offered in conjunction with the consent solicitations made by Harrah's and Harrah's Operating to the record holders of the notes pursuant to a consent solicitation statement and a consent letter dated June , 2005. The consent solicitation statement and the consent letter will be delivered together with this prospectus. The conditions to the issuance of the guarantees include:

the consummation of the merger of Caesars with and into Harrah's Operating (as described below under "The Merger");

the receipt of validly delivered consents from note holders of record representing a majority in aggregate principal amount of each and all series of the notes outstanding which consents have not been validly revoked (the "Required Consents") on or prior to the expiration date of the consent solicitation; and

the execution and delivery of a supplemental indenture for each series of notes (collectively, the "Supplemental Indentures"), containing, the guarantees and the amendments proposed in the consent solicitation.

See "Conditions to the Effectiveness of the Guarantees" below.

The guarantees will be set forth in the Supplemental Indentures, which we expect will be executed promptly following the receipt of the Required Consents.

This prospectus also covers the shares of Harrah's common stock issuable upon conversion of up to $375,000,000 aggregate principal amount of Caesars' Floating Rate Contingent Convertible Senior Notes due 2024 (the "Convertible Notes"). Upon the completion of the merger of Caesars with and into Harrah's Operating, holders of the Convertible Notes will have the right, for 15 days after the closing of the merger, to convert their notes into the kind and amount of merger consideration that such holders would otherwise be to entitled to receive if they had converted their notes into Caesars' common stock immediately prior to the merger. As of June 8, 2005, the conversion price for the Convertible Notes was $22.29 per share of Caesars common stock or 44.8632 shares of Caesars common stock per $1,000 principal amount of notes. In the merger, holders of Caesars' common stock will have the right to elect to receive either $17.75 in cash or 0.3247 of a share of Harrah's common stock for each outstanding share of Caesars common stock, subject to limitations on the aggregate amount of cash to be paid and the number of shares of stock to be issued by Harrah's. During the 15-day conversion period following the merger, holders of the notes who elect to convert their notes will have the right to determine whether they will receive the merger consideration paid to holders of Caesars' common stock who elected to receive cash or the merger consideration paid to holders of Caesars' common stock who elected to receive Harrah's common stock.

For a discussion of material risks that you should consider before you invest in our securities, see "Risk Factors Related to Our Business" in the most recently filed Annual Report of Harrah's on Form 10-K and "Risk Factors" in Harrah's Registration Statement on Form S-4 filed with respect to the merger with Caesars, both of which are incorporated herein.

Harrah's common stock is traded on the New York Stock Exchange under the trading symbol "HET." On June 8, 2005, Harrah's common stock closed at $72.02 per share as reported on the New York Stock Exchange Composite Transaction Tape. The notes are not listed on any securities exchange or the Nasdaq Stock Market.

We will not receive any cash proceeds in connection with the offering the guarantees or the common stock. The guarantees and the common stock are being offered solely by Harrah's and not by Harrah's Operating or Caesars.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory authority has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005.

In making your investment decision, you should rely only on the information contained in this prospectus and the documents incorporated by reference herein. We have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

In this prospectus, the word "Harrah's" refers to Harrah's Entertainment, Inc., a Delaware corporation, the words "Harrah's Operating" refer to Harrah's Operating Company, Inc., a Delaware corporation and wholly-owned subsidiary of Harrah's, and the words "we," "our," "ours," and "us" refer to Harrah's and its consolidated subsidiaries, including without limitation Harrah's Operating, unless otherwise stated or the context otherwise requires. The following summary contains basic information about this offering. It may not contain all the information that is important to you. We urge you to read this entire prospectus carefully, including the information incorporated by reference herein and the documents identified under "Where You Can Find More Information." The "Description of Guarantees" and "Conditions to Effectiveness of the Guarantees" sections of this prospectus contain more detailed information regarding the terms and conditions of the guarantees and the "Description of the Common Stock Offering" and the "Description of Capital Stock" sections of this prospectus contain more detailed information regarding the terms and conditions of the common stock.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and in accordance with these requirements we file reports, proxy statements and other information with the Securities and Exchange Commission or the SEC. The reports, proxy statements and other information may be inspected and copied at the public reference facilities of the SEC, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. Our SEC filings are available to the public at the SEC's website at *http://www.sec.gov*.

The address of our internet site is *http://www.harrahs.com*. We make available free of charge on or through our internet site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Any internet addresses provided in this prospectus are for information purposes only and are not intended to be hyperlinks. Accordingly, no information in any of these internet addresses is incorporated by reference herein.

INCORPORATION OF INFORMATION BY REFERENCE

We "incorporate by reference" the information Harrah's files with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. Any statement contained in a document incorporated by reference shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus modifies or replaces that statement. We incorporate by reference the documents of Harrah's, Caesars and Horseshoe Gaming Holding Corp. listed below and any future filings made by Harrah's with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act:

Harrah's Annual Report on Form 10-K for the year ended December 31, 2004 (including all exhibits thereto);

Harrah's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (including all exhibits thereto);

Harrah's Proxy Statement on Schedule 14A dated March 3, 2005;

Harrah's Current Reports on Form 8-K dated July 16, 2004 (as amended by Form 8-K/A filed on September 2, 2004), March 7, 2005, March 11, 2005, April 26, 2005, April 27, 2005, May 2, 2005, May 3, 2005, May 20, 2005, May 24, 2005 and June 3, 2005 (including the exhibits thereto);

Harrah's Registration Statement on Form S-4 filed on October 20, 2004, as amended by Amendment No. 1 filed on December 20, 2004 and Amendments No. 2 and No. 3 filed on January 24, 2005;

the description of the rights agreement contained in Harrah's Registration Statement on Form 8-A dated September 16, 1996;

the description of Harrah's common stock contained in Harrah's Registration Statement on Form 10 dated December 18, 1989 and any amendment or report filed with the SEC for the purpose of updating such description;

Horseshoe Gaming Holding Corp.'s Annual Report on Form 10-K for the year ended December 31, 2003 (including all exhibits thereto);

Caesars' Annual Report on Form 10-K for the year ended December 31, 2004 (including all exhibits thereto); and

Caesars' Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (including all exhibits thereto).

You may request a free copy of these filings by writing or telephoning us at the following address:

Harrah's Entertainment, Inc.
One Harrah's Court
Las Vegas, Nevada 89119
Telephone number: (702) 407-6000
Attn: Corporate Secretary

In addition, you may obtain copies of the information relating to Harrah's, without charge, by sending an e-mail to investors@harrahs.com. You may obtain copies of some of this information by making a request through the Harrah's investor relations website at http://investor.harrahs.com.

FORWARD-LOOKING STATEMENTS

This prospectus and the other documents incorporated by reference into this prospectus contain or may contain "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward looking statements on our current expectations about future events. Further, statements that include the words such as "may," "project," "might," "expect," "believe," "anticipate," "intend, "could," "would," "estimate," "continue" or "pursue," or the negative of these words or other words or expressions of similar meaning may identify forward-looking statements. These forward-looking statements are found at various places throughout this prospectus and the documents incorporated by reference. These forward-looking statements, including, without limitation, those relating to future actions, new projects, strategies, future performance, the outcome of contingencies such as legal proceedings and future financial results, in each case relating to us, wherever they occur in this prospectus or the other documents incorporated by reference herein, are necessarily estimates reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in this prospectus and incorporated by reference into this prospectus. In addition to the risk factors identified elsewhere, important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- the effects of local and national economic, credit and capital market conditions on the economy in general, and on the gaming and hotel industry in particular;
- construction factors, including delays, increased cost for labor and materials, zoning issues, environmental restrictions, soil and water conditions, weather and other hazards, site access matters and building permit issues;
- the effects of environmental and structural building conditions relating to our properties;
- the ability to complete the merger with Caesars Entertainment, Inc. and to timely and cost-effectively integrate Caesars and Horseshoe Gaming Holding Corp. into our operations;
- access to available and feasible financing, including financing for the merger of Caesars into us, on a timely basis;
- the ability of purchasers of any of our assets subject to sale agreements to close the purchases on a timely basis;
- changes in laws, including increased tax rates, regulations or accounting standards, third-party relations and approvals, and decisions of courts, regulators and governmental bodies;

- litigation outcomes and judicial actions, including gaming legislative action, referenda and taxation;
- the ability of customer-tracking, customer loyalty and yield-management programs to continue to increase customer loyalty and same store or hotel sales;
- the ability to recoup costs of capital investments through higher revenues;
- acts of war or terrorist incidents;
- abnormal gaming holds; and
- the effects of competition, including locations of competitors and operating and market competition.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus or, in the case of documents incorporated by reference, as of the date of those documents. We do not undertake any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, except as required by law.

THE COMPANY

We are one of the leading casino entertainment providers in the world. Harrah's business is conducted through Harrah's Operating, a wholly-owned subsidiary, which owns or manages through various subsidiaries 25 casinos in the United States with about 1.58 million square feet of gaming space and approximately 15,780 hotel rooms. Our casino entertainment facilities, operating primarily under the Harrah's, Rio, Showboat, Harveys and Horseshoe brand names, include ten land-based casinos, nine riverboat or dockside casinos, a combination greyhound racetrack and casino, a combination thoroughbred racetrack and casino and four managed casinos on Indian lands.

Our principal executive offices are located at One Harrah's Court, Las Vegas, Nevada 89119. Our telephone number is (702) 407-6000. The address of our internet site is http://www.harrahs.com.

THE MERGER

On July 14, 2004, Harrah's entered into an Agreement and Plan of Merger with Harrah's Operating and Caesars, providing for the merger of Caesars with and into Harrah's Operating, with Harrah's Operating as the surviving corporation. Upon the consummation of the merger, and pursuant to certain Supplemental Indentures, Harrah's Operating will assume all of Caesars' obligations under the notes and the indentures governing the notes. In conjunction with this assumption of Caesars' obligations, we are proposing to amend the reporting covenants in the indentures governing the notes through solicitation of consents from the note holders of record upon the terms and conditions set forth in a consent solicitation statement and a consent letter dated June   , 2005. See "Description of the Consent Solicitation."

USE OF PROCEEDS

We will not receive any proceeds from the issuance of the guarantees or the shares of common stock offered by this prospectus.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth information with respect to Harrah's consolidated ratios of earnings to fixed charges for the periods indicated:

	Three Months Ended March 31, 2005	Year Ended December 31, 2004	2003	2002	2001	2000
Ratio of Earnings to Fixed Charges	2.7x	2.7x	2.6x	2.7x	2.0x	2.0x

For purposes of computing this ratio, "earnings" consist of income before income taxes plus fixed charges (excluding capitalized interest) and minority interests (relating to subsidiaries whose fixed charges are included in the computation), excluding equity in undistributed earnings of less-than-50%-owned-investments. "Fixed charges" include interest whether expensed or capitalized, amortization of debt expense, discount or premium related to indebtedness and such portion of rental expense that we deem to be representative of interest. As required by the rules which govern the computation of this ratio, both earnings and fixed charges are adjusted where appropriate to include the financial results for Harrah's nonconsolidated majority-owned subsidiaries.

DESCRIPTION OF THE GUARANTEES

The guarantees will be issued in uncertificated form pursuant to the terms of the Supplemental Indentures upon the satisfaction or waiver of the conditions set forth below. See "Conditions to the Effectiveness of the Guarantee."

The guarantees provide that Harrah's irrevocably and unconditionally guarantees, on an unsecured senior basis, the payment of all obligations of Harrah's Operating under the senior notes and on an unsecured subordinated basis, the payment of all obligations of Harrah's Operating under the senior subordinated notes. If Harrah's Operating defaults in the payment of the principal of, premium, if any, or interest on such notes when and as the same shall become due, whether upon maturity, acceleration, call for redemption or otherwise, without the necessity of action by the trustee or any holder of such notes, Harrah's shall be required promptly and fully to make such payment. The guarantees provide for the release of Harrah's as guarantor of the notes in certain circumstances, including circumstances in which:

- Harrah's Operating ceases to be a wholly owned subsidiary of Harrah's;
- Harrah's or Harrah's Operating transfers all or substantially all of its assets to, or merges with, another entity in a transaction, and (1) such transferee entity assumes Harrah's obligations under the guarantees and (2) such transfer or merger otherwise complies with the requirements of such covenant; or
- Harrah's liquidates.

Harrah's conducts substantially all of its business through Harrah's Operating and its subsidiaries and does not own any material assets other than the common stock of Harrah's Operating. As such, Harrah's is dependent upon the receipt of dividends or other payments from Harrah's Operating to make payments on the guarantees.

The guarantees are not required to be issued pursuant to the requirements of any indenture or any other document or instrument.

If the conditions to the issuance of the guarantees are satisfied or waived, the guarantees will be issued in uncertificated form. Note holders of record will receive a copy of the guarantee from the trustees under the respective indentures governing the notes, and a final prospectus from Harrah's. It will not be necessary for new certificates evidencing such notes to be issued.

CONDITIONS TO EFFECTIVENESS OF THE GUARANTEES

Harrah's shall not be required to issue the guarantees until the following conditions are satisfied or waived:

- the merger of Caesars with and into Harrah's Operating is consummated;

- the receipt of validly delivered consents from note holders of record representing a majority in aggregate principal amount of each and all series of the notes outstanding which consents have not been validly revoked on or prior to the expiration date of the consent solicitation; and

- the Supplemental Indentures containing the guarantees and the proposed amendments have been duly executed and delivered by Harrah's, Harrah's Operating and the trustees under the respective indentures governing the notes.

We expect to execute the Supplemental Indentures promptly following the receipt of the Required Consents.

The conditions to the issuance of the guarantees are for the sole benefit of Harrah's and may be asserted or waived by Harrah's in its sole discretion, at any time and from time to time. Harrah's may waive any of the above conditions for one or more series of notes, but any such waiver does not obligate Harrah's to waive such condition for any other series of notes. The board of directors of Harrah's has not made a decision as to which circumstances would lead it to waive any such condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Any determination by Harrah's concerning the events described in this section shall be final and binding on all parties.

DESCRIPTION OF THE CONSENT SOLICITATION

As a result of the merger with Caesars and the related assumption by Harrah's Operating of all of Caesars' obligations under the notes and the indentures, we are soliciting consents to the holders of the notes, upon the terms and subject to the conditions set forth in a consent solicitation statement and a consent letter dated June , 2005, to amend the reporting covenants in the indentures governing the notes. The amendments will allow Harrah's consolidated annual audited financial statements, and the periodic and other reports it files with the SEC, to satisfy any requirement for Harrah's Operating to deliver consolidated annual audited financial statements and similar periodic and other reports to the trustees. Pursuant to the terms of the indenture governing each series of notes, receipt of validly delivered consents from note holders of record representing a majority in principal amount of such series of notes outstanding which consents have not been validly revoked is required to approve the proposed amendments.

The guarantees will provide the note holders with an obligor that is publicly-held and obligated to file periodic and special reports with the SEC.

The proposed amendments and the guarantees will be set forth in the Supplemental Indentures to be executed by Harrah's, Harrah's Operating and the trustees pursuant to each applicable indenture. Harrah's expects to execute the Supplemental Indentures promptly following the receipt of the Required Consents. Note holders of record will be notified of the execution of the Supplemental Indentures promptly following such execution.

Only registered holders of each series of notes (or their duly designated proxies, including participants who hold notes through The Depository Trust Company) at the close of business on the record date set forth in the consent solicitation statement may consent to the proposed amendments relating to such series of notes.

This prospectus does not constitute part of the consent solicitation, which is constituted by, and fully described in, the consent solicitation statement, the consent letter and the other documents relating to the consent solicitation that have been delivered by Harrah's and Harrah's Operating to the note holders of record. This prospectus relates solely to the offer by Harrah's of the guarantees and the common stock described below.

DESCRIPTION OF THE COMMON STOCK OFFERING

Pursuant to Sections 10.01 and 10.11 of the Indenture governing the Convertible Notes, as supplemented by the First Supplemental Indenture thereto, upon the completion of the merger of Caesars with and into Harrah's Operating, holders of the Convertible Notes will have the right, for 15 days after the closing of the merger, to convert their notes into the kind and amount of merger consideration that such holders would otherwise be entitled to receive if they had converted their notes into Caesars' common stock immediately prior to the merger. As of June 8, 2005, the conversion price for the Convertible Notes was $22.29 per share of Caesars common stock or 44.8832 shares of Caesars common stock per $1,000 principal amount of notes.

In the merger, holders of Caesars' common stock will have the right to elect to receive either $17.75 in cash or 0.3247 of a share of Harrah's common stock for each outstanding share of Caesars common stock, subject to limitations on the aggregate amount of cash to be paid and the number of shares of stock to be issued by Harrah's. During the 15-day conversion period following the merger, holders of the Convertible Notes who elect to convert their notes will have the right to determine whether they will receive the merger consideration paid to holders of Caesars' common stock who elected to receive cash or the merger consideration paid to holders of Caesars' common stock who elected to receive Harrah's common stock.

DESCRIPTION OF CAPITAL STOCK

This prospectus describes certain general terms of Harrah's capital stock. For a more detailed description of these securities, we refer you to the applicable provisions of Delaware law and Harrah's Certificate of Incorporation and Bylaws.

1. General

Harrah' Certificate of Incorporation authorizes it to issue up to 360,000,000 shares of common stock, par value $0.10 per share. As of June 7, 2005, Harrah's had 115,044,888 shares of common stock issued and outstanding. In addition, as of June 7, 2005, there were 4,418,491 shares of Harrah's common stock reserved for issuance under Harrah's stock option plans.

Harrah's board of directors unanimously approved a resolution, which has been approved by Harrah's stockholders, to amend Harrah's certificate of incorporation to increase the number of authorized shares of Harrah's common stock to 720,000,000. Harrah's intends to file the amendment to its certificate of incorporation increasing the number of authorized shares immediately prior to the completion of the merger with Caesars.

Holders of Harrah's common stock are entitled to receive dividends when declared by Harrah's Board of Directors out of funds legally available for such purpose. Holders of common stock will receive such dividends if they are (1) permitted by the agreements governing our then outstanding debt and (2) subject to rights of any Harrah's preferred stockholders with senior dividend rights.

In the event of any liquidation, dissolution or winding-up of Harrah's affairs, holders of its common stock will share proportionately in all lawful distributions of its assets remaining after payment of all debts and other liabilities and payment of any liquidation preference on any shares of Harrah's preferred stock which might then be outstanding.

The holders of Harrah's common stock are entitled to one vote per share, and are not entitled to cumulative voting rights in the election of Harrah's directors. Holders of common stock also do not have conversion or preemptive rights to subscribe for any of Harrah's stock or other securities which it may issue.

All of Harrah's outstanding shares of common stock are fully paid and nonassessable.

2. Redemption

While holders of common stock do not have redemption rights, Harrah's may redeem its common stock if, among other things, a holder is determined by any gaming regulatory agency to be unsuitable, has an application for a license or permit rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed, or, its Board of Directors determines that redemption is necessary to avoid any regulatory sanctions against, or to prevent the loss of, or to secure the reinstatement of, any license, franchise or entitlement from any governmental agency held by Harrah's, any of its affiliates, or any entity its or any such affiliate owns, which license, franchise or entitlement is:

- conditioned upon some or all of the holders of any class or series of Harrah's stock possessing prescribed qualifications; or

- needed to allow the conduct of any portion of the respective business operations of Harrah's, its affiliates or such other entities.

The redemption price will be equal to the mean average closing price (as determined pursuant to the Certificate of Incorporation) for such shares for each of the 45 trading days preceding the date notice of redemption is given. If the shares of common stock are not traded on any securities exchange or in the over-the-counter market, the redemption price will be determined by Harrah's Board of Directors in good faith. The redemption price as to any stockholder who purchased any shares of common stock subject to redemption within 120 days of the redemption date need not exceed the purchase price paid by him for any common stock (unless the Board of Directors determines otherwise).

The redemption price for such shares may be paid in any combination of cash or debt or equity securities of Harrah's or any of its subsidiaries or any other corporation, having such terms and conditions as approved by Harrah's Board of Directors.

If less than all the shares of common stock are to be redeemed, the shares to be redeemed shall be selected in such a manner as shall be determined by the Board of Directors.

From and after the redemption date or such earlier date as mandated by applicable law, regulation or rule, any and all rights of whatever nature, which may be held by the owners of shares selected for redemption (including without limitation any rights to vote or participate in dividends declared on stock), shall cease and terminate and they shall be entitled only to receive the cash or securities payable upon redemption.

3. Special Stock

Harrah's Certificate of Incorporation currently authorizes 5,000,000 shares of special stock, $1.125 par value per share. This special stock is designed to discourage an unsolicited tender offer or takeover proposal by granting the holders of such stock extraordinary voting, dividend, redemption or conversion rights. Harrah's Board of Directors has the sole authority to determine the rights, preferences or privileges of the special stock.

Harrah's Board of Directors has authorized that one special stock purchase right be attached to each outstanding share of common stock. This special right is exercisable only if a person or group acquires, or obtains the right to acquire, beneficial ownership of 15% or more of Harrah's common stock or announces a tender offer for 15% or more of Harrah's common stock. With certain exceptions, this special right entitles holders of common stock to buy one two-hundredth of a share of special stock for $130 per fractional share, subject to certain anti-dilution adjustments. If a person acquires 15% of more of Harrah's common stock, each holder of a special right can purchase common stock having a market value of twice the special right's exercise price. Under certain conditions, holders of special rights can purchase stock of an acquiring company at a discount. Special rights held by the person acquiring 15% or more of Harrah's common stock will become void. This special stock purchase right will expire on October 5, 2006, unless redeemed earlier by our Board of Directors at one cent per special right.

4. Preferred Stock

Harrah's Certificate of Incorporation currently authorizes 150,000 shares of preferred stock, $100.00 par value per share, of which none are issued or outstanding. Harrah's Board of Directors has the sole authority to determine the rights, preferences or privileges of the preferred stock. As such, although Harrah's has no present plans to issue any shares of preferred stock, any issuance of shares of preferred stock, or the issuance of rights to purchase preferred shares, may have the effect of delaying, deferring or preventing a change of control of Harrah's or an unsolicited acquisition proposal.

5. Prohibited Business Transactions

Harrah's is subject to Section 203 of the Delaware General Corporation Law, which restricts certain business combinations between it and an interested stockholder or such stockholder's affiliates or associates for a period of three years following the date on which the stockholder becomes an interested stockholder. In general, an "interested stockholder" for purposes of Section 203 is any stockholder owning 15% or more of Harrah's voting stock. These restrictions do not apply if:

- Harrah's Board of Directors gives prior approval of either the business combination or the transaction by which such person becomes an interested stockholder;

- upon consummation of the transaction, the interested stockholder owns at least 85% of Harrah's voting stock (excluding shares owned by certain employee stock plans and Harrah's directors and officers); or

- prior to or subsequent to becoming an interested stockholder, the business combination is approved by Harrah's Board of Directors and authorized by at least two-thirds of Harrah's voting stock not owned by the interested stockholder at an annual or special meeting of Harrah's stockholders.

Harrah's Certificate of Incorporation also prohibits business combinations with interested stockholders or such interested stockholder's affiliates or associates. The Certificate of Incorporation defines an interested stockholder as any person who is or has announced or publicly disclosed a plan or intention to become the beneficial owner of 10% or more of Harrah's voting stock, or is an affiliate or associate of Harrah's and at any time within the two-year period immediately prior to the date in question was the beneficial owner of 10% or more of Harrah's voting stock. Unless approved by a majority of Harrah's Continuing Directors (as defined in the Certificate of Incorporation) or the interested stockholder satisfies a number of criteria relating to, among other things, the consideration to be received by Harrah's stockholders and the public disclosure of the business combination, a proposed business combination with an interested stockholder requires the affirmative vote of (i) 75% of all of Harrah's voting stock and (ii) not less than a majority of Harrah's voting stock, excluding voting stock held by the interested stockholder.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES
TO HOLDERS OF HARRAH'S COMMON STOCK**

The following discussion describes the material U.S. federal income tax consequences of the ownership and disposition of Harrah's common stock issued to holders of the Convertible Notes that elect to convert their notes into the merger consideration pursuant to the terms of the Indenture. This discussion is not a complete analysis of all the potential U.S. federal income tax consequences relating thereto, nor does it address any tax consequences arising under any state, local or foreign tax laws or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service, all as in effect as of the date of this prospectus. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the ownership or disposition of the common stock, or that any such contrary position would not be sustained by a court.

This discussion is limited to holders who hold the common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment). This discussion does not address all U.S. federal income tax considerations that may be relevant to a particular holder in light of that holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including U.S. expatriates, partnerships and other pass-through entities, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax, and persons holding the common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment.

YOU ARE URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO YOU OF ACQUIRING, OWNING AND DISPOSING OF HARRAH'S COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.

As used in this discussion, a U.S. holder is any beneficial owner of the common stock who or that for U.S. federal income tax purposes is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (2) has validly elected to be treated as a U.S. person for U.S. federal income tax purposes.

A non-U.S. holder is any beneficial owner of the common stock who or that is not a U.S. holder or a partnership for U.S. federal income tax purposes.

If a partnership (or other entity taxed as a partnership for U.S. federal income tax purposes) holds the common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Accordingly, partnerships that hold the common stock and partners in such partnerships are urged to consult their tax advisors regarding the specific U.S. federal income tax consequences to them of the ownership and disposition of the common stock.

U.S. Holders

Distributions on the Common Stock

Distributions on Harrah's common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's adjusted tax basis in the common stock, but not below zero. Any excess will be treated as capital gain.

Dividends paid to non-corporate holders of Harrah's common stock during taxable years beginning before January 1, 2009 generally will be taxed at the lower applicable capital gains rates, provided certain holding period requirements are satisfied. Dividends paid to a corporate U.S. holder may be eligible for a dividends received deduction, subject to applicable limitations.

Sale or Other Disposition of the Common Stock

Holders of Harrah's common stock generally will recognize gain or loss upon the sale or other disposition of the common stock in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received in the disposition and (ii) such holder's adjusted tax basis in the common stock. Except for holders that receive Harrah's common stock upon conversion of a note that was acquired with market discount, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder's holding period in the common stock is more than one year as of the date of disposition. Long-term capital gains recognized by certain non-corporate U.S. holders, including individuals, generally are subject to a reduced rate of U.S. federal income tax. Holders that receive Harrah's common stock upon conversion of a note that was acquired with market discount will be required to treat any gain recognized upon the disposition of the common stock as ordinary income, rather than capital gain, to the extent of accrued market discount not previously included in income with respect to the note as of the date of conversion.

A holder's tax basis in the common stock (other than stock received that is attributable to accrued interest) generally should be equal to such holder's tax basis in the notes exchanged therefor (other than any basis allocable to a fractional share of common stock), reduced by the amount of any cash received in the conversion (other than cash received in lieu of a fractional share of common stock) and increased by the amount of any gain recognized upon conversion (other than gain with respect to a fractional share of common stock), and the holding period in such stock generally should include the holder's holding period in the note exchanged therefor. A holder's tax basis in Harrah's common stock received upon conversion of a note that is attributable to accrued interest on the note not previously recognized as income will be equal to the amount of such accrued interest and the holding period in such stock will begin on the day following the conversion.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each U.S. holder (other than corporations and other exempt holders) the amount of dividends on Harrah's common stock paid to such holder and the amount of any tax withheld with respect to those dividends.

A U.S. holder may be subject to backup withholding (currently, at a rate of 28%) on dividends paid on Harrah's common stock or on the proceeds received upon the sale or other disposition of shares of the common stock. Certain holders (including corporations) generally are not subject to backup withholding. A U.S. holder will be subject to backup withholding if such holder is not otherwise exempt and such holder:

- fails to furnish its taxpayer identification number, which, for an individual, is ordinarily his or her social security number;
- furnishes an incorrect taxpayer identification number;
- is notified by the IRS that it has failed to report properly payments of interest or dividends; or
- fails to certify, under penalties of perjury, that it has furnished its correct taxpayer identification number and that the IRS has not notified the U.S. holder that it is subject to backup withholding.

U.S. holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. Backup withholding is not an additional tax. Taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability or may claim a refund if they timely provide certain information to the IRS.

Non-U.S. Holders

Distributions on the Common Stock

Dividends paid to a non-U.S. holder of Harrah's common stock that are not effectively connected with a U.S. trade or business conducted by such holder generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but which qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds Harrah's common stock in connection with the conduct of a trade or business in the United States, and dividends paid on the common stock are effectively connected with such holder's U.S. trade or business, the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent a properly executed IRS Form W-8ECI.

Any dividends paid on Harrah's common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (or if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States) generally will be subject to U.S. federal income tax on a net income basis in the same manner as if such holder were a resident of the United States, unless an applicable tax treaty provides otherwise. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders are urged to consult any applicable tax treaties that may provide for different rules.

Sale or Other Disposition of the Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of Harrah's common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, or if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States; or
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met.

Unless an applicable tax treaty provides otherwise, gain described in the first bullet point above will be subject to U.S. federal income tax on an net income basis in the same manner as if such holder were a resident of the United States. Non-U.S. holders that are foreign corporations also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders are urged to consult any applicable tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate, but may be offset by U.S. source capital losses.

Any gain to a non-U.S. holder upon the sale or disposition of Harrah's common stock also will be subject to U.S. federal income tax if, for such purposes, the common stock constitutes a U.S. real property interest by reason of our status as a U.S. real property holding corporation (a "USRPHC") during the relevant statutory period. We believe that we currently may be a USRPHC and can give no assurances that we are not a USRPHC. However, so long as Harrah's common stock is regularly traded on an established securities market, the common stock will be treated as U.S. real property interests only with respect to a non-U.S. holder that actually or constructively holds more than 5 percent of Harrah's common stock at any time during the five-year period ending on the date of disposition.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends on Harrah's common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, however, generally will not apply to payments of dividends to a non-U.S. holder of Harrah's common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met.

Payments of the proceeds from a disposition by a non-U.S. holder of Harrah's common stock made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) will apply to those payments if the broker does not have documentary evidence that the beneficial owner is a non-U.S. holder, an exemption is not otherwise established, and the broker is:

- a U.S. person;
- a controlled foreign corporation for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period; or

a foreign partnership if at any time during its tax year (1) one or more of its partners are U.S. persons who hold in the aggregate more than 50 percent of the income or capital interest in such partnership or (2) it is engaged in the conduct of a U.S. trade or business.

Payment of the proceeds from a non-U.S. holder's disposition of Harrah's common stock made by or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the non-U.S. holder certifies as to its non-U.S. holder status under penalties of perjury, such as by providing a valid IRS Form W-8BEN or W-8ECI, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

YOU ARE URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO YOU OF ACQUIRING, OWNING AND DISPOSING OF HARRAH'S COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.

PLAN OF DISTRIBUTION

The guarantees are being offered directly by Harrah's in connection with the merger, subject to the consummation of the merger, the receipt of the Required Consents and the execution of the Supplemental Indentures. The note holders who receive guarantees may only sell the guarantees in conjunction with the sale of the associated notes.

The shares of common stock are being offered directly by Harrah's to holders of the Convertible Notes who elect to convert their notes into the consideration to be received by holders of Caesars common stock upon consummation of the merger.

HARRAH'S ENTERTAINMENT, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are derived from and should be read in conjunction with historical consolidated financial statements and related notes of Harrah's Entertainment, Inc. ("Harrah's"), Horseshoe Gaming Holding Corp. ("Horseshoe") and Caesars Entertainment, Inc. ("Caesars"). Harrah's, through its wholly-owned subsidiary, Harrah's Operating Company, Inc. ("Harrah's Operating Company"), acquired Horseshoe on July 1, 2004. On July 14, 2004, Harrah's, Harrah's Operating Company and Caesars entered into an agreement providing for the merger of Caesars with and into Harrah's Operating Company, with Harrah's Operating Company as the surviving corporation.

The unaudited pro forma condensed combined statement of income for the three months ended March 31, 2005, give effect to:

- the merger of Caesars with Harrah's Operating Company;
- Harrah's and Caesars sale of the assets and certain related current liabilities of Harrah's East Chicago and Tunica properties and of Caesars' Atlantic City Hilton and Bally's Tunica properties;
- Caesars' sale of the equity interests of Belle of Orleans, LLC, which does business as Bally's Casino New Orleans;
- Caesars' agreement to sell the assets and certain related liabilities of Caesars Tahoe; and
- Harrah's financing of the cash portion of the Caesars merger with $1.9 billion in new debt, including anticipated acquisition costs.

The unaudited pro forma condensed combined statement of income for the year ended December 31, 2004, give effect to:

- Harrah's acquisition of Horseshoe;
- certain adjustments that are directly attributable to the acquisition of Horseshoe and will have continuing impact, including certain operational benefits arising from the elimination of duplicative corporate office and operational support functions;
- Harrah's financing of the Horseshoe acquisition and refinancing of the existing indebtedness of Horseshoe, including the redemption of all of Horseshoe's $535 million, face amount, $8^5/_8$% Senior Subordinated Notes;
- Harrah's sale of all of the outstanding limited and general partnership interests of the partnership that owns Harrah's Shreveport Hotel and Casino ("Harrah's Shreveport"), which was completed in May 2004;
- Harrah's and Caesars sale of the assets and certain related current liabilities of Harrah's East Chicago and Tunica properties and of Caesars' Atlantic City Hilton and Bally's Tunica properties;
- Caesars' sale of the equity interests of Belle of Orleans, LLC, which does business as Bally's Casino New Orleans;
- Caesars' agreement to sell the assets and certain related liabilities of Caesars Tahoe;
- Caesars' sale of its ownership and management interests in Caesars Gauteng, a casino resort near Johannesburg, South Africa;

the merger of Caesars with Harrah's Operating Company, after giving pro forma effect to Harrah's sale of Harrah's Shreveport, acquisition of Horseshoe and sales of Harrah's East Chicago and Harrah's Tunica and to Caesars' sales of Caesars' Atlantic City Hilton, Bally's Tunica, Bally's Casino New Orleans and their interests in Caesars Gauteng and Caesars' proposed sale of Caesars Tahoe; and

Harrah's financing of the cash portion of the Caesars merger with $1.9 billion in new debt, including anticipated acquisition costs.

The unaudited pro forma condensed combined statements of income assume that each of these transactions were consummated on January 1, 2004.

The unaudited pro forma condensed combined balance sheet presents the combined financial position of Harrah's and Caesars as if Harrah's merger with Caesars was consummated on March 31, 2005, and gives effect to the merger of Caesars and the estimated incremental debt.

The unaudited pro forma condensed combined financial statements have been prepared based upon currently available information and assumptions that are deemed appropriate by Harrah's management. The pro forma information is for informational purposes only and is not intended to be indicative of the actual consolidated financial position or consolidated results that would have been reported had the transactions occurred on the dates indicated, nor does the information represent a forecast of the consolidated financial position at any future date or the combined financial results of Harrah's, Horseshoe and Caesars for any for future period.

HARRAH'S ENTERTAINMENT, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2005
(unaudited)

	Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
			(In millions, except per share amounts)
Revenues			
Casino	$ 1,136.0	$ 746.0	$
Food and beverage	174.5	192.0	
Rooms	102.0	196.0	
Management fees	15.4	3.0	
Other	58.0	81.0	
Less: casino promotional allowances	(228.7)	(122.0)	
Total revenues	1,257.2	1,096.0	
Operating expenses			
Direct			
Casino	566.8	361.0	
Food and beverage	68.2	106.0	
Rooms	16.0	44.0	
Depreciation and amortization	90.5	97.0	
Write-downs, reserves and recoveries	2.7		
Project opening costs	1.9	1.0	
Property general, administrative and other	257.7	272.0	
Corporate expense	16.4	12.0	
Merger and integration costs related to Harrah's/Caesars merger	4.0	155.0	
Losses/(income) in nonconsolidated affiliates	0.2	(1.0)	
Total operating expenses	1,024.4	1,047.0	

	Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
Income from operations	232.8	49.0	
Interest expense, net of interest capitalized	(79.1)	(67.0)	
Loss on early extinguishment of debt	(2.2)		

ncluding those discussed below. In addition, these factors represent risks and uncertainties that could cause actual results to differ materi
this prospectus supplement and the accon

Risks Related to the Planned Organon BioSciences Acquisition

The acquisition of Organon BioSciences is subject to certain closing conditions, including regulatory approvals, that could delay or pre structure of the acquisition, which could impact anticipated cost savings from synergies, projected accretion to earnings from the trans

The completion and structure of the Organon BioSciences acquisition is subject to certain outside factors, including regulatory approvals f Commission.

Schering-Plough expects that the outcome of these proceedings will not impact the anticipated synergies and earnings accretion that Scher Organon BioSciences, the integration of the businesses of Schering-Plough and Organon BioSciences, or its plans to complete the acquisit outcomes is that Schering-Plough could be required to divest certain businesses or products; however, Schering-Plough expects that all suc regulatory proceedings are concluded, there are no assurances that the outcome of these proceedings will occur in accordance with these ex

In addition, the failure to complete the acquisition as currently contemplated could negatively affect Schering-Plough s stock price, future

In the event that the Organon BioSciences acquisition does not close by December 30, 2007, Schering-Plough could incur material dar

Schering-Plough currently anticipates that it will receive any necessary regulatory approvals and satisfy other closing conditions in suffici before December 30, 2007, as required by the binding offer from Schering-Plough to Akzo Nobel. However, were certain regulatory appro Schering-Plough to use its reasonable best efforts and Schering-Plough does not close by that date, then Schering-Plough might be liable fo transaction by December 30, 2007, and such damages could be material.

S-7

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Schering-Plough will face financial risks in funding the acquisition, which may have a material i

Schering-Plough intends to fund the acquisition purchase price with a mix of cash, the net proceeds f
mandatory convertible preferred stock that closed on August 15, 2007 and debt, including the net pro

Schering-Plough has obtained a fully committed 11 billion bridge facility to fund any portion of the
the above sources by the acquisition closing date. The bridge facility must be repaid within a year of

The ability to complete the anticipated issuances of debt securities to fund the acquisition and/or repa
issuances, will depend upon market conditions, and unfavorable conditions could increase costs beyo
material adverse impact on cash flows or the results of operations or both.

Further, the purchase price is significant and this use of funds will impact the availability of cash flo
issuances of debt or equity or both, all of which could reduce Schering-Plough s flexibility to pursue
addition, higher debt levels may make Schering-Plough more vulnerable to general adverse economi

Because Schering-Plough is increasing its debt levels relating to the acquisition, its credit ratings cou
impact of such decline could reduce the availability of commercial paper borrowing and could increa
and long-term debt. Any such increase in cost would negatively impact future cash flows and results

The integration of the businesses of Schering-Plough and Organon BioSciences to create a combi subject to unforeseen developments, which could impact anticipated cost savings from synergies, e future operations.

As the two companies are combined, the workforces of Schering-Plough and Organon BioSciences v
the closing date until the completion of the integration phase. Although substantial efforts will be ma
as possible, it is difficult to predict how long the integration phase will last.

During the interim period from closing through completion of the integration phase, the workforces o
processes as work is integrated and streamlined. Further, for those employees of the new combined c
U.S.-based global company, the applicable regulatory requirements are different in a number of resp
facilitate smooth integration planning and execution including thorough training and transparent an
may be an increased risk of slower execution of various work processes, repeated execution to achiev
event of a compliance failure with new and complex regulatory requirements, even if such a failure v
adverse impact on anticipated cost savings from synergies, anticipated accretion to earnings from the

Organon BioSciences currently is a subsidiary of Akzo Nobel, and Akzo Nobel performs certain fun
information technology, compensation, benefits and other human resources functions). Akzo Nobel a
arrangements to separate those functions prior to the time Schering-Plough and Akzo Nobel agreed t
BioSciences. To date, however, the separation has not been fully completed, and some separation act
BioSciences and Schering-Plough will need to depend on certain services and cooperation from Akz

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Nobel for some period after the acquisition closing date to facilitate a smooth transition and complete
complications in the transition and separation process or the lack of cooperation from Akzo Nobel co

Schering-Plough has not completed an analysis of change of control or other contractual provisio BioSciences acquisition.

Certain of Organon BioSciences licenses and collaboration, co-development, co-marketing and othe provisions that may be triggered by the acquisition. Should the final negotiation of these matters resu profits may be materially and adversely affected.

The acquisition of Organon BioSciences would increase the concentration of Schering-Plough s would increase the risk that negative events in Europe could have a negative impact on future resu

The acquisition of Organon BioSciences would further expand Schering-Plough s global human pha particularly in Europe. Schering-Plough operates in more than 120 countries, and the majority of Sch from its non-U.S. operations. There are inherent risks in increasing the concentration in a particular g exchange rate volatility; increasing regulation of research and development, product marketing, and political instability or other disruption; or war, terrorism, or a natural disaster that resulted in disrupti there are substantial business operations. After the acquisition of Organon BioSciences businesses, to these adverse risks were such events to occur in Europe.

The acquisition of Organon BioSciences would expand Schering-Plough s animal health busines negative events in the animal health industry could have a negative impact on future results of ope

Through the acquisition of Organon BioSciences animal health businesses, Schering-Plough s glob significant business segment. The combined company s future sales of key animal health products c factors including interruptions in manufacturing or supply, new competitive developments to treat th factors affecting production or marketing costs, or pricing actions by one or more of Schering-Ploug carried by animals, such as Bovine Spongiform Encephalopathy (BSE) or mad cow disease, could destruction, which could adversely impact Schering-Plough s results of operations. As the animal he becomes more significant, the impact of any such events on future results of operations would also b

Upon the acquisition of Organon BioSciences, Schering-Plough would increase its biologics hum including animal health vaccines. Biologics carry unique risks and uncertainties, which could hav operations.

The successful development, testing, manufacturing and commercialization of biologics, particularly expensive and uncertain process. There are unique risks and uncertainties with biologics, including:

- There may be limited access to and supply of normal and diseased tissue samples, cell lines. biological materials. In addition, government regulations in multiple jurisdictions such as th could result in restricted access to, or transport or use of, such materials. If Schering-Plough materials, or if tighter restrictions are imposed on the use

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

S-9

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

of such materials, Schering-Plough may not be able to conduct research activities as planned
costs.

The development, manufacturing and marketing of biologics are subject to regulation by the
and other regulatory bodies. These regulations are often more complex and extensive than th
pharmaceutical products. For example, in the U.S., a Biologics License Application, includi
and extensive data regarding the manufacturing procedures, is required for vaccine candidat
each manufactured lot.

Manufacturing biologics, especially in large quantities, is sometimes complex and may requ
handle living micro-organisms. Manufacturing biologics requires facilities specifically desig
sophisticated quality assurance and quality control procedures are necessary. Slight deviatio
including filling, labeling, packaging, storage and shipping and quality control and testing, r
spoilage.

Biologics are frequently costly to manufacture because the ingredients are derived from livi
biologics cannot be made synthetically. In particular, keeping up with the demand for vaccin
of producing vaccines.

The use of biologically derived ingredients can lead to allegations of harm, including infecti
product facilities due to possible contamination. Any of these events could result in substant

Upon the acquisition of Organon BioSciences, Schering-Plough would acquire marketed products currently covered by Schering-Plough s existing marketed products portfolio and pipeline project anesthesia, and neuroscience, each of which carry unique risks and uncertainties which could hav results of operations.

Organon BioSciences markets products in therapeutic areas that are new to Schering-Plough. Each th
including different benefits and safety issues that must be balanced by Schering-Plough and the regul
are made; unique product liability risks; different patient and prescriber priorities; and different socie
areas may strengthen the business by increasing sales and profits; making the combined company mo
diversifying enterprise risk across more areas, such positives may not outweigh the additional risk in
unanticipated costs that could be material.

If the Organon BioSciences acquisition does not close, Schering-Plough will have broad discretion

Because the closing of the Organon BioSciences acquisition is subject to a number of closing conditi
cannot assure you that the acquisition will close. If the acquisition does not close, the Board of Direc
the proceeds from this offering to other uses.

Risks Related to Schering-Plough

The risks and uncertainties described below related to Schering-Plough s existing business will cont
closing of Schering-Plough s planned acquisition of Organon BioSciences. References to Schering-I

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

before the closing of the acquisition and the combined company from and after the closing of the acq

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Key Schering-Plough products generate a significant amount of Schering-Plough s profits and ca the market for its leading products could have a material and negative impact on results of operati

Schering-Plough s ability to generate profits and operating cash flow is largely dependent upon the c cholesterol franchise, consisting of VYTORIN and ZETIA. In addition, other key products such as R TEMODAR, CLARINEX, and AVELOX account for a material portion of revenues. As a result of S any events that adversely affect the markets for these products could have a significant impact on res patent protection, increased costs associated with manufacturing, OTC availability of Schering-Ploug discovery of previously unknown side effects, increased competition from the introduction of new, m removal from the market of the product for any reason.

For example, the profitability of Schering-Plough s cholesterol franchise may be adversely affected December 2006 of two competing cholesterol products that lost patent protection earlier in 2006.

There is a high risk that funds invested in research will not generate financial returns because the significant expenditures with a low probability of success.

There is a high rate of failure inherent in the research to develop new drugs to treat diseases. As a res research programs will not generate financial returns. This risk profile is compounded by the fact tha bring a pharmaceutical compound from the discovery phase to market may take a decade or more an including later in the process after significant funds have been invested.

Schering-Plough s success is dependent on the development and marketing of new products, and process may result in the failure of products to reach the market.

Products that appear promising in development may fail to reach market for numerous reasons, inclu

- findings of ineffectiveness, superior safety or efficacy of competing products, or harmful sid
- failure to receive the necessary regulatory approvals, including delays in the approval of nev
- lack of economic feasibility due to manufacturing costs or other factors; and
- preclusion from commercialization by the proprietary rights of others.

Intellectual property protection for innovation is an important contributor to Schering-Plough s p products may be introduced to the market as a result of the expiration of patents covering Schering Schering-Plough s patents, or the at-risk launch of a generic version of a Schering-Plough produ effect on results of operations.

Intellectual property protection is critical to Schering-Plough s ability to successfully commercialize successful challenge of Schering-Plough s patents covering a product, competitors may introduce lo which may include Schering-Plough s well-established products. In recent years, some generic manu products before the ultimate resolution of patent

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

S-11

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

litigation (commonly known as at-risk product launches). Such generic competition could result i
downward pressures on the prices at which Schering-Plough offers formerly patented products, partic
applications relating to Schering-Plough s significant products are of material importance to Scherin

Additionally, certain foreign governments have indicated that compulsory licenses to patents may be
which could diminish or eliminate sales and profits from those regions and negatively affect Schering
court decisions relating to other companies patents in the U.S., as well as the discussion of regulato
intellectual property protection.

Patent disputes can be costly to prosecute and defend and adverse judgments could result in dama
similar payments and decreased sales.

Patent positions can be highly uncertain and patent disputes in the pharmaceutical industry are not u
involving Schering-Plough s patents, or the patents of its collaborators, may lead to a loss of market
adverse result in a patent dispute involving patents held by a third party may preclude the commercia
Schering-Plough to obtain licenses in order to continue manufacturing or marketing the affected prod
commercially reasonable terms, negatively affect sales of existing products or result in injunctive rel

The potential for litigation regarding Schering-Plough s intellectual property rights always exists an
abridge Schering-Plough s rights, as well as by Schering-Plough in protecting its rights. A generic m
Application seeking approval after the expiration of the applicable data exclusivity and alleging that
innovator s New Drug Application are invalid or not infringed. This allegation is commonly known
then has the ability to file suit against the generic manufacturer to enforce its patents. In recent years
certifications extensively to challenge patents on a wide array of innovative pharmaceuticals, and it i
if Schering-Plough is ultimately successful in a particular dispute, Schering-Plough may incur substa
intellectual property rights. See Patent Challenges Under the Hatch-Waxman Act in Part II, Item
10-Q, for a list of current Paragraph IV certifications for Schering-Plough products.

Multi-jurisdictional regulations, including those establishing Schering-Plough s ability to price p
Schering-Plough s sales and profit margins.

Schering-Plough faces increased pricing pressure globally from managed care organizations, instituti
that could negatively affect Schering-Plough s sales and profit margins. For example, in the U.S., th
Modernization Act of 2003 contains a prescription drug benefit for individuals who are eligible for M
effective on January 1, 2006 and is resulting in increased use of generics and increased purchasing p
recipients.

In addition to legislation concerning price controls, other trends that could affect Schering-Plough s
relating to pharmaceutical pricing and reimbursement, health care reform initiatives and drug import
medicines for OTC use, consolidation among customers and trends toward managed care and health
approval or reimbursement of products may be impacted by health technology assessments, which se
an assessment of the impact of health technologies on the healthcare system.

S-12

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

In the U.S., as a result of the government s efforts to reduce Medicaid expenses, managed care organ
Schering-Plough faces increased pricing pressure as managed care organizations continue to seek pri
products.

In other countries, many governmental agencies strictly control, directly or indirectly, the prices at w
markets, cost control methods including restrictions on physician prescription levels and patient reim
drugs; and across-the-board price cuts may decrease revenues internationally.

Government investigations against Schering-Plough could lead to the commencement of civil and/ imposition of substantial fines, penalties and injunctive or administrative remedies, including excl programs, which could give rise to other investigations or litigation by government entities or priv

Schering-Plough cannot predict whether future or pending investigations to which it may become sul
involving a significant monetary award or restrictions on its operations.

The pricing, sales and marketing programs and arrangements, and related business practices of Scher
care industry are under increasing scrutiny from federal and state regulatory, investigative, prosecuto
include the Department of Justice and its U.S. Attorney s Offices, the Office of Inspector General of
the FDA, the Federal Trade Commission and various state Attorneys General offices. Many of the he
governmental entities operate, including the federal and state anti-kickback statutes and statutory and
construed broadly by the courts and permit the government entities to exercise significant discretion.
entities believes that wrongdoing has occurred, one or more of them could institute civil or criminal p
could subject Schering-Plough to substantial fines, penalties and injunctive or administrative remedie
reimbursement programs. In addition, an adverse outcome to a government investigation could prom
investigations of Schering-Plough or cause those entities or private parties to bring civil claims again
whether any investigations will affect its marketing practices or sales. Any such result could have a r
results of operations, cash flows, financial condition, or its business.

Regardless of the merits or outcomes of any investigations, government investigations are costly, div
Schering-Plough s business and may result in substantial damage to Schering-Plough s reputation.

There are other legal matters in which adverse outcomes could negatively affect Schering-Plough

Unfavorable outcomes in other pending litigation matters, or in future litigation, including litigation c
violations, product liability claims, ERISA matters, patent and intellectual property disputes, and ant
commercialization of products, negatively affect the profitability of existing products and could subj
penalties and injunctive or administrative remedies, including exclusion from government reimburse
materially and adversely affect Schering-Plough s results of operations, cash flows, financial conditi

Please refer to Legal Proceedings in Item 3 in Schering-Plough s 2006 10-K and Part II, Item 1 in
descriptions of significant pending litigation. For the combined company after the acquisition closing
combined financial statements for the years ended December 31, 2006, 2005 and 2004 and Note 17

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

to Organon BioSciences unaudited condensed combined interim financial statements for the six mo
the accompanying prospectus.

Schering-Plough is subject to governmental regulations, and the failure to comply with, as well as
may adversely affect Schering-Plough s financial position and results of operations.

Schering-Plough s manufacturing facilities and clinical/research practices must meet stringent regul
inspections. The cost of regulatory compliance, including that associated with compliance failures, c
position, cash flows and results of operations. Failure to comply with regulations, which include pha
standards relating to clinical, laboratory and manufacturing practices, can result in delays in the appr
suspension or revocation of the authority necessary for the production and sale of drugs, fines and ot

For example, in May 2002, Schering-Plough agreed with the FDA to the entry of a Consent Decree t
current Good Manufacturing Practices at certain of Schering-Plough s facilities in New Jersey and P
significant additional controls on production and release of products from these sites, which increase
reduction in the number of products produced at the sites. Further, Schering-Plough s research and c
by the Consent Decree because these operations share common facilities with the manufacturing ope

Schering-Plough also is subject to other regulations, including environmental, health and safety, and

Developments following regulatory approval may decrease demand for Schering-Plough s produc

Even after a product reaches market, certain developments following regulatory approval, including
decrease demand for Schering-Plough s products, including the following:

- the re-review of products that are already marketed;
- new scientific information and evolution of scientific theories;
- the recall or loss of marketing approval of products that are already marketed;
- uncertainties concerning safety labeling changes; and
- greater scrutiny in advertising and promotion.

In the past several years, clinical trials and post-marketing surveillance of certain marketed drugs of
safety concerns that have led to recalls, withdrawals or adverse labeling of marketed products. These
some prescribers and patients relating to the safety and efficacy of pharmaceutical products in genera
such products.

In addition, following the wake of recent product withdrawals of other companies and other significa
U.S. Food and Drug Administration, the European Medicines Agency and the Pharmaceuticals and M
focus on safety when assessing the benefit/risk balance of drugs. Some health authorities appear to h
decisions about approvability of new products or indications and are re-reviewing select products tha

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

uncertainties in the regulatory processes. There is also greater regulatory scrutiny, especially in the U
particular, direct-to-consumer advertising.

If previously unknown side effects are discovered or if there is an increase in the prevalence of negat
any of Schering-Plough s products, it could

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

significantly reduce demand for the product or may require Schering-Plough to remove the product f
environment in which all pharmaceutical companies operate, Schering-Plough is at risk for product l

New products and technological advances developed by Schering-Plough s competitors may nega

Schering-Plough operates in a highly competitive industry. Schering-Plough competes with a large n
companies, biotechnology companies and generic pharmaceutical companies. Many of Schering-Plou
and development in areas served both by Schering-Plough s current products and by those products
Competitive developments that may impact Schering-Plough include technological advances by, pat
competitors or new and existing generic, prescription and/or OTC products that compete with produc
Merck/Schering-Plough Cholesterol Partnership. In addition, it is possible that doctors, patients and p
competitors due to safety, efficacy, pricing or reimbursement characteristics, and as a result Schering
such products.

Competition from third parties may make it difficult for Schering-Plough to acquire or license nev stage of development) or to enter into such transactions on terms that permit Schering-Plough to g

Schering-Plough depends on acquisition and in-licensing arrangements as a source for new products.
products are limited, however, and securing rights to them typically requires substantial amounts of f
Schering-Plough competes for these opportunities against many other companies and third parties th
ability to make other resource commitments. Schering-Plough may not be able to acquire or license n
Schering-Plough and its prospects. Schering-Plough may also have difficulty acquiring or licensing n
rights to new products, Schering-Plough may have to make substantial financial or other resource co
a positive financial impact from such transactions.

Schering-Plough relies on third-party relationships for its key products, and the conduct and chan adversely impact the business.

Schering-Plough has several relationships with third parties on which Schering-Plough depends for n
parties compete with Schering-Plough or have interests that are not aligned with the interests of Sche
Schering-Plough has with these third parties, Schering-Plough may not be able to control or influenc
circumstances that affect them, either of which could adversely impact Schering-Plough.

Schering-Plough s global operations expose Schering-Plough to additional risks, and any advers results of operations.

Schering-Plough operates in more than 120 countries, and the majority of Schering-Plough s profit a
operations. Acquisitions, such as the recently announced purchase of Organon BioSciences, would fu
global operations. Risks, inherent in conducting a global business include:

- changes in medical reimbursement policies and programs and pricing restrictions in key ma
- multiple regulatory requirements that could restrict Schering-Plough s ability to manufactu

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

S-15

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

trade protection measures and import or export licensing requirements;

diminished protection of intellectual property in some countries; and

possible nationalization and expropriation.

In addition, there may be changes to Schering-Plough s business and political position if there is ins
geographic region, regardless of cause, including war, terrorism, riot, civil insurrection or social unre
famine, flood, fire, earthquake, storm or disease.

Schering-Plough is exposed to market risk from fluctuations in currency exchange rates and inter

Schering-Plough operates in multiple jurisdictions and as such, virtually all sales are denominated in
Additionally, Schering-Plough has entered and will enter into acquisition, licensing, borrowings or o
currency and interest rate exposure. Since Schering-Plough cannot, with certainty, foresee and mitiga
fluctuations in currency exchange rates and interest rates could negatively affect Schering-Plough s

In order to mitigate against the adverse impact of these market fluctuations, Schering-Plough will fro
Schering-Plough has entered into a foreign currency option to partially mitigate the currency exchan
Organon BioSciences acquisition. In addition, Schering-Plough has entered into a series of interest ra
associated with financing the purchase of Organon BioSciences. While hedging agreements, such as
some of the exposure to exchange rate and interest rate fluctuations, such attempts to mitigate these r

Insurance coverage for product liability may be limited, cost prohibitive or unavailable.

Schering-Plough maintains insurance coverage with such deductibles and self-insurance to reflect ma
existing at the time it is written, and the relationship of insurance coverage to self-insurance varies ac
insurance may be cost prohibitive, available on limited terms or unavailable.

Schering-Plough is subject to evolving and complex tax laws, which may result in additional liabil

Schering-Plough is subject to evolving and complex tax laws in its jurisdictions. Significant judgmen
tax liabilities, and Schering-Plough s tax returns are periodically examined by various tax authoritie
open for examination by the Internal Revenue Service. Schering-Plough may be challenged by the IF
taken in its income tax returns. Although Schering-Plough believes that its accrual for tax contingenc
experience, interpretations of tax law, and judgments about potential actions by tax authorities, due t
ultimate resolution of any tax matters may result in payments greater or less than amounts accrued.

In addition, Schering-Plough may be impacted by changes in tax laws including tax rate changes, cha
foreign earnings, new tax laws and revised tax law interpretations in domestic and foreign jurisdictio

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

USE OF PROCEEDS

Schering-Plough estimates that the net proceeds from the sale of the Notes will be approximately $1.
discounts and estimated offering expenses payable by Schering-Plough.

Schering-Plough intends to use the net proceeds from the sale of the Notes to fund a portion of the ap
$15.3 billion based on the noon buying rate for euro on September 12, 2007) for the planned Organo
close by the end of 2007. Schering-Plough intends to fund the remainder of the acquisition price thro
proceeds from its recent public offerings of common shares and 6.00% mandatory convertible prefer
borrowings under a committed 11 billion bridge facility.

If the planned Organon BioSciences acquisition is not completed, Schering-Plough will use the net p
purposes, including:

- to acquire additional marketed products and pipeline projects (through acquisitions of comp may include royalties, license fees and milestone payments),
- research and development costs,
- the repayment of debt,
- litigation costs, and
- other capital expenses and other operating expenses.

Schering-Plough will invest the net proceeds from this offering in U.S. dollar or foreign currency der
investment-grade obligations and bank deposits until they are applied as described above. If the plan
completed, Schering-Plough will have broad discretion in allocating the net proceeds from this offeri

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

DESCRIPTION OF NOTES

The Notes will be issued under an indenture between Schering-Plough and The Bank of New York, a
supplemental indenture (which is collectively referred to as the indenture). The following summary c
qualified in its entirety by the provisions of the indenture, including definitions of certain terms used
refers to particular sections or defined terms of the indenture, those sections or defined terms are inco
supplement and accompanying prospectus. For additional information, you should review the indentu
with the SEC on November 28, 2003, and the supplemental indenture that will be filed as an exhibit t

The following description of the terms of the Notes supplements and modifies the description of the
the accompanying prospectus, which you should read carefully.

Principal, Maturity and Interest

The 2017 Notes will be initially limited to $1,000,000,000 in aggregate principal amount and the 203
$1,000,000,000 in aggregate principal amount. The 2017 Notes will mature on September 15, 2017.
2037. Schering-Plough will issue the Notes in denominations of $2,000 and integral multiples of $1,0

Schering-Plough may, at any time, without the consent of the holders of Notes of a series, issue addit
same interest rate, maturity and other terms as the Notes of the series (except for the payment of inte
additional Notes or, in some cases, the first interest payment date following the issue date of the addi
together with the Notes of the relevant series offered by this prospectus supplement, will form a sing
indenture.

The 2017 Notes will bear interest at the annual rate of 6.00%. The 2037 Notes will bear interest at th
and including September 17, 2007, and is payable on March 15 and September 15 of each year, com
make each interest payment to the holders of record of Notes at the close of business on March 1 and
interest payment date. If any payment date for the Notes is not a business day, Schering-Plough will
Schering-Plough will not be liable for any additional interest as a result of the delay in payment. Bu
Wednesday, Thursday or Friday that is not a day when banking institutions in the place of payment a

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The tru
Borough of Manhattan, City of New York (in such capacity, the paying agent) will act as Schering
Payments of principal, interest and premium, if any, will be made by Schering-Plough through the pa

There is no public trading market for the Notes, and Schering-Plough does not intend to apply for lis
exchange or for quotation of the Notes on any automated dealer quotation system.

Ranking

The Notes constitute senior debt securities as described in the accompanying prospectus. The Notes
Schering-Plough and will rank equally with all of its other senior unsecured and unsubordinated inde
Notes will be

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

S-18

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

effectively subordinated to all of Schering-Plough s existing and future secured indebtedness to the

Schering-Plough s subsidiaries are separate and distinct legal entities and have no obligation to pay make any funds available for payment of amounts that will be due on the Notes. Schering-Plough s subordinated to all existing and future liabilities of its subsidiaries. Therefore, Schering-Plough s rig rights of the holders of the Notes to participate in any distribution of assets of any of Schering-Ploug liquidated or reorganized, is subject to the prior claims of the subsidiary s creditors.

Optional Redemption

Each series of Notes will be redeemable as a whole or in part, at Schering-Plough s option at any tin (1) 100% of the principal amount of the Notes and (2) the sum of the present values of the remaining thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date o consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points for the 2017 Notes or a 2037 Notes, plus, in each case, accrued and unpaid interest thereon to the date of redemption.

Treasury Rate means, with respect to any redemption date, the rate per year equal to the semiannu a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security or securities selected by an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that w accordance with customary financial practice, in pricing new issues of corporate debt securities of a the Notes.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by the tr

Comparable Treasury Price means, with respect to any redemption date, (A) the average of five R redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotatio such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer an by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m. New York City time on the date.

Reference Treasury Dealer means each of Goldman, Sachs & Co., BNP Paribas Securities Corp., Morgan Securities Inc. or their affiliates plus one other dealer selected by Schering-Plough that is a p their respective successors; provided, however, that if any of the foregoing or their affiliates shall cea dealer in The City of New York (a Primary Treasury Dealer), Schering-Plough shall substitute the

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redem redeemed.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Unless Schering-Plough defaults in payment of the redemption price, on and after the redemption dat
portions thereof called for redemption.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Sinking Fund

The Notes will not be entitled to the benefit of a sinking fund.

Defeasance

The Notes are subject to the company s defeasance option. See Description of Securities Defeasa

Change of Control Triggering Event

If a Change of Control Triggering Event occurs with respect to any series of Notes, unless Schering-
Notes of that series as described above under Optional Redemption, you will have the right to re
(equal to $2,000 or an integral multiple of $1,000 in excess thereof) of your Notes of that series pursu
Control Offer) on the terms set forth in the indenture. In the Change of Control Offer, Schering-Plo
the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the
Change of Control Payment). Within 30 days following any Change of Control Triggering Event,
describing the transaction or transactions that constitute the Change of Control Triggering Event and
applicable series on the date specified in the notice, which date will be no earlier than 30 days and no
mailed (the Change of Control Payment Date), pursuant to the procedures required by the indentu
will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as ame
securities laws and regulations thereunder to the extent those laws and regulations are applicable in c
result of a Change of Control Triggering Event. To the extent that the provisions of any securities lav
Control Triggering Event provisions of the indenture, Schering-Plough will comply with the applicab
be deemed to have breached its obligations under the Change of Control Triggering Event provisions

On the Change of Control Payment Date, Schering-Plough will, to the extent lawful:

accept for payment all Notes or portions of Notes properly tendered pursuant to the Change

deposit with the paying agent an amount equal to the Change of Control Payment in respect
tendered; and

deliver or cause to be delivered to the trustee for cancellation the Notes properly accepted to
the aggregate principal amount of Notes or portions of Notes being purchased by Schering-I

For purposes of the foregoing discussion of a repurchase at the option of holders upon the occurrence
following definitions are applicable:

Below Investment Grade Rating Event means the ratings on the applicable series of Notes are low
are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the dat
could result in a Change of Control until the end of the 60-day period following public notice of the
60-day period shall be extended so long as the rating of the applicable series of Notes is under public
downgrade by any of the Rating Agencies); provided that a Below Investment Grade Rating Event o
reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Investment Grade Rating Event

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

for purposes of the definition of Change of Control Triggering Event hereunder) if the Rating Agenc definition would otherwise apply do not announce or publicly confirm or inform the Trustee or Sche Schering-Plough s request that the reduction was the result, in whole or in part, of any event or circu in respect of, the applicable Change of Control (whether or not the applicable Change of Control sha Investment Grade Rating Event).

Capital Stock of any Person means any and all shares, interests, rights to purchase, warrants, opti interests in (however designated) equity of such Person, including any preferred stock and limited lia or limited), but excluding any debt securities convertible into such equity.

Change of Control means the occurrence of any of the following: (1) the direct or indirect sale, tr by way of merger or consolidation), in one or a series of related transactions, of all or substantially al of Schering-Plough s subsidiaries properties or assets taken as a whole to any Person or group of re Section 13(d)(3) of the Exchange Act) (a Group) other than Schering-Plough or one of its subsidia Schering-Plough s liquidation or dissolution; (3) the consummation of any transaction (including, w the result of which is that any Person or Group becomes the beneficial owner, directly or indirectly, o number of shares of Schering-Plough s Voting Stock; or (4) the first day on which a majority of the are not Continuing Directors.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Be

Continuing Director means, as of any date of determination, any member of Schering-Plough s b Schering-Plough s board of directors on the date of the issuance of the Notes; or (2) was nominated of directors with the approval of a majority of the Continuing Directors who were members of Scher such nomination or election (either by a specific vote or by approval of Schering-Plough s proxy sta nominee for election as a director).

Fitch means Fitch Ratings.

Investment Grade Rating means a rating equal to or higher than BBB- (or the equivalent) by Fitch (or the equivalent) by S&P.

Moody s means Moody s Investors Service, Inc.

Person means any individual, corporation, partnership, joint venture, association, joint stock com liability company, government or any agency or political subdivision thereof or any other entity, and the Exchange Act.

Rating Agencies means (1) each of Fitch, Moody s and S&P; and (2) if any of Fitch, Moody s o rating of the Notes publicly available for reasons outside of Schering-Plough s control, a nationally the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by Schering-Plough (as ce board of directors) as a replacement agency for Fitch, Moody s or S&P, or all of them, as the case m

S&P means Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Voting Stock of a Person means all classes of Capital Stock of such Person then outstanding and n
directors, managers or trustees, as applicable.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Schering-Plough s ability to repurchase its Notes pursuant to a Change of Control Offer may be limi
if sufficient funds were otherwise available, the terms of future senior credit facilities and other indel
prepayment of the Notes before the scheduled maturity of the Notes.

Certain Covenants

Consolidation, Merger or Sale

Under the indenture, Schering-Plough has agreed not to consolidate with or merge into any other cor
substantially all of its properties and assets to any person, unless:

- the person is a corporation or limited liability company organized and validly existing under thereof or the District of Columbia;
- the successor corporation expressly assumes by a supplemental indenture the due and punct premium or any interest on all the debt securities and the performance of every covenant in otherwise have to perform as if it were an original party to the indenture;
- immediately after giving effect to the consolidation, merger, conveyance, transfer or lease, r occurred and be continuing; and
- Schering-Plough delivers to the trustee an officers certificate and an opinion of counsel, ea conveyance, transfer or lease and the supplemental indenture comply with these provisions.

The successor corporation will assume all of Schering-Plough s obligations under the indenture as if
assuming the obligations, the successor corporation will have all of Schering-Plough s rights and po

Limitations on Liens

Subject to the exceptions described below and those described under the section of this prospectus su
below, Schering-Plough may not, and may not permit any restricted subsidiary to, create any lien on
of any restricted subsidiary without equally and ratably securing the debt securities. This restriction v

- liens on principal property existing at the time of its acquisition or to secure the payment of
- with respect to any series of debt securities, any lien existing on the date of issuance of the d
- liens on property or shares of capital stock, or securing indebtedness, of any corporation exi restricted subsidiary or is merged into Schering-Plough or into a restricted subsidiary;
- liens which secure debt of a restricted security that is owed to Schering-Plough or to anothe is owed to a restricted subsidiary;
- liens in connection with the issuance of certain tax-exempt industrial development or polluti

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

liens in favor of any customer arising in respect of payments made by or on behalf of a custo
rendered to, customers in the ordinary course of business not exceeding the amount of those

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

any extension, renewal or replacement of any lien referred to in any of the previous paragra

statutory liens, liens for taxes or assessments or governmental charges or levies not yet due penalty or are being contested in good faith, landlord s liens on leased property, easements described above.

Limitation on Sale and Leaseback Transactions

Subject to the exceptions described below and those described under the section of this prospectus su sale and leaseback transactions by Schering-Plough or any restricted subsidiary of any principal prop for leases for a term, including any renewal thereof, of not more than three years and except for lease between subsidiaries) unless:

after giving effect to the application of proceeds from the sale and leaseback transaction, Sc could incur a mortgage on the property under the restrictions described above under the sect captioned Limitations on Liens in an amount equal to the attributable debt with respect equally and ratably securing the debt securities; or

Schering-Plough, within 120 days after the sale or transfer by Schering-Plough or any restri Schering-Plough s funded debt (which is defined as indebtedness for borrowed money havi or renewable for, a period of more than 12 months after the date of determination of the amo

(1) the net proceeds of the sale of the principal domestic property sold and leased under s

(2) the fair market value of the principal domestic property sold and leased, subject to cre debt.

Exempted Indebtedness

Schering-Plough or any restricted subsidiary may create or assume liens or enter into sale and leaseb the provisions regarding limitations on liens and sale and leaseback transactions described above, so giving effect to the lien or sale and leaseback transaction, the sum of Schering-Plough s and its cons indebtedness incurred after the date of the indenture and secured by the liens relating to principal pro that related to sale and leaseback transactions, that are not otherwise permitted, does not exceed 10%

Certain Definitions

The following are the meanings of terms that are important in understanding the covenants previousl

attributable debt means the present value (discounted at a specified rate each year to be appropriate and consistent with U.S. generally accepted accounting principles) of the obliga paid during the remaining term of any lease of more than 12 months.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

consolidated net tangible assets means the total assets of Schering-Plough and its conso
in our most recent quarterly or annual, as applicable, balance sheet, less (1) all current liabil
could

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

be classified as long-term debt under U.S. generally accepted accounting principles and curr
extendible or renewable at the obligor s option to a time more than 12 months after the time
liabilities is being computed; (2) advances to entities accounted for on the equity method of
this context, intangible assets means the aggregate value, net of any applicable reserves,
balance sheet, of (a) all trade names, trademarks, licenses, patents, copyrights and goodwill;
(c) deferred charges, other than prepaid items such as insurance, taxes, interest, commission
assets being amortized; and (d) unamortized debt discount and expense, less unamortized pr

principal property means any manufacturing facility having a gross book value in exces
that Schering-Plough or any restricted subsidiary owns and located within the United States
and Puerto Rico, other than any facility or portion of a facility which Schering-Plough s bo
material to the business conducted by Schering-Plough and its subsidiaries as a whole.

restricted subsidiary means any subsidiary (1) of which substantially all of the property
business is carried on, within the United States, excluding its territories and possessions and
operates one or more principal properties (however, restricted subsidiary does not include
business of a finance or insurance company and their branches).

subsidiary means each corporation of which more than 50% of the outstanding voting st
Schering-Plough or one or more of its subsidiaries.

Book-Entry System

DTC will act as securities depository for the Notes. One or more fully-registered note certificates wil
principal amount of such issue, and will be deposited with DTC.

DTC has informed Schering-Plough that DTC is:

a limited-purpose trust company organized under the New York Banking Law;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the New York Uniform Commercial Code;

a clearing agency registered pursuant to the provisions of Section 17A of the Securities E

DTC holds securities that its participants (Direct Participants) deposit with DTC. DTC also facilitate
securities transactions, such as transfers and pledges, in deposited securities through electronic comp
Participants accounts, which eliminates the need for physical movement of securities certificates. D
dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned
The New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Associat
DTC system is also available to others such as securities brokers and dealers, banks, and trust compa

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

relationship with a Direct Participant, either directly or indirectly (Indirect Participants). The rules ap
Participants are on file with the SEC.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Purchases of Notes under the DTC system must be made by or through Direct Participants, which rec
The ownership interest of each actual purchaser of each note (Beneficial Owner) is in turn to be reco
records. Beneficial Owners will not receive written confirmations from DTC of their purchase, but B
written confirmations providing details of the transaction, as well as periodic statements of their hold
Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership
entries made on the books of Direct Participants and Indirect Participants acting on behalf of Benefic
certificates representing their ownership interests in Notes except in the event that use of the book-en
result, the ability of a person having a beneficial interest in the Notes to pledge such interest to perso
system, or to otherwise take actions with respect to such interest, may be affected by the lack of a ph
addition, the laws of some states require that certain persons take physical delivery in definitive form
interests in negotiable instruments can only be perfected by delivery of certificates representing the i
Notes evidenced by the global Notes will be limited to such extent.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered
Cede & Co. or such other name as may be requested by an authorized representative of DTC. The de
in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. D
Owners of the Notes; DTC s records reflect only the identity of the Direct Participants to whose acc
not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsib
behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participa
Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among
requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the
an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns
those Direct Participants to whose accounts the Notes are credited on the record date (identified in a

Payments of principal, interest and premium, if any, on the Notes will be made by Schering-Plough t
Co., or such other nominee as may be requested by an authorized representative of DTC. DTC s pra
upon DTC s receipt of funds and corresponding detail information from Schering-Plough or the trus
respective holdings shown on DTC s records. Payments by Direct Participants and Indirect Participa
standing instructions and customary practices, as is the case with securities held for the accounts of c
name and will be the responsibility of such Participant and not of DTC, the trustee or Schering-Plou
requirements as may be in effect from time to time. Payment of principal, premium (if any) or interes
be requested by an authorized representative of DTC) is Schering-Plough s responsibility or the trus
Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Bene
Direct Participants and Indirect Participants.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of securities am
obligation to perform or continue to perform such

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

procedures, and DTC may discontinue providing its services as securities depository with respect to t
notice to Schering-Plough. Under such circumstances, in the event that a successor securities deposit
required to be printed and delivered. In addition, note certificates will be printed and delivered if Sch
system of book-entry transfers through DTC (a successor securities depository) or if an event of defa
been cured or waived. In that event, note certificates will be printed and delivered. See Description
accompanying prospectus.

Neither Schering-Plough nor the trustee will have any responsibility or obligation to participants in th
act as nominees with respect to the accuracy of the records of DTC, its nominee or any Direct Partici
ownership interest in the Notes, or with respect to payments to or providing of notice for the Direct P
beneficial owners of the Notes.

The information in this section concerning DTC and DTC s book-entry system has been obtained fr
reliable. None of Schering-Plough, the trustee, the underwriters, dealers or agents are responsible for
information.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

CERTAIN UNITED STATES FEDERAL INCOME TAX CON

The following is a summary of certain U.S. federal income tax consequences relevant to the purchas
following summary is based upon current provisions of the Internal Revenue Code of 1986, as amen
Regulations and judicial and administrative authority, all of which are subject to change, possibly wi
consequences are not summarized, nor are tax consequences to special classes of investors including
insurance companies, banks or other financial institutions, partnerships or other entities classified as
purposes, dealers in securities, persons liable for the alternative minimum tax, traders in securities th
accounting for their securities holdings, and persons that will hold the Notes as a position in a hedgi
or other risk reduction transaction. Tax consequences may vary depending upon the particular status
taxpayers who will hold the Notes as capital assets (generally, held for investment) and who purc
offering price. Each potential investor should consult with its own tax adviser as to the federal, state,
of the purchase, ownership, and disposition of the Notes.

If an entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. fe
and its partners will generally depend on the status of the partners and the activities of the partnershi
holding the Notes should consult its own tax advisor with regard to the U.S. federal income tax treat

U.S. Holders

The discussion in this section is addressed to a holder of the Notes that is a U.S. holder for federa
are a beneficial owner of the Notes that is for U.S. federal income tax purposes (i) a citizen or indivi
corporation created or organized in the United States or under the laws of the United States or of any
estate whose income is subject to United States federal income tax regardless of its source; or (iv) a t
primary supervision over the trust s administration and one or more United States persons are autho
trust or (y) the trust has validly elected to be treated as a U.S. domestic trust.

Payments of Interest

Interest on the Notes is taxable to a U.S. holder as ordinary interest income at the time it is received
method of accounting for U.S. federal income tax purposes.

Dispositions

A U.S. holder will generally recognize capital gain or loss on a sale or exchange of the Notes equal t
(less any accrued interest not previously included in the U.S. holder s income, which will be taxable
and the U.S. holder s adjusted tax basis in the Notes sold or exchanged. Such capital gain or loss wi
U.S. holder s holding period for the Notes sold or exchanged is more than one year. Long-term capi
taxed at a lower maximum marginal tax rate than the maximum marginal tax rate applicable to ordin
losses by individuals and corporations is subject to limitations.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Information Reporting and Backup Withholding on U.S. Holders

Certain U.S. holders may be subject to backup withholding with respect to the payment of interest or on the sale or redemption of the Notes unless such U.S. holders provide proof of an applicable exemp number, and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules from a payment to a U.S. holder is allowal U.S. federal income tax, which may entitle the U.S. holder to a refund, provided that the U.S. holder IRS. Moreover, certain penalties may be imposed by the IRS on a U.S. holder who is required to furn manner. U.S. holders are urged to consult their own tax advisors regarding the application of backup and the availability of and procedure for obtaining an exemption from backup withholding under cur

Non-U.S. Holders

The discussion in this section is addressed to holders of the Notes that are non-U.S. holders . You or an entity treated as a partnership for U.S. federal income tax purposes.

Payments of Interest

No withholding of U.S. federal income tax will apply to a payment of interest on a Note to a non-U.S provided that:

such payment is not effectively connected with the non-U.S. holder s conduct of a trade or income tax treaties apply, such payment is not attributable to a permanent establishment ma United States);

the non-U.S. holder does not actually or constructively own 10 percent or more of the total Schering-Plough stock entitled to vote;

the non-U.S. holder is not a controlled foreign corporation that is related directly or construc ownership;

the non-U.S. holder is not a bank that acquired the Notes in consideration for an extension o entered into in the ordinary course of its trade or business; and

the non-U.S. holder provides the withholding agent, in accordance with specified procedure holder is not a U.S. person (generally through the provision of a properly executed IRS Forr

If a non-U.S. holder cannot satisfy the requirements of the Portfolio Interest Exemption described ab respect to the Notes will be subject to a 30% U.S. withholding tax, or such lower rate as may be spec the interest is (i) effectively connected with a trade or business carried on by the non-U.S. holder wit provides the payor with a Form W-8ECI (or other applicable form)) and (ii) if an income tax treaty a establishment or, in the case of an individual, a fixed base maintained by the non-U.S. holder. Interes business, and, if an income tax treaty applies, attributable to such permanent establishment, will gene

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

net basis at applicable individual or corporate rates. A non-U.S. holder that is a corporation may be s
such lower rate as may be specified by an applicable income tax treaty) on the deemed repatriation fr

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

effectively connected earnings and profits , subject to certain adjustments. Under applicable Treasu
certain cases of non-U.S. holders that are entities, the owner or owners of such entities) will be requi
in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty.

Dispositions

A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on gain rea
long as:

- the gain is not effectively connected with a U.S. trade or business of the non-U.S. holder (or attributable to a U.S. permanent establishment or, in the case of an individual, a fixed base r
- in the case of a non-resident alien individual, such non-U.S. holder is not present in the Unit taxable year of the sale or disposition and certain other conditions are met.

Information Reporting and Backup Withholding on Non-U.S. Holders

Payment of interest, and the tax withheld with respect thereto, is subject to information reporting req
requirements apply regardless of whether withholding was reduced or eliminated by an applicable in
because the interest was effectively connected with a trade or business in the United States conducted
information returns reporting such interest and withholding may also be made available under the pro
agreement to the tax authorities in the country in which the non-U.S. holder resides. U.S. backup wit
interest to a non-U.S. holder unless such non-U.S. holder furnishes to the payor a Form W-8BEN (or
an exemption.

Payment by a U.S. office of a broker of the proceeds of a sale of the Notes is subject to both backup
the non-U.S. holder, or beneficial owner thereof, as applicable, certifies that it is a non-U.S. holder o
otherwise establishes an exemption. Subject to exceptions, backup withholding and information repo
proceeds from the sale of the Notes if such sale is effected through a foreign office of a broker. Non-
advisors regarding the application of backup withholding in their particular circumstances and the av
exemption from backup withholding under current Treasury Regulations.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

UNDERWRITING

Schering-Plough and the underwriters for the offering named below have entered into an underwritin offered. Subject to certain conditions, each underwriter has severally agreed to purchase the principa following table. Goldman, Sachs & Co. is acting as global coordinator, and BNP Paribas Securities C J.P. Morgan Securities Inc. are acting as joint bookrunners and together with Goldman, Sachs & Co.

Underwriters	Principal Amou of 2017 Notes
Goldman, Sachs & Co.	$ 200,000,000
BNP Paribas Securities Corp.	$ 200,000,000
Credit Suisse Securities (USA) LLC	$ 200,000,000
J.P. Morgan Securities Inc.	$ 200,000,000
Banc of America Securities LLC	$ 20,000,000
Bear, Stearns & Co. Inc.	$ 20,000,000
Citigroup Global Markets Inc.	$ 20,000,000
Daiwa Securities America Inc.	$ 20,000,000
ING Financial Markets LLC	$ 20,000,000
Morgan Stanley & Co. Incorporated	$ 20,000,000
Santander Investment Securities Inc.	$ 20,000,000
The Williams Capital Group, L.P.	$ 15,000,000
ABN AMRO Rothschild LLC	$ 7,500,000
Banca IMI S.p.A.	$ 7,500,000
BBVA Securities Inc.	$ 7,500,000
BNY Capital Markets, Inc.	$ 7,500,000
Mizuho Securities USA Inc.	$ 7,500,000
Utendahl Capital Partners, L.P.	$ 7,500,000
Total	$ 1,000,000,000

The underwriters are committed to take and pay for all of the Notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price supplement. Any Notes sold by the underwriters to securities dealers may be sold at a discount from of the principal amount of the 2017 Notes and up to 0.50% of the principal amount of the 2037 Notes Notes purchased from the underwriters to certain other brokers or dealers at a discount from the initia principal amount of the 2017 Notes and up to 0.25% of the principal amount of the 2037 Notes. If all price, the underwriters may change the offering price and the other selling terms. The offering of the and acceptance and subject to the underwriters right to reject any order in whole or in part.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The Notes are a new issue of securities with no established trading market. Schering-Plough has been
underwriters intend to make a market in the Notes but are not obligated to do so and may discontinue
assurance can be given as to the liquidity of the trading market for the Notes.

In connection with the offering, the underwriters may purchase and sell Notes in the open market. Th
stabilizing transactions and purchases to cover positions created by short sales. Short sales involve th
of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

bids or purchases made for the purpose of preventing or retarding a decline in the market price of the

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to discount received by it because the representatives have repurchased Notes sold by or for the accoun covering transactions.

These activities by the underwriters, as well as other purchases by the underwriters for their own acc affect the market price of the Notes. As a result, the price of the Notes may be higher than the price t these activities are commenced, they may be discontinued by the underwriters at any time. These tra over-the-counter market or otherwise.

Schering-Plough estimates that its share of the total expenses of the offering, excluding underwriting approximately $1,000,000.

Schering-Plough has agreed to indemnify the several underwriters against certain liabilities, includin

Goldman, Sachs & Co. is currently acting as financial advisor to Schering-Plough, for which they are America, N.A., an affiliate of Banc of America Securities LLC, is the administrative agent, Banc of A Markets Inc. are the joint lead arrangers and joint book managers, and BNP Paribas Securities Corp. Schering-Plough s $2 billion credit agreement entered into on August 9, 2007. Certain of the other u under the credit agreement. Additionally, Goldman, Sachs & Co., BNP Paribas Securities Corp., Cre Securities Inc., Banc of America Securities LLC, Bear, Stearns & Co. Inc., Citigroup Global Markets or their respective affiliates, have committed to act as lenders under Schering-Plough s 11 billion b

In addition, the underwriters and their affiliates have, from time to time, performed, and may in the f commercial banking, investment banking or underwriting services for Schering-Plough, its subsidiar will receive customary fees and expenses.

Daiwa Securities America Inc. (DSA) has entered into an agreement with SMBC Securities, Inc. (certain advisory and/or other services to DSA, including services with respect to this offering. In retu SMBCSI to DSA, DSA will pay to SMBCSI a mutually agreed-upon fee.

The Notes will be offered in the United States through the underwriters either directly or through the agents.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospe State), each underwriter has represented and agreed that with effect from and including the date on w that Relevant Member State (the Relevant Implementation Date) it has not made and will not make a offering contemplated by this Prospectus to the public in that Relevant Member State other than:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so a purpose is solely to invest in securities;

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the l
more than 43,000,000 and (3) an

S-31

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospec
consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus purs

For the purposes of this provision, the expression an offer of notes to the public in relation to any
communication in any form by any means of sufficient information on the terms of the offer and the
to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member Sta
Directive in that Relevant Member State and the expression Prospectus Directive means Directive 20
implementing measure in each Relevant Member State.

Belgium

Each underwriter has represented and agreed that it will not sell the Notes to any person qualifying a
of the Belgian law of 14 July 1991 on consumer protection and trade practices unless such sale is ma
implementing regulation.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to b
engage in investment activity (within the meaning of Section 21 of the Financial Services and Marke
connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anyth
or otherwise involving the United Kingdom.

Ireland

Each underwriter has agreed that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity
Intermediaries Act 1995 as amended, including, without limitation, Sections 9 and
under Section 37 thereof and the provisions of the Investor Compensation Act 199

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity
Acts 1942-1999, as amended, and any codes of conduct rules made under Section

(c) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the
provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and
pursuant thereto.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Italy

The offering of the Notes has not been registered with CONSOB (the Italian Securities Exchange Co
legislation and, accordingly, no Notes may be

S-32

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

offered, sold or delivered, nor may copies of this document or of any other document relating to the N
except: (i) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decr
and Article 31, second paragraph of CONSOB Regulation No. 11522 of 1 July 1998, as amended; an
public offer rules pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998, as amend
first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Any offer, sale or
this document or any other document relating to the Notes in the Republic of Italy under (i) or (ii) ab
bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accorda
Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); (b) in complianc
implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the B
issue or the offer of securities in the Republic of Italy; and (c) in compliance with any other applicab

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemptio
applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in
public offer and the prospectus requirement rules provided under the Financial Services Act and Reg
rules may result in the sale of such Notes being declared null and void and in the liability of the inter
for any damages suffered by the investors.*

France

This document is not being distributed in the context of a public offering in France within the meanin
financier, and has therefore not been submitted to the *Autorité des Marchés Financiers* for prior appr

Each of the underwriters represents and agrees that it has not offered or sold and will not offer or sell
in France, and has not distributed or caused to be distributed and will not distribute, or cause to be di
supplement, the accompanying prospectus and any other document or material in connection with the
purchase, of the Notes, and that such offers, sales and distributions have been and will be made in Fr
services relating to portfolio management for the account of third parties, and/or (b) qualified investo
account (other than individuals), all as defined in, and in accordance with, Articles L. 411-1, L. 411-2
financier.

The Notes may be resold directly or indirectly only in compliance with Articles L. 411-1, L. 411-2, L
French *Code monétaire et financier*.

Sweden

Each underwriter has represented and agreed that when an offer of notes to the public is made in Swe
European Economic Area apply, except that, with respect to paragraph (b), offers may only be made
financial years, fulfilled at least two of the following conditions: (1) an average of at least 250 emplo
43,000,000 and (3) a net turnover of more than 50,000,000, as shown in its profit and loss accoun

Switzerland

No public solicitation of investors or other offering or advertising activities in respect of the Notes ca
only be offered by way of private placement to

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

S-33

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

banks, securities dealers or other regulated entities, to institutional investors with a professional treas
other investors not exceeding 20.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances whic
the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional inve
Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other ci
document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of H
document relating to the Notes may be issued or may be in the possession of any person for the purpo
Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by
to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to
Kong or only to professional investors within the meaning of the Securities and Futures Ordinance
made thereunder.

Japan

The securities have not been and will not be registered under the Securities and Exchange Law of Jap
underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to
(which term as used herein means any person resident in Japan, including any corporation or other en
others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursua
requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other a
guidelines of Japan.

Singapore

Each underwriter has acknowledged that this prospectus has not been registered as a prospectus with
Accordingly, the underwriters have represented and agreed that they have not offered or sold any No
of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to
subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, t
material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes,
Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures A
relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accord
Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any

VALIDITY OF SECURITIES

Allen & Overy LLP, New York, New York and McCarter & English LLP are passing upon the valid
addition, Susan Ellen Wolf, Esq., the Corporate Secretary, is passing upon certain matters related to t
Schering-Plough and beneficially owns common shares and holds options to purchase additional com
in the Schering-Plough Corporation 2006 Stock Incentive Plan and the Schering-Plough Employees
those plans. Shearman & Sterling LLP, New York, New York, is passing upon certain legal matters f

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

EXPERTS

The consolidated financial statements, the related financial statement schedule, and management s r financial reporting incorporated in this prospectus supplement and the accompanying prospectus by r have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as s herein by reference (which reports (1) express an unqualified opinion on the consolidated financial st include an explanatory paragraph regarding Schering-Plough s adoption of Statement of Financial A 2004), Share-Based Payment, and SFAS No. 158, Employers Accounting for Defined Benefit an unqualified opinion on management s assessment regarding the effectiveness of internal control c unqualified opinion on the effectiveness of internal control over financial reporting), and have been s such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended March 31, 2007 and incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounti accordance with the standards of the Public Company Accounting Oversight Board (United States) fo stated in their reports included in Schering-Plough s first and second quarter 2007 10-Q, and incorpo they do not express an opinion on that interim financial information. Accordingly, the degree of relia be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP a Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial informati part of the registration statement prepared or certified by an accountant within the meaning of Sec

WHERE YOU CAN FIND MORE INFORMATIO

Schering-Plough files reports, proxy statements and other information with the SEC. You may read a the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC the public reference room. In addition, the SEC maintains a website that contains reports, proxy state Schering-Plough electronically files. The address of the SEC s website is *http://www.sec.gov*. You m and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York

INCORPORATION OF INFORMATION SCHERING-PLOUGH FIL

The SEC allows Schering-Plough to incorporate by reference the information it files with them, whic

incorporated documents are considered part of this prospectus;

Schering-Plough can disclose important information to you by referring you to those docum

information that Schering-Plough files with the SEC will automatically update and supersed

Schering-Plough incorporates by reference the documents listed below, which were filed with the SE as amended, referred to as the Exchange Act, (excluding any portions of such documents that have b Exchange Act):

its 2006 10-K filed with the SEC on February 28, 2007;

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

its first quarter 2007 10-Q filed with the SEC on April 27, 2007;

its second quarter 2007 10-Q filed with the SEC on July 27, 2007;

its 8-K filed with the SEC on January 29, 2007;

its 8-K filed with the SEC on March 16, 2007;

its 8-K filed with the SEC on April 19, 2007;

its 8-K filed with the SEC on June 28, 2007;

its 8-K filed with the SEC on July 11, 2007;

its 8-K filed with the SEC on July 23, 2007;

its 8-K filed with the SEC on August 2, 2007;

its 8-K filed with the SEC on August 13, 2007;

its 8-K filed with the SEC on September 10, 2007;

the following sections of its Proxy Statement for the 2007 Annual Meeting of Shareholders April 20, 2007: Proposal One: Elect Eleven Directors for a One-Year Term, Section 16 Compliance, Information About the Audit Committee of the Board of Directors and its P Directors, Executive Compensation, Director Compensation, Stock Ownership, Transactions and Director Independence Assessments, Director Independence, and Pr Deloitte & Touche LLP to Audit Schering-Plough s Books and Accounts for 2007; and

Schering-Plough also incorporates by reference each of the following documents that Schering-Ploug prospectus (excluding any portions of such documents that have been furnished but not filed fo the Notes pursuant to this prospectus supplement and the accompanying prospectus is complete:

reports filed under Section 13(a) and (c) of the Exchange Act;

definitive proxy or information statements filed under Section 14 of the Exchange Act in co meeting; and

any reports filed under Section 15(d) of the Exchange Act.

Schering-Plough does not incorporate by reference any information furnished under items 2.02 or 7.0 under item 9.01 or included as an exhibit) in any past or current Form 8-K filing (unless otherwise in

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

You may request a copy of any filings referred to above (excluding exhibits not specifically incorpor
contacting Schering-Plough in writing or by telephone (908-298-7436) at the following address: Inve
2000 Galloping Hill Road, Kenilworth, NJ 07033. Documents may also be available on Schering-Plo
http://www.schering-plough.com. Please note that all references to *http://www.schering-plough.com*
textual references only and that the information contained on Schering-Plough s website is not incor
supplement or the accompanying prospectus, or intended to be used in connection with the offering o

S-36

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

PLANNED ACQUISITION OF ORGANON BIOSCIENC

On March 12, 2007, Schering-Plough announced that its board of directors approved the acquisition
health care businesses of Akzo Nobel, for approximately 11 billion in cash ($15.3 billion based on
2007). Schering-Plough believes the acquisition of Organon BioSciences will be a strong fit strategic

Organon BioSciences will provide Schering-Plough with a strong base of products and businesses. O
Organon, includes leading products such as Puregon®/Follistim®, a follicle-stimulating hormone for
neuromuscular blocker used in surgical procedures; NuvaRing®, Implanon®, Marvelon/Desogen® an
Livial® for menopause/osteoporosis; Ovestin® for menopause-related symptoms; and Remeron® and

In addition to the currently marketed products, Organon currently has five compounds in Phase III de

Asenapine, a psychopharmacologic agent for the treatment of patients with schizophrenia ar

Sugammadex, for the reversal of neuromuscular blockade induced during surgical procedure

NOMAC/E2, an oral contraceptive product containing nomegestrol acetate, a novel progest

ORG36286, a long-acting recombinant follicle-stimulating hormone for infertility; and

Esmirtazapine (ORG50081), for the treatment of insomnia and potentially for hot flashes in

Organon BioSciences animal health business, Intervet, is one of the top three animal health care co
Intervet business has a strong science base. Intervet s products treat a broad array of animals and di
a range of canine vaccines; Panacur®, a de-wormer; Bovilis®, a bovine biological for disease control
vaccine to keep flocks free from infectious disease.

The transaction, which is expected to close by the end of 2007, is anticipated to be accretive to Scher
year, excluding purchase-accounting adjustments and acquisition-related costs. Schering-Plough exp
approximately $500 million, however, it is expected that it will take three years from the closing of t
Schering-Plough will finance the Organon BioSciences acquisition through a mix of cash, debt, and
offering. Schering-Plough also has a committed 11 billion bridge facility. Any borrowings under th
one year following closing.

Schering-Plough and Akzo Nobel have entered into a binding offer letter and have agreed to execute
upon completion of customary consultation procedures involving the Works Council of Organon Bio
also subject to certain closing conditions, including regulatory approvals from the United States Fede
Commission.

Under Dutch law, Organon BioSciences is required to seek the advice of its Works Council regardin
The Works Council issued its initial advice on July 27, 2007 and such advice was positive, subject to
conclusion of subsequent discussions among Organon BioSciences, the Works Council and Schering

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

waiting period, the Works Council has declined to take any formal action relating to the transaction. relating to the

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

completion of the consultation procedures with the Organon BioSciences Works Council have been r
transaction proceeding has been satisfied.

Schering-Plough has completed customary due diligence, however, Schering-Plough s access to son
because of antitrust regulations. Until Schering-Plough consummates the acquisition, Schering-Ploug
about Organon BioSciences. Further, because Organon BioSciences is not itself a public company, b
public information about Organon BioSciences is limited. For historical financial information about O
combined financial statements in the accompanying prospectus.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCI

The following unaudited pro forma condensed combined balance sheet and unaudited pro forma con and for the six months ended June 30, 2007 and for the year ended December 31, 2006 have been pre principles generally accepted in the United States of America, referred to as U.S. GAAP, and applica Exchange Commission (SEC). The unaudited pro forma condensed combined financial statements ar the combined historical financial statements of Schering-Plough and Organon BioSciences N.V., refe Group, as the case may be, and which comprise the human and animal health businesses of Akzo No audited combined financial statements as of December 31, 2006 and 2005 and for each of the years i 2006, and the historical unaudited condensed combined interim financial statements as of and for the 2006, each of which have been prepared under International Financial Reporting Standards, as adopt appear on pages F-1 to F-104 in the accompanying prospectus. The unaudited pro forma condensed s the following transactions as if such transactions had occurred on January 1, 2006. The unaudited pro gives effect to the following transactions as if such transactions had occurred on June 30, 2007:

The planned acquisition by Schering-Plough of Organon BioSciences, referred to as the Organon B aggregate cash consideration of approximately $14.79 billion (approximately 11.00 billion).

The financing of the Organon BioSciences acquisition with aggregate proceeds of $9.79 b transactions:

Issuance of 10,000,000 shares of 6.00% mandatory convertible preferred stock, ref proceeds of $2.44 billion in August 2007;

Issuance of 57,500,000 common shares for net proceeds of $1.54 billion in August

Issuance of the Notes for net proceeds of $1.98 billion; and

Draw down of debt under a committed bridge facility in the amount of $3.83 billio

The use of existing Schering-Plough cash, cash equivalents and short-term investments of

The pro forma adjustments are based upon available information, preliminary estimates and certain a reasonable based on information currently available, and are described in the accompanying notes to financial statements. The unaudited pro forma condensed statements of combined operations should that would have been achieved had the Organon BioSciences acquisition been consummated on the c results of operations as of any future date or for any future period.

The acquisition of Organon BioSciences is currently under regulatory review, and a share purchase a Nobel and Schering-Plough. Further, Schering-Plough has not completed an analysis of change of co result from the acquisition. As a result, pro forma adjustments related to the following matters have r

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

condensed combined financial statements:

The effects of business or product divestitures required to obtain regulatory clearance. Curre
be material in the aggregate.

The effects of change of control or other contractual provisions. Should the final negotiation
under these contracts, profits may be materially and adversely affected.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL ST

In addition, final agreements have not been reached on the transfer of Organon BioSciences pensio assets and liabilities from Akzo-Nobel to Schering-Plough. As a result, these unaudited pro forma co reasonable allocation of such assets and liabilities and related expense amounts made by Organon Bi to the Organon BioSciences combined financial statements for the years ended December 31, 2006, prospectus. Such allocations may not be indicative of the actual separation of the pension and other p liabilities.

The Organon BioSciences acquisition will be accounted for using the purchase method of accounting Accounting Standards (SFAS) No. 141, Business Combinations as issued by the Financial Acc this method, the purchase price and transaction related costs will be allocated to the assets acquired a fair values as of the acquisition date. Any excess of the purchase price over the estimated fair value o intangible assets) will be allocated to goodwill.

In connection with the preliminary purchase price allocation, Schering-Plough has made estimates of upon assumptions that Schering-Plough believes are reasonable. The allocation of purchase price for estimates and judgments to allocate the purchase price to the identifiable tangible and intangible asse their respective fair values. Schering-Plough s process for estimating the fair values of in-process re assets and certain tangible assets requires significant estimates and assumptions including, but not lin costs to complete the in-process projects, projecting regulatory approvals, estimating future cash flov

The allocation of purchase price is subject to finalization of Schering-Plough s analysis of the fair va as of the acquisition date. The final allocation of the purchase price may result in additional adjustme liabilities and may also result in adjustments to depreciation, amortization and in-process research an in material increases or decreases to net income available to common shareholders. Further revisions additional information becomes available.

Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial upon completion of the final valuation. Such adjustments could be material. The final valuation is ex but no later than 12 months after the consummation of the Organon BioSciences acquisition.

The U.S. GAAP historical Organon BioSciences amounts included in the unaudited pro forma conde 2007 and the unaudited pro forma condensed statement of combined operations for the six months en Organon BioSciences unaudited IFRS condensed combined interim balance sheet and statement of months ended June 30, 2007 converted to U.S. GAAP and translated to U.S. Dollars. The U.S. GAA included in the unaudited pro forma condensed statement of combined operations for the year ended Organon BioSciences audited IFRS statement of income presented in Euro for the year ended Dece translated to U.S. Dollars.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

A reconciliation of Organon BioSciences combined net income and combined invested equity betw
ended December 31, 2006 have been included

P-2

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL ST

as Note 32 to the Organon BioSciences historical audited combined financial statements included in

A reconciliation of Organon BioSciences unaudited combined net income and combined invested e for the six months ended June 30, 2007 has been included as Note 21 to the Organon BioSciences his financial statements included in the accompanying prospectus.

The unaudited pro forma condensed combined financial statements are presented for informational p what Schering-Plough s results of operations or financial condition would have been had these trans nor do they purport to represent Schering-Plough s results of operations for any future period or fina no effect has been given in the unaudited pro forma condensed statements of combined operations fo through the combination of Schering-Plough and Organon BioSciences or the costs that have been or

The unaudited pro forma condensed combined financial statements should be read in conjunction wit financial statements and related notes thereto, Management s Discussion and Analysis of Financial C Schering-Plough s 2006 10-K and second quarter 2007 10-Q, which are incorporated by reference in BioSciences historical audited combined financial statements as of December 31, 2006 and 2005 an ended December 31, 2006 and historical unaudited condensed combined interim financial statements ended June 30, 2007 and 2006 included in the accompanying prospectus.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED COMBINED BAL
AS OF JUNE 30, 2007
(in millions)

	U.S. GAAP Historical		
	Schering-Plough	Organon BioSciences (See Note 2)	Pro Fo Financing Incr
ASSETS			
Cash, cash equivalents and short-term investments	$ 6,234	$ 154	$ 9,792(a)
Accounts receivable, net	2,119	1,058	
Receivables from related parties, net		509	
Inventories	1,723	1,180	
Deferred income taxes	234	34	
Prepaid expenses and other current assets	993	35	
Total current assets	11,303	2,970	9,792
Property, plant and equipment, net	4,395	1,499	
Goodwill	210	540	
Other intangible assets, net	265	113	
Other assets	888	556	
Total assets	$ 17,061	$ 5,678	$ 9,792
LIABILITIES AND SHAREHOLDERS EQUITY			
Accounts payable	$ 1,334	$ 817	$
Payables to related parties		1,570	
Short-term borrowings and current portion of long-term debt	246	186	
U.S., foreign and state income taxes	169	177	
Other accrued liabilities	2,178	51	
Total current liabilities	3,927	2,801	

	Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
Long-term debt	2,414	76	5,813(a)
Deferred income taxes	111	76	
Other long-term liabilities	1,739	337	
Total long-term liabilities	4,264	489	5,813
Mandatory convertible preferred shares	1,438		2,500(a)
Common shares	1,021		
Paid-in capital	1,921		1,322(a)
Invested equity		2,388	
Retained earnings	10,723		
Accumulated other comprehensive loss	(773)		
Treasury shares	(5,460)		157(a)
Total shareholders equity	8,870	2,388	3,979
Total liabilities and shareholders equity	$ 17,061	$ 5,678	$ 9,792

P-4

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED STATEMENT OF COMB
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(in millions, except per share amounts)

	U.S. GAAP Historical		Pro
	Schering Plough	Organon BioSciences (See Note 2)	Fina I
Net sales	$ 6,153	$ 2,468	$
Cost of sales	1,913	766	
Selling, general and administrative	2,572	855	
Research and development	1,403	442	
Other (income)/expense, net	(62)	25	2
Special and acquisition related charges	12		
Equity income	(978)	(1)	
Income before income taxes	1,293	381	(2
Income tax expense/(benefit)	190	74	(
Net income	1,103	307	(2
Preferred stock dividends	43		
Net income available to common shareholders	$ 1,060	$ 307	$ (3
Diluted earnings per common share	$ 0.70		
Basic earnings per common share	$ 0.71		
Weighted average shares outstanding:			
Diluted	1,579		
Basic	1,491		

P-5

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

UNAUDITED PRO FORMA CONDENSED STATEMENT OF COMB
FOR THE YEAR ENDED DECEMBER 31, 2006
(in millions, except per share amounts)

	U.S. GAAP Historical		Pro
	Schering Plough	Organon BioSciences (See Note 2)	Finan I
Net sales	$ 10,594	$ 4,643	$
Cost of sales	3,697	1,498	
Selling, general and administrative	4,718	1,694	
Research and development	2,188	781	
Other (income)/expense, net	(135)	23	59
Special and acquisition related charges	102		
Equity income	(1,459)	(3)	
Income before income taxes	1,483	650	(59
Income tax expense/(benefit)	362	9	(12
Net income before cumulative effect of a change in accounting principle	1,121	641	(47
Cumulative effect of a change in accounting principle, net of tax	(22)		
Net income	1,143	641	(47
Preferred stock dividends	86		12
Net income available to common shareholders	$ 1,057	$ 641	$ (62
Diluted earnings per common share:			
Earnings available to common shareholders before cumulative effect of a change in accounting principle	$ 0.69		
Cumulative effect of a change in accounting principle	0.02		

	Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
Diluted earnings per common share			$ 0.71
Basic earnings per common share:			
Earnings available to common shareholders before cumulative effect of a change in accounting principle			$ 0.69
Cumulative effect of a change in accounting principle			0.02
Basic earnings per common share			$ 0.71
Weighted average shares outstanding:			
Diluted			1,491
Basic			1,482

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FIN

1. DESCRIPTION OF THE PLANNED ORGANON BIOSCIENCES ACQUISITION AND I

On March 12, 2007, Schering-Plough announced its plan to acquire Organon BioSciences for approx
subject to certain closing conditions, including regulatory approvals, and is expected to close by the e

The Organon BioSciences acquisition will be accounted for in accordance with U.S. GAAP using the
method, the purchase price and transaction related costs are allocated to the assets acquired and liabil
values as of the acquisition date. Any excess of the purchase price over the estimated fair value of the
intangible assets) is allocated to goodwill.

This allocation of the purchase price is subject to finalization of Schering-Plough s analysis of the fa
assumed as of the Organon BioSciences acquisition date. The final allocation of the purchase price m
recorded amounts of assets and liabilities and may also result in adjustments to depreciation, amortiz
The adjustments arising out of the finalization of the purchase price allocation will not impact cash fl
material increases or decreases to net income available to common shareholders. Further revisions to
additional information becomes available.

Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial
upon completion of the final valuation. Such adjustments could be material. The final valuation is ex
but no later than 12 months after the consummation of the Organon BioSciences acquisition.

The unaudited pro forma condensed combined balance sheet gives effect to the Organon BioSciences
occurred on June 30, 2007. The historical unaudited condensed combined balance sheet for Organon
accordance with IFRS and presented in Euro, has been converted to U.S. GAAP and has been transla
approximates the Euro conversion rate to U.S. Dollars at June 30, 2007. The unaudited pro forma co
the six months ended June 30, 2007 and the twelve months ended December 31, 2006, gives effect to
related financing as if it had occurred on January 1, 2006. The historical combined statement of incor
ended June 30, 2007 and the twelve months ended December 31, 2006, prepared in accordance with
converted to U.S. GAAP and have been translated to U.S. Dollars using exchange rates of $1.33 and
average Euro conversion rate to U.S. Dollars for the applicable period.

The estimated purchase price was calculated as follows:

(in millions, except exchange rate)
Consideration in Euro
Exchange rate in U.S. Dollars per 1.00 Euro
Consideration in U.S. Dollars

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Transaction costs

Estimated purchase price including net debt assumed

(1) Includes 80 million (approximately $108 million using the June 30, 2007 exchange ra
Schering-Plough.

P-7

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCI

The preliminary allocation of the purchase price as of June 30, 2007 is summarized below:

Preliminary Purchase Price
Allocation as of June 30, 2007

Identifiable intangible assets
Property, plant and equipment
Inventories
Other non-current assets
Net working capital, excluding Inventories
Deferred income tax, net
Acquisition related liabilities
Other long-term liabilities
Goodwill
In-process research and development (IPR&D)

Estimated purchase price to be allocated

Net debt assumed by Schering-Plough

Estimated purchase price including net debt assumed

(1) The allocation of the purchase price to intangible assets includes trade names, products
intangibles, with a composite estimated useful live of approximately 12 years.

(2) The amounts allocated to in-process research and development will be charged to the st
Organon BioSciences acquisition is consummated. This IPR&D amount is excluded fro
statements of combined operations as this charge is not expected to have a continuing i

2. HISTORICAL COMBINED FINANCIAL STATEMENTS OF ORGANON BIOSCIENC

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The historical combined financial statements of Organon BioSciences as of December 31, 2006 and 2
period ended December 31, 2006, prepared in accordance with IFRS, are included in the accompany
BioSciences combined net income and combined invested equity between U.S. GAAP and IFRS as
has been included in Note 32 to those financial statements included in the accompanying prospectus.

The unaudited condensed combined interim financial statements of Organon BioSciences as of and f
have been prepared in accordance with IFRS. A reconciliation of Organon BioSciences combined n
U.S. GAAP and IFRS as of June 30, 2007 and for the six-month period ended June 30, 2007 has bee
statements, included in the accompanying prospectus.

The amounts in the U.S. GAAP historical Organon BioSciences columns in the unaudited pro forma
derived from the Organon BioSciences

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCI

historical annual audited and unaudited condensed combined interim financial statements included in
adjusted for the following:

U.S. GAAP adjustments applied to the Organon BioSciences IFRS financial statements, inc related to business combinations, pensions and other postretirement benefits, the impairmen costs, differing treatment of subsequent events between U.S. GAAP and IFRS, tax on elimi income taxes.

Currency amounts have been translated from Euro to U.S. Dollars (at the rates specified in N condensed combined financial statements in accordance with SFAS No. 52 Foreign Curre

Schering-Plough is in the process of reviewing Organon BioSciences accounting policies and finan review, it may become necessary to make reclassifications or adjustments to the consolidated financi prospective basis.

3. PRO FORMA ADJUSTMENTS

Pro forma condensed combined balance sheet adjustments

(a) Reflects the following financing transactions:

Issuance of the 2007 Preferred Stock for net proceeds of $2.44 billion in August 2007;

Issuance of 57,500,000 common shares for net proceeds of $1.54 billion in August

Issuance of the Notes for net proceeds of $1.98 billion; and

Draw down of debt under a committed bridge facility in the amount of $3.83 billio long-term debt, reflecting Schering-Plough s intention to replace the bridge facilit

(b) Reflects use of cash, cash equivalents and short-term investments of $14.79 billion, including the purchase price.

(c) Reflects related party receivables, net and payables that will be settled as part of the transaction.

(d) Reflects the adjustment of the historical Organon BioSciences inventories to estimated fair value. the transaction and will not have a continuing impact, it is not reflected in the unaudited pro forma co However, this inventory adjustment will result in an increase in cost of sales in the periods subsequen which the related inventories are sold.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(e) Reflects the adjustment to step-up the carrying values of the Organon BioSciences property, plant

(f) Reflects the addition of goodwill from the purchase price allocation of $4.17 billion and the elimi goodwill of $540 million.

(g) Reflects the portion of the purchase price allocated to Organon BioSciences acquired identifiabl

(h) Reflects the portion of the purchase price allocated to acquired in-process research and developm Organon BioSciences acquisition, will not have reached technological feasibility and will have no alt

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

SCHERING-PLOUGH CORPORATION

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCI

directly attributable to the Organon BioSciences acquisition and will not have a continuing impact, it condensed statements of combined operations. However, this item will be recorded as an expense in the period that the Organon BioSciences acquisition is completed.

(i) Reflects an estimate of acquisition-related liabilities.

(j) Reflects net deferred tax liabilities arising from the acquisition.

(k) Reflects the elimination of all components of the historical equity of Organon BioSciences.

Pro forma condensed statement of combined operations adjustments

(l) Reflects additional annual depreciation of $45 million ($23 million on a six-month basis) related t property, plant and equipment depreciated over a weighted average useful life of approximately 15 y

Also reflects annual amortization expense of $445 million ($222 million on a six-month basis) for id the Organon BioSciences acquisition at their estimated fair values.

(m) Adjustment reflects $262 million ($131 million on a six-month basis) of lower annual interest in BioSciences acquisition. An interest rate of 5.25%, which represents Schering-Plough s current wei the reduction in interest income.

Also reflects the increase in annual interest expense of $330 million ($165 million on a six-month ba be $128 million ($64 million on a six-month basis). The remaining interest expense was calculated u the terms of the variable rate bridge facility. A 1/8% increase in the bridge facility interest rate woul approximately $5 million.

The bridge facility is expected to be refinanced into long-term debt of varying maturities. The adjust condensed statements of combined operations do not reflect the interest rates to be incurred upon the

(n) Reflects the recognition of the income tax benefit of the above pro forma adjustments at an estim

(o) Reflects the additional Preferred Stock dividends resulting from the issuance of the 2007 Preferre

(p) Earnings per share amounts are calculated using net income available to common shareholders as weighted average shares outstanding:

Issua

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(all share amounts in millions)	Schering-Plough Historical	Con Sh
For the year ended December 31, 2006:		
Diluted shares outstanding	1,491	
Basic shares outstanding	1,482	
For the six months ended June 30, 2007:		
Diluted shares outstanding	1,579	
Basic shares outstanding	1,491	

(1) 65 million common shares obtainable upon conversion of the 2004 Preferred Stock were dilutive earnings per share for the six months ended June 30, 2007, but would not be dilutive to the pro f per share and are therefore excluded from the computation. The 2007 Preferred Stock is assumed condensed combined earnings per share and is therefore excluded from the computation for all p

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

PROSPECTUS

Schering-Plough Corporation

Debt Securities
Preferred Shares
Common Shares

Schering-Plough may offer from time to time in one or more classes or series, together or separately:

- debt securities;
- preferred shares;
- common shares; or
- any combination of these securities.

Schering-Plough will provide specific terms of any securities that it offers for sale in supplements to prospectus and any prospectus supplement carefully before you invest. This prospectus may not be u prospectus supplement or a term sheet.

Neither the Securities and Exchange Commission nor any state securities commission has appr determined if this prospectus is truthful or complete. Any representation to the contrary is a cr

Schering-Plough may sell these securities on a continuous or delayed basis directly, through agents c or through a combination of these methods. Schering-Plough reserves the sole right to accept, and to underwriters, reserves the right to reject, in whole or in part, any proposed purchase of securities. If a in the sale of any securities, the applicable prospectus supplement will set forth any applicable comm proceeds from the sale of securities will also be set forth in the applicable prospectus supplement.

The date of this prospectus is August 2, 2007.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

The information contained in this prospectus is not complete and may be changed. You should rely o
incorporated by reference in this prospectus and the applicable prospectus supplement. Schering-Plou
you with different information. Schering-Plough is not making an offer of any securities in any state
not assume that the information in this prospectus or any prospectus supplement is accurate as of any
those documents and that any information Schering-Plough has incorporated by reference is accurate
document incorporated by reference or such other date referred to in such document, regardless of th
or issuance of a security.

This prospectus is part of a registration statement that Schering-Plough has filed with the Securities a
registration process. Under this shelf registration process, Schering-Plough may from time to time se
Schering-Plough s:

- debt securities, in one or more series, which may be senior debt securities or subordinated d
- preferred shares;
- common shares; or
- any combination of these securities.

This prospectus provides you with a general description of the securities Schering-Plough may offer.
securities, Schering-Plough will provide a prospectus supplement that will contain information about
and the specific manner in which they may be offered. The prospectus supplement may also add to, u

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

contained in this prospectus and, accordingly, to the extent inconsistent, the information in this prosp
prospectus supplement. The prospectus supplement may also contain information about any material
the securities described in the prospectus supplement. You should read both this prospectus and the a
the additional information described under Where You Can Find More Information before makin

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

This prospectus contains summaries of certain provisions contained in some of the documents descri
documents for complete information. All of the summaries are qualified in their entirety by the actua
referred to herein have been filed, or will be filed or incorporated by reference as exhibits to the regis
part, and you may obtain copies of those documents as described below under Where You Can Fin

Because Schering-Plough is a well-known seasoned issuer , as defined in Rule 405 of the Securitie
Securities Act, Schering-Plough may add to and offer additional securities, including secondary secu
the SEC at the time of the offer.

The registration statement that contains this prospectus (including the exhibits to the registration stat
Schering-Plough and the securities offered under this prospectus. The registration statement can be r
at the SEC offices listed under the heading Where You Can Find More Information .

You should rely only on the information contained or incorporated by reference or deemed to be inco
prospectus supplement related to an offering prepared by or on behalf of Schering-Plough or used or
Schering-Plough has not authorized anyone else to provide you with different or additional informati
information or representations. Schering-Plough s affairs may change after this prospectus and any r
should not assume that the information in this prospectus and any related prospectus supplement is a
indicated in such documents. You should read all information supplementing this prospectus.

All references to Schering-Plough Corporation , Schering-Plough and the company in this p
consolidated subsidiaries, unless, in each case, the context clearly indicates otherwise.

WHERE YOU CAN FIND MORE INFORMATIO

Schering-Plough files reports, proxy statements and other information with the SEC. You may read a
the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC
the public reference room. In addition, the SEC maintains a website that contains reports, proxy state
Schering-Plough electronically files. The address of the SEC s website is *http://www.sec.gov*. You m
and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York

INCORPORATION OF INFORMATION SCHERING-PLOUGH FIL

The SEC allows Schering-Plough to incorporate by reference the information it files with them, whic

incorporated documents are considered part of this prospectus;

Schering-Plough can disclose important information to you by referring you to those docum

information that Schering-Plough files with the SEC will automatically update and supersed

Schering-Plough incorporates by reference the documents listed below, which were filed with the SE
as amended, referred to as the Exchange Act, (excluding any portions of such documents that have b
Exchange Act):

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

its 2006 10-K filed with the SEC on February 28, 2007;

3

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

- its first quarter 2007 10-Q filed with the SEC on April 27, 2007;
- its second quarter 2007 10-Q filed with the SEC on July 27, 2007;
- its 8-K filed with the SEC on January 29, 2007;
- its 8-K filed with the SEC on March 16, 2007;
- its 8-K filed with the SEC on April 19, 2007;
- its 8-K filed with the SEC on June 28, 2007;
- its 8-K filed with the SEC on July 11, 2007;
- its 8-K filed with the SEC on July 23, 2007;
- the following sections of its Proxy Statement for the 2007 Annual Meeting of Shareholders April 20, 2007: Proposal One: Elect Eleven Directors for a One-Year Term , Section 16 Compliance , Information About the Audit Committee of the Board of Directors and its P Directors , Executive Compensation , Director Compensation , Stock Ownership , Transactions and Director Independence Assessments , Director Independence , and Pr Deloitte & Touche LLP to Audit Schering-Plough s Books and Accounts for 2007 ; and
- the description of Schering-Plough s common shares contained in its Registration Statemen March 16, 1979, and any amendment or report filed for the purpose of updating such descrip

Schering-Plough also incorporates by reference each of the following documents that Schering-Ploug prospectus (excluding any portions of such documents that have been furnished but not filed fo

- reports filed under Section 13(a) and (c) of the Exchange Act;
- definitive proxy or information statements filed under Section 14 of the Exchange Act in co meeting; and
- any reports filed under Section 15(d) of the Exchange Act.

Schering-Plough does not incorporate by reference any information furnished under items 2.02 or 7.0 under item 9.01 or included as an exhibit) in any past or current Form 8-K filing (unless otherwise in

You may request a copy of any filings referred to above (excluding exhibits not specifically incorpor contacting Schering-Plough in writing or by telephone (908-298-7436) at the following address: Inve 2000 Galloping Hill Road, Kenilworth, NJ 07033.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Documents may also be available on Schering-Plough s website at *http://www.schering-plough.com*
http://www.schering-plough.com in this prospectus and any prospectus supplement that accompan
statement are inactive textual references only and that the information contained on Schering-Plough
into the registration statement or prospectus or any accompanying prospectus supplement nor intend
hereunder.

4

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus, the prospectus supplement, the documents incorporated by reference in this prospec made from time to time by Schering-Plough may contain forward-looking statements within the n Act of 1995. Forward-looking statements relate to expectations or forecasts of future events. Scherin could , estimate , expect , forecast , project , intend , plan , potential , will , and of potential future events, circumstances or future operating or financial performance. You can also i that they do not relate strictly to historical or current facts.

In particular, forward-looking statements include statements relating to future actions; ability to acce product approvals; timing and conditions of regulatory approvals; patent and other intellectual prope current and anticipated products; sales efforts; research and development programs and anticipated sp returns; expenses and programs to reduce expenses; the anticipated cost of and savings from reductio such as litigation and investigations; growth strategy; expected synergies and financial results.

By their nature, forward-looking statements involve risk and uncertainty because they relate to event in the future. Schering-Plough s actual results may vary materially from those anticipated in such fo factors, some of which are more fully described in the following Risk Factors section, in the acco Schering-Plough s reports to the SEC incorporated by reference into this prospectus, and there are n performance. Schering-Plough does not assume the obligation to update any forward-looking statem

RISK FACTORS

Schering-Plough s business faces significant risks. Before you invest in any of Schering-Plough s s this prospectus and in the accompanying prospectus supplement, you should carefully consider the ri Schering-Plough s reports to the SEC incorporated by reference into this prospectus and the accomp not be the only risks Schering-Plough faces. Additional risks that Schering-Plough does not yet know are immaterial or are based on assumptions that are later determined to be inaccurate also may impai described herein or in the accompanying prospectus supplement or Schering-Plough s reports to the and operating results could be materially harmed. This could cause the value of the purchased securit your investment.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

THE COMPANY

Schering-Plough is a global science-based company that discovers, develops and manufactures pharm prescription, consumer and animal health. While most of the research and development activity is dir important applications of this central research and development platform into the consumer healthcar also accesses external innovation via partnering, in-licensing and acquisition for all three customer m

Schering-Plough s principal executive offices are located at 2000 Galloping Hill Road, Kenilworth, number is (908) 298-4000. Schering-Plough was incorporated in New Jersey in 1970.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED S

Schering-Plough s consolidated ratio of earnings to fixed charges for the six months ended June 30, through 2006 is set forth below. For the purpose of computing these ratios, earnings consist of inc plus fixed charges (other than capitalized interest and preference dividends), amortization of capitaliz investee; and fixed charges and preferred stock dividends consist of interest expense, capitalized i rentals, which Schering-Plough believes to be a reasonable estimate of an interest factor on leases. Sc interest income on unrecognized tax benefits as a component of income tax expense. The ratio was c charges into the sum of the earnings before taxes and fixed charges.

	Six Months Ended June 30, 2007	2006
Ratio of earnings to fixed charges and preferred stock dividends	7.4	5.1

* For the year ended December 31, 2004, earnings were insufficient to cover fixed charges and pr $332 million.

** For the year ended December 31, 2003, earnings were insufficient to cover fixed charges by $70

USE OF PROCEEDS

Unless the applicable prospectus supplement indicates otherwise, Schering-Plough currently intends offered securities for general corporate purposes, which may include, among other things, expenses t pipeline projects (through acquisitions of companies or through product licenses which may include research and development costs, litigation costs, the repayment of debt, other capital expenses and ot temporarily invest funds that are not immediately needed for these general corporate purposes. If Sch repay outstanding debt, Schering-Plough will provide details about the debt that is being repaid in th

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
		6

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

DESCRIPTION OF CAPITAL STOCK

This section contains a description of Schering-Plough s capital stock. The following summary of th
meant to be complete and is qualified by reference to Schering-Plough s amended and restated certi
certificate of incorporation, and Schering-Plough s amended and restated by-laws, referred to as the
exhibits into the registration statement of which this prospectus is a part.

As of June 30, 2007, Schering-Plough s authorized capital stock consisted of:

(i) 2,400,000,000 common shares, par value $0.50 per share, of which:

1,496,297,204 were issued and outstanding,

547,238,751 were issued and held in treasury,

80,040,000 were reserved for issuance upon conversion of the 6.00% Mandatory Co
referred to as the 2004 Preferred Stock, and

166,632,803 were reserved for issuance under stock incentive plans; and

(ii) 50,000,000 preferred shares, par value $1.00 per share, of which:

28,750,000 were designated as the 2004 Preferred Stock (28,750,000 shares of 2004
common shares on September 14, 2007, unless earlier converted, and such preferred
for issuance in the future),

12,000,000 were designated as Series A Junior Participating Preferred Stock (which,
Schering-Plough s shareholder rights plan on July 10, 2007, were redesignated as a

9,250,000 which are undesignated.

Common Shares

Holders of Schering-Plough s common shares, subject to any preferential rights of the holders of an
equally and ratably in dividends when and as declared by Schering-Plough s board of directors. In th
Schering-Plough, holders of Schering-Plough s common shares are entitled to share ratably in the re
distribution, subject to prior or equal distribution rights of any holders of preferred shares. Record ho
per share for the election of directors and upon all matters on which holders of common shares are e
common shares do not have cumulative voting rights. There are no preemptive or conversion rights a
All outstanding shares of Schering-Plough s common shares are fully paid and non-assessable.

Preferred Shares

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Schering-Plough s certificate of incorporation provides that its board of directors is authorized to iss
more series without stockholder approval. Subject to limitations prescribed by law and Schering-Plou
directors may fix for any series of preferred shares the number of shares of such series and the voting
qualifications, limitations and restrictions of such series.

Schering-Plough s certificate of incorporation provides that whenever Schering-Plough is in default
amount equivalent to six quarterly dividends, the holders of preferred shares, voting separately as a c
next annual or special meeting of Schering-Plough s shareholders. The right of holders

7

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

of preferred shares to elect two directors will continue until dividends in default on the preferred shar
sufficient for the payment thereof has been set aside. During any time that the holders of preferred sh
directors, as described in this paragraph, the holders of any series of preferred shares normally entitle
shares in the election of directors shall not be entitled to participate with the holders of the common s

For any series of preferred shares that Schering-Plough may issue pursuant to this prospectus, Scheri
and the prospectus supplement relating to such series will describe:

- the designation and number of shares of such series;
- the rate and time at which, and the preferences and conditions under which, any dividends w as whether such dividends are cumulative or non-cumulative and participating or non-partic
- any provisions relating to convertibility or exchangeability of the shares of such series;
- the rights and preferences, if any, of holders of shares of such series upon Schering-Plough its affairs;
- the voting powers, if any, of the holders of shares of such series;
- any provisions relating to the redemption of the shares of such series;
- whether and upon what terms a sinking fund will be used to purchase or redeem the shares;
- any limitations on Schering-Plough s ability to pay dividends or make distributions on, or a shares of such series are outstanding;
- any conditions or restrictions on Schering-Plough s ability to issue additional shares of such
- any other relative powers, preferences and participating, optional or special rights of shares limitations or restrictions thereof.

When Schering-Plough issues preferred shares under this prospectus and any applicable prospectus s
non-assessable and will not have, or be subject to, any preemptive or similar rights.

Anti-takeover Protections

The following discussion summarizes certain provisions of the New Jersey Business Corporation Ac
Schering-Plough s certificate of incorporation and by-laws, which may have the effect of prohibiting
change of control of Schering-Plough, whether by merger, consolidation or sale of assets or stock (by
methods.

Limits on Shareholder Action by Written Consent; Special Meetings

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Schering-Plough s certificate of incorporation and by-laws provide that, subject to the rights of the h
outstanding, any action required or permitted to be taken by Schering-Plough s shareholders must be
meeting of shareholders and may not be effected by any consent in writing by such shareholders unle
matter consent in writing. Schering-Plough s certificate of incorporation and by-laws also provide th
than 50% of the voting power of all of the shares entitled to vote generally in the election of directors
required to amend Schering-Plough s certificate of incorporation or by-laws with respect to shareho

8

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Except as otherwise provided by the NJBCA, under Schering-Plough s by-laws, a special meeting o
Chairman of Schering-Plough s board of directors, Schering-Plough s Chief Executive Officer or b
such place and for such purpose(s) as stated in the notice of the meeting. No business other than that
transacted at any special meeting.

The above provisions may have the effect of delaying consideration of a stockholder proposal until t
is called by the Chairman of Schering-Plough s board of directors, Chief Executive Officer or board

Corporation s Best Interest

Under the NJBCA, the director of a New Jersey corporation may consider, in discharging his or her d
what he or she reasonably believes to be in the best interest of the corporation, any of the following (
shareholders): (i) the effects of the action on the corporation s employees, suppliers, creditors and cu
community in which the corporation operates, and (iii) the long-term as well as the short-term interes
including the possibility that these interests may be best served by the continued independence of the
factors, the board of directors determines that any proposal or offer to acquire the corporation is not i
reject such proposal or offer, in which event the board of directors will have no duty to remove any c
proposal or offer.

Required Vote for Authorization of Certain Actions; Anti-Greenmail Provisions

Under the NJBCA, the consummation of a merger or consolidation of a New Jersey corporation orga
Schering-Plough, requires the approval of such corporation s board of directors and the affirmative v
holders of shares of the corporation entitled to vote thereon and any class or series entitled to vote th
surviving corporation, and: (i) such corporation s certificate of incorporation is not amended, (ii) the
shares were outstanding immediately before the effective date of the merger will hold the same numb
preferences, limitations and rights, immediately after the merger or consolidation, as the case may be
participating shares outstanding after the merger will not exceed by more than 40% the total number
surviving corporation immediately before the merger. Similarly, in the case of a New Jersey corporat
Schering-Plough, a sale of all or substantially all of a corporation s assets other than in the ordinary
corporation, requires the approval of such corporation s board of directors and the affirmative vote o
holders of shares of the corporation entitled to vote thereon and any class or series entitled to vote th

Schering-Plough s certificate of incorporation contains an anti-greenmail provision pursuant to w
purchase shares of voting stock from a 5% or greater shareholder at a per share price in excess of the
affirmative vote of the holders of the amount of voting power of the voting stock equal to the sum of
shareholder and a majority of the voting power of the remaining outstanding shares of voting stock, v
purchase is made pursuant to an offer made available to all holders of the same class of stock or an o

No Rights Plan in Effect

The preferred share purchase right (commonly known as a poison pill) that Schering-Plough decla
stock on June 24, 1997 expired on July 10, 2007. The Schering-Plough board of directors committed

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
		9

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

new shareholder rights plan will be adopted in the future, unless the plan is submitted to shareholders
This commitment is reflected in the Schering-Plough Corporate Governance Guidelines.

Restrictions on Business Combinations with Certain Stockholders

The NJBCA provides that no corporation organized under the laws of New Jersey with its principal e
located in New Jersey (a resident domestic corporation) may engage in any business combinatio
stockholder (generally a 10% or greater stockholder) of such corporation for a period of five years fo
acquisition, unless such business combination is approved by the board of directors of such corporati
domestic corporation, such as Schering-Plough, cannot opt out of the foregoing provisions of the NJI

In addition, no resident domestic corporation may engage, at any time, in any business combination v
corporation other than: (i) a business combination approved by the board of directors prior to the stoc
approved by the affirmative vote of the holders of two-thirds of the voting stock not beneficially own
called for such purpose, or (iii) a business combination in which the interested stockholder pays a for
stockholders receive at least the highest price per share paid by such interested stockholder.

In connection with business combinations with any 10% stockholder, Schering-Plough s certificate o
approval of more than 50% of the voting power of all of the then-outstanding shares of capital stock
of directors, voting together as a single class. Any amendments or repeal of the business combination
holders of more than 50% of the voting power of all of the shares entitled to vote, voting together as

DESCRIPTION OF DEBT SECURITIES

Schering-Plough may issue debt securities from time to time in one or more series. The following de
provisions of the debt securities that Schering-Plough may offer pursuant to this prospectus. The spec
securities that Schering-Plough may offer will be described in a prospectus supplement. Please read a
includes important information for investors evaluating an investment in a series of Schering-Plough
series of debt securities offered may differ from the general information that Schering-Plough has pro
the applicable prospectus supplement that contradicts any information below.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt se
an indenture . An indenture is a contract between a financial institution, acting on your behalf as tr
Schering-Plough. The debt securities will be issued pursuant to an indenture that Schering-Plough wi
indenture in this prospectus are to the indenture, dated November 26, 2003, as amended and restat
New York, as trustee, as may be supplemented by any supplemental indenture applicable to your deb
First, subject to some limitations on the extent to which the trustee can act on your behalf, the trustee
Schering-Plough if Schering-Plough defaults on its obligations under the indenture. Second, the trust
Schering-Plough with respect to the debt securities. Unless otherwise provided in any applicable pros
summary of the principal terms and provisions that will be included in the indenture. The indenture h
reference in the registration statement of which this prospectus is a part. If this

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

summary refers to particular provisions of the indenture, such provisions, including the definitions of
prospectus as part of the summary. Schering-Plough urges you to read the indenture and any supplem
this section or any description of the debt securities in any prospectus supplement, define your rights

In this Description of Debt Securities section, Schering-Plough refers to Schering-Plough Corp
expressly stated or the context otherwise requires.

General

The indenture does not limit the amount of debt that Schering-Plough may issue under the indenture

Under the indenture, Schering-Plough may issue the securities in one or more series. The securities m
securities may be issued at par, at a premium or with original issue discount. Schering-Plough may al
issue additional securities of the series.

The debt securities described in this prospectus and any prospectus supplement will be Schering-Plou
securities will rank equally with Schering-Plough s other unsecured and senior indebtedness. Subord
subordinated in right of payment to the prior payment in full of all of Schering-Plough s unsecured a
below. Any of Schering-Plough s secured indebtedness will rank ahead of the debt securities to the e
Also, Schering-Plough conducts operations primarily through its subsidiaries and substantially all of
by its subsidiaries. Accordingly, Schering-Plough s cash flow and Schering-Plough s ability to mee
largely dependent on the earnings of its subsidiaries and the distribution or other payment of these ea
dividends, loans or advances, and repayment of loans and advances from Schering-Plough. Schering-
legal entities and have no obligation to pay the amounts which will be due on Schering-Plough s deb
payment of amounts which will be due on Schering-Plough s debt securities. Therefore, Schering-Pl
creditors, including the rights of the holders of the debt securities to participate in any distribution of
if such subsidiary were to be liquidated or reorganized, is subject to the prior claims of the subsidiary
may be a creditor with recognized claims against its subsidiaries, Schering-Plough s claims will still
interest in, or mortgages or other liens on, the assets of the subsidiary that are senior to Schering-Plou

Terms

The prospectus supplement relating to any series of debt securities being offered will include specific
include, among other terms, some or all of the following:

- the title and type of the series;
- the total principal amount;
- the percentage of the principal amount at which the securities will be issued;
- the dates on which the principal of the securities will be payable;
- any payments due if the maturity of the securities is accelerated;

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
		11

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

any interest rates or the method of determining the interest rates;

the dates from which any interest will accrue or the method of determining those dates;

the interest payment record and payment dates;

whether the securities are redeemable at Schering-Plough s option;

any sinking fund or other provisions that would obligate Schering-Plough to repurchase or o

the option of either Schering-Plough or the holder to elect the currency (for example, U.S. d currency unit or composite currency) of payment on the securities;

the currency of the payment of principal, any premium, and any interest;

any index or other method Schering-Plough will use to determine the amount of principal or

the form in which Schering-Plough will issue the securities (for example, registered or beare certificated form) and any restrictions related to the form;

any covenants, defaults, events of default or provisions applicable to the securities;

any special tax implications, including provisions for original issue discount securities, if of

any provisions for convertibility or exchangeability of the debt securities into or for any oth

any provisions granting special rights to the holders of the securities upon the occurrence of

the denominations of the securities;

whether the securities are subject to subordination and, if so, the subordination terms; and

any other specific terms of the securities.

Schering-Plough may in the future issue debt securities other than the debt securities described in thi other debt securities be issued under the indenture. Thus, Schering-Plough may issue any other debt s documentation containing provisions different from those included in the indenture or any series of s

Events of Default

When Schering-Plough uses the term event of default in the indenture, here are some examples of

Schering-Plough fails to make the principal or any premium payment on any debt security w

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Schering-Plough fails to pay interest on any debt security for 45 days after payment was du

Schering-Plough fails to make any sinking fund payment when due;

Schering-Plough fails to perform any other covenant in the indenture and this failure contin
receives written notice of it from the trustee or the holders of at least 25% in principal amou
series; or

Schering-Plough or a court takes certain actions relating to the bankruptcy, insolvency or re

12

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

The supplemental indenture or the form of security for a particular series of debt securities may inclu events of default described above. The events of default applicable to a particular series of debt secur supplement relating to that series. A default under Schering-Plough s other indebtedness will not be securities covered by this prospectus, and a default under one series of debt securities will not necess trustee may withhold notice to the holders of debt securities of any default (except for defaults that in or interest) if it considers such withholding of notice to be in the best interests of the holders.

If an event of default with respect to outstanding debt securities of any series occurs and is continuin in principal amount of outstanding debt securities of that series may declare, in a written notice, the p accrued and unpaid interest on all debt securities of that series to be immediately due and payable. If relating to the bankruptcy, insolvency or reorganization of the company, the principal amount plus ac will become immediately due and payable without any declaration or other act on the part of the trus declaration of acceleration with respect to debt securities of any series has been made, the holders of amount) of the outstanding debt securities of that series, by written notice to Schering-Plough and the declaration and its consequences if:

Schering-Plough has paid or deposited with the trustee a sum sufficient to pay overdue inter accelerated interest and principal; and

Schering-Plough has cured or the holders have waived all events of default, other than the n interest with respect to debt securities of that series, as provided in the indenture.

Schering-Plough refers you to the prospectus supplement relating to any series of debt securities that provisions relating to acceleration of a portion of the principal amount of the discount securities upon

If a default in the performance or breach of the indenture shall have occurred and be continuing, the amount of the outstanding securities of all series, by notice to the trustee, may waive any past event o indenture.

However, an event of default cannot be waived with respect to any series of securities in the followin

a failure to pay the principal of, and premium, if any, or interest on any security; or

a covenant or provision that cannot be modified or amended without the consent of each hol

Other than its duties in case of a default, the trustee is not obligated to exercise any of its rights or po direction of any holders, unless the holders offer the trustee reasonable indemnity. If they provide thi majority in principal amount outstanding of any series of debt securities may, subject to certain limit conducting any proceeding or any remedy available to the trustee, or exercising any power conferred securities.

Schering-Plough is required to deliver to the trustee an annual statement as to Schering-Plough s ful indenture.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
		13

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Defeasance

The term defeasance , as used in the indenture means discharge from some or all of its obligations
with the trustee sufficient cash or government securities to pay the principal, any premium, interest a
date or a redemption date of the securities of a particular series, then at Schering-Plough s option:

Schering-Plough will be discharged from its obligations with respect to the securities of suc

Schering-Plough will no longer be under any obligation to comply with certain restrictive co
events of default will no longer apply to Schering-Plough.

If this happens, the holders of the securities of the affected series will not be entitled to the benefits o
transfer and exchange of debt securities and replacement of lost, stolen or mutilated securities. Such
or obligations for payment.

To exercise the defeasance option, Schering-Plough must deliver to the trustee an opinion of counsel
not cause the holders of the securities to recognize income, gain or loss for federal income tax purpos
ruling received from or published by the United States Internal Revenue Service if Schering-Plough
to the securities.

Modification of the Indenture

Under the indenture, Schering-Plough s rights and obligations, as well as the rights of the holders, m
aggregate principal amount of the outstanding debt securities of each series affected by the modificat
of the following modifications will be effective against any holder without its consent:

modification of the maturity date;

modification of the principal and interest payment terms;

modification of the currency for payment;

impairment of the right to sue for the enforcement of payment at the maturity of the debt sec

modification of any conversion rights; or

modification reducing the percentage required for modifications or modifying the foregoing
required to waive certain specified covenants.

In addition, no supplemental indenture shall adversely affect the rights of any holder of senior indebt
the consent of such holder.

Subordination

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The extent to which a particular series of subordinated debt securities may be subordinated to Scheri
will be set forth in the prospectus supplement for any such series. The indenture may be modified by
subordination provisions.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Form and Denomination of Debt Securities

Denomination of Debt Securities

Unless otherwise indicated in the applicable prospectus supplement, the debt securities will be denor
denominations of $1,000 and multiples thereof.

Registered Form

Schering-Plough may issue the debt securities in registered form. In that case, Schering-Plough may
only or in certificated form. Schering-Plough will issue registered debt securities in book-entry fo
applicable prospectus supplement. Debt securities issued in book-entry form will be represented by g

Bearer Form

Schering-Plough also will have the option of issuing debt securities in non-registered form, as bearer
securities outside the United States to non-U.S. persons. In that case, the applicable prospectus suppl
the bearer securities, including the procedures for receiving payments, for exchanging the bearer secu
series and for receiving notices. The applicable prospectus supplement will also describe the requirer
maintenance of offices or agencies outside the United States and the applicable U.S. federal tax law r

Holders of Registered Debt Securities

Book-Entry Holders

Schering-Plough will issue registered debt securities in book-entry form only, unless Schering-Ploug
prospectus supplement. Debt securities held in book-entry form will be represented by one or more g
depositary or its nominee. The depositary or its nominee will hold such global securities on behalf of
depositary s book-entry system. These participating financial institutions, in turn, hold beneficial int
behalf or on behalf of their customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the
debt securities issued in global form, Schering-Plough will recognize only the depositary or its nomi
Schering-Plough will make all payments on the debt securities to the depositary or its nominee. The
that it receives to its participants, which in turn will pass the payments along to their customers who
The depositary and its participants do so under agreements they have made with one another or with
obligated to do so under the terms of the debt securities or the terms of the indenture.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests
other financial institution that participates in the depositary s book-entry system, or that holds an int
book-entry system. As long as the debt securities are issued in global form, investors will be indirect

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Street Name Holders

In the event that Schering-Plough issues debt securities in certificated form, or in the event that a glo to hold their debt securities either in their own names or in street name . Debt securities held in stre broker or other financial institution chosen by the investor, and the investor would hold a beneficial i account that he or she maintains at such bank, broker or other financial institution.

For debt securities held in street name, Schering-Plough will recognize only the intermediary banks, names the debt securities are registered as the holders of those debt securities, and Schering-Plough w to them. These institutions will pass along the payments that they receive from Schering-Plough to th pursuant to agreements that they have entered into with such customers or by law; they are not obliga securities or the terms of the indenture. Investors who hold debt securities in street name will be indi securities.

Registered Holders

Schering-Plough s obligations, as well as the obligations of the trustee and those of any third parties only to the registered holders of the debt securities. Schering-Plough does not have obligations to inv securities, in street name or by any other indirect means and who are, therefore, not the registered ho whether an investor chooses to be an indirect holder of a debt security, or has no choice in the matter securities only in global form.

For example, once Schering-Plough makes a payment or gives a notice to the registered holder of the responsibility with respect to such payment or notice even if that registered holder is required, under customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if Schering holders for any purpose (for example, to amend an indenture or to relieve Schering-Plough of the co obligation to comply with a particular provision of an indenture), Schering-Plough would seek the ap the indirect holders, of the debt securities. Whether and how the registered holders contact the indire

Notwithstanding the above, references to you or your in this description of debt securities are t offered by this prospectus, whether they are the registered holders or only indirect holders of the deb securities in this prospectus means the series of debt securities in which you hold a direct or indirec

Special Considerations for Indirect Holders

If you hold debt securities through a bank, broker or other financial institution, either in book-entry f you to check with that institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for its consent, as a registered holder of the debt securities, if

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

if permitted for a particular series of debt securities, whether and how you can instruct it to s
own name so you can be a registered holder of such debt securities;

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

how it would exercise rights under the debt securities if there were a default or other event t
protect their interests; and

if the debt securities are in book-entry form, how the depositary s rules and procedures wil

Global Securities

A global security represents one or any other number of individual debt securities. Generally, all deb securities will have the same terms. Each debt security issued in book-entry form will be represented deposits with and registers in the name of a financial institution or its nominee that Schering-Plough Schering-Plough selects for this purpose is called the depositary. Unless Schering-Plough specifies o supplement, The Depository Trust Company, New York, New York, known as DTC, will be the dep issues in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the deposi situations arise. Schering-Plough describes those situations below under Special Situations When of these arrangements, the depositary, or its nominee, will be the sole registered holder of all debt se investors will be permitted to own only beneficial interests in a global security. Beneficial interests n broker, bank or other financial institution that in turn has an account either with the depositary or wi the depositary. Thus, an investor whose security is represented by a global security will not be a regi holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor s rights relating to a global security will be governed by the accou of the depositary, as well as general laws relating to securities transfers. The depositary that holds th registered holder of the debt securities represented by such global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the f

An investor cannot cause the debt securities to be registered in his or her name, and cannot interest in the debt securities, except in the special situations described below under Spe Be Terminated .

An investor will be an indirect holder and must look to his or her own bank or broker for pa protection of his or her legal rights relating to the debt securities, as described under Hol

An investor may not be able to sell his or her interest in the debt securities to some insuranc required by law to own their securities in non-book-entry form.

An investor may not be able to pledge his or her interest in the debt securities in circumstan securities must be delivered to the lender or other beneficiary of the pledge in order for the

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The depositary s policies, which may change from time to time, will govern payments, tran
to an investor s interest in the debt securities. Neither the trustee nor Schering-Plough have
depositary s actions or

17

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

for the depositary s records of ownership interests in a global security. Additionally, neithe the depositary in any way.

DTC requires that those who purchase and sell interests in a global security that is deposited available funds. Your broker or bank may also require you to use immediately available fun global security.

Financial institutions that participate in the depositary s book-entry system, and through wh security, may also have their own policies affecting payments, notices and other matters rela more than one financial intermediary in the chain of ownership for an investor. Schering-Plo responsible for the actions of any of such intermediaries.

Special Situations When a Global Security Will Be Terminated

In a few special situations described below, a global security will be terminated and interests in the g in non-global form, referred to as certificated debt securities. After such an exchange, it will be up certificated debt securities directly or in street name. Schering-Plough has described the rights of dire Holders of Registered Debt Securities above. Investors must consult their own banks or brokers security exchanged on termination of a global security for certificated debt securities to be held direc

The special situations for termination of a global security are as follows:

if the depositary notifies Schering-Plough that it is unwilling, unable or no longer qualified security, and Schering-Plough does not appoint another institution to act as depositary withi

if Schering-Plough notifies the trustee that it wishes to terminate that global security.

The applicable prospectus supplement may list situations for terminating a global security that would securities covered by such prospectus supplement. If a global security were terminated, only the depo would be responsible for deciding the names of the institutions in whose names the debt securities re registered and, therefore, who would be the registered holders of those debt securities.

Form, Exchange and Transfer of Registered Securities

If Schering-Plough ceases to issue registered debt securities in global form, it will issue them:

only in fully registered certificated form; and

in the denominations specified in the applicable prospectus supplement.

Holders may exchange their certificated securities for debt securities of smaller denominations or co denominations, as long as the total principal amount is not changed.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Holders may exchange or transfer their certificated securities at the trustee s office. Schering-Plough registering debt securities in the names of holders transferring debt securities. Schering-Plough may functions or perform them itself.

Holders will not be required to pay a service charge to transfer or exchange their certificated securiti other governmental charge associated with the transfer or exchange. The transfer or exchange will be is satisfied with the holders proof of legal ownership.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

If Schering-Plough has designated additional transfer agents for your debt security, they will be name
Schering-Plough may appoint additional transfer agents or cancel the appointment of any particular t
approve a change in the location of the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and Schering-Plough redeems less t
Schering-Plough may block the transfer or exchange of those debt securities during the period beginn
mails the notice of redemption and ending on the day of that mailing, in order to freeze the list of hol
may also refuse to register transfers or exchanges of any certificated securities selected for redemptio
permit transfers and exchanges of the unredeemed portion of any debt security that will be partially r

If a registered debt security is issued in global form, only the depositary will be entitled to transfer an
this subsection because it will be the sole holder of the debt security.

Payment and Paying Agents

On each due date for interest payments on the debt securities, Schering-Plough will pay interest to ea
owner of the debt securities at the close of business on a designated day that is in advance of the due
interest to each such person even if such person no longer owns the debt security on the interest due d
Schering-Plough will determine the owner of the debt security, as shown on the trustee s records, is
will usually be about two weeks in advance of the interest due date.

Because Schering-Plough will pay interest on the debt securities to the holders of the debt securities l
date with respect to any given interest period, and not to the holders of the debt securities on the inter
to be paid), it is up to the holders who are buying and selling the debt securities to work out between
the debt securities. It is common for purchase prices of debt securities to be adjusted so as to prorate
the buyer and the seller based on their respective ownership periods within the applicable interest per

Schering-Plough will make payments on a global security by wire transfer of immediately available f
and not to any indirect holders who own beneficial interests in the global security. An indirect holder
the rules and practices of the depositary and its participants, as described under Global Securities
forth in the applicable prospectus supplement.

If payment on a debt security is due on a day that is not a business day, Schering-Plough will make s
day. The indenture will provide that such payments will be treated as if they were made on the origin
this kind will not result in a default under any debt security or indenture, and no interest will accrue o
in this manner.

Book-entry and other indirect holders should consult their banks or brokers for information o
debt securities.

Information Concerning the Trustee

The trustee, The Bank of New York (BONY), and certain of its affiliates have in the past and curren
services to Schering-Plough. Those services

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)
		19

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

include acting as a lender under Schering-Plough s revolving credit agreement; trustee under the ind
which Schering-Plough issued $1.25 billion aggregate principal amount of 5.3% senior unsecured no
principal amount of 6.5% senior unsecured notes due 2033; a transfer agent for Schering-Plough s 2
providing cash management services. Schering-Plough currently anticipates that BONY may continu

Governing Law

The indenture and the debt securities will be governed by, and construed in accordance with, the law

PLAN OF DISTRIBUTION

Schering-Plough may sell the securities covered by this prospectus in any of the following methods:

- through underwriters, dealers or remarketing firms;
- directly to one or more purchasers, including to a limited number of institutional purchasers
- through agents; or
- through a combination of any of the methods of sale.

Any such dealer or agent, in addition to any underwriter, may be deemed to be an underwriter withi
discounts or commissions received by an underwriter, dealer, remarketing firm or agent on the sale o
SEC to be underwriting discounts and commissions under the Securities Act.

Sale Through Underwriters

If underwriters are used in the sale of securities, such securities will be acquired by the underwriters
time to time in one or more transactions, including negotiated transactions, at a fixed public offering
of sale. The securities may be offered to the public either through underwriting syndicates represente
or more underwriters acting alone. Unless otherwise set forth in the applicable prospectus supplemen
purchase the securities described in the applicable prospectus supplement will be subject to certain c
be obligated to purchase all such securities if any are purchased by them. Any public offering price a
reallowed or paid to dealers may be changed from time to time.

Direct Sales

The securities may be sold directly by Schering-Plough. In the case of securities sold directly by Sch
be involved.

Sale Through Agents

The securities may be sold through agents designated by Schering-Plough from time to time. Any ag
securities in respect of which this prospectus is being delivered, and any commissions payable by Sc

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

in the applicable prospectus supplement. Unless otherwise indicated in the applicable prospectus sup
efforts basis for the period of its appointment.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

General Information

The terms of the offering of the securities with respect to which this prospectus is being delivered wi
supplement and will include among other things:

- the type of and terms of the securities offered;
- the price of the securities;
- the proceeds to Schering-Plough from the sale of the securities;
- the names of the securities exchanges, if any, on which the securities are listed;
- the name of any underwriters, dealers, remarketing firms or agents and the amount of securi them;
- any over-allotment options under which underwriters may purchase additional securities fro
- any underwriting discounts, agency fees or other compensation to underwriters or agents; ar
- any discounts or concessions which may be allowed or reallowed or paid to dealers.

Agents, dealers, underwriters and remarketing firms may be entitled, under agreements entered into v Schering-Plough against certain civil liabilities, including liabilities under the Securities Act, or to co make in respect thereof.

Agents, dealers, underwriters and remarketing firms may be customers of, engage in transactions wit Schering-Plough s subsidiaries in the ordinary course of business.

Unless otherwise indicated in the applicable prospectus supplement, all securities offered by this pro shares, which are listed on the New York Stock Exchange, will be new issues with no established tra any series of securities on an exchange, and in the case of Schering-Plough s common shares, on an specified in the applicable prospectus supplement, Schering-Plough shall not be obligated to do so. I make a market in any securities. No assurance can be given regarding the activity of trading in, or lig

VALIDITY OF SECURITIES

Unless otherwise indicated in a supplement to this prospectus, McCarter & English, LLP will pass up Schering-Plough. In addition, Susan Ellen Wolf, Esq., Schering-Plough s Corporate Secretary, will Ms. Wolf is an officer of Schering-Plough and beneficially owns common shares and holds options t Ms. Wolf is eligible to participate in the Schering-Plough Corporation 2006 Stock Incentive Plan and and may receive benefits under those plans.

EXPERTS

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The consolidated financial statements, the related financial statement schedule, and management s r
financial reporting incorporated in this prospectus by reference from Schering-Plough s 2006 10-K
independent registered public accounting firm, as stated in their reports, which are incorporated here
unqualified opinion on the consolidated financial statements and financial statement schedule and in
Schering-Plough s adoption of Statement of Financial Accounting Standards (SFAS) No. 123 (R
SFAS No. 158, Employers Accounting for Defined

21

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Benefit Pension and Other Postretirement Plans , (2) express an unqualified opinion on managemen
internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness
have been so incorporated in reliance upon the reports of such firm given upon their authority as exp

With respect to the unaudited interim financial information for the periods ended March 31, 2007 an
incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounti
accordance with the standards of the Public Company Accounting Oversight Board (United States) f
stated in their reports included in Schering-Plough s first and second quarter 10-Q, and incorporated
do not express an opinion on that interim financial information. Accordingly, the degree of reliance
restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are
Section 11 of the Securities Act of 1933 for their reports on the unaudited interim financial informati
part of the registration statement prepared or certified by an accountant within the meaning of Se

The combined financial statements of the OBS Group as of December 31, 2006 and 2005, and for ea
December 31, 2006, have been included herein in reliance upon the report of KPMG Accountants N.
appearing elsewhere in this prospectus, and upon the authority of said firm as experts in accounting a

22

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

INDEX TO OBS GROUP COMBINED FINANCIAL STAT

F-1

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

COMBINED STATEMENTS OF INCOME
(Amounts in millions of euros)

	Note		For the Yea
			2006
Revenues	4,5		3,718
Cost of sales			(1,159)
Gross profit			2,559
Selling and distribution expenses		(1,137)	(1,0
Research and development expenses		(612)	(5
General and administrative expenses		(244)	(2
Other operating income/(expense)	6	17	1
			(1,976)
Operating income			583
Financial expenses	7	(45)	
Financial income	7	10	
			(35)
Operating income less net financing costs			548
Share of profit of associates	14		2
Profit before tax			550
Income tax expense	8		(157)
Profit for the period			393
Attributable to:			
Equity holders of the OBS Group			393
Minority interest			
Profit for the period			393

The accompanying notes are an integral part of these combined finan

F-2

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

COMBINED BALANCE SHEETS
(Amounts in millions of euros)

	Note
ASSETS	
Property, plant and equipment, net	10
Intangible assets, net	11
Financial non-current assets:	12
deferred tax assets	13
investments in associates	14
other investments	12
Total non-current assets	
Inventories, net	15
Income tax receivable	16
Receivables from related parties, net	3
Trade and other receivables, net	17
Cash and cash equivalents	18
Total current assets	
Total assets	
Invested Equity	
Owners net investment (including cumulative translation reserves)	19
Minority interest	
Total invested equity	
LIABILITIES	
Borrowings	23
Deferred income	22
Deferred tax liabilities	13
Provisions	21
Total non-current liabilities	
Borrowings	24
Deferred income	22

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)
		Income tax payable	16
		Payables to related parties	3
		Trade and other payables	25
		Provisions	21
		Total current liabilities	
		Total liabilities	
		Total invested equity and liabilities	

The accompanying notes are an integral part of these combined finan

F-3

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

COMBINED STATEMENTS OF CASH FLOWS
(Amounts in millions of euros)

		For th 2006
Profit for the period		393
Adjustments to reconcile earnings to cash generated from operating activities:		
Depreciation and amortization	181	
Impairments		
Gains on divestments	(8)	
Share of profit of associates	(2)	
Changes in deferred taxes (non-cash recognized in income)	58	
Provisions expense (non-cash recognized in income)	42	
Interest expense funded by Akzo Nobel	38	
Corporate overhead costs funded by Akzo Nobel	30	
Insurance expense funded by Akzo Nobel	28	
Share-based payment costs funded by Akzo Nobel	5	
Other	15	
Operating cash flow before changes in working capital and provisions		780
(Increase) in trade and other receivables	(7)	
(Increase)/decrease in inventories	(24)	
Decrease/(increase) in other non-current assets	8	
Increase/(decrease) in trade and other payables and provisions	26	
Increase/(decrease) in income tax payables and receivables, net	17	
		20
Cash generated from operating activities		800
Purchase of intangible assets	(8)	
Capital expenditures	(162)	
Proceeds from sale of property, plant and equipment		
Acquisitions	(8)	
Proceeds from sale of interests	11	
Other	(3)	
Net cash used in investing activities		(170)
Dividends paid to Akzo Nobel		
Cash transfers (to)/from Akzo Nobel, net	(426)	

	Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)	
Financing with affiliates				
Bank overdrafts				
(Decrease)/increase in borrowings			(20)	
Net cash used in financing activities				(446)
Net increase in cash and cash equivalents				184
Effect of exchange rate changes on cash and cash equivalents				(4)
Net increase in cash and cash equivalents				180
Cash and cash equivalents at January 1				59
Cash and cash equivalents at December 31				239

The accompanying notes are an integral part of these combined finar

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

COMBINED STATEMENTS OF CHANGES IN INVESTE
(Amounts in millions of euros)

	Owners Net Investment	Cu Tr R
Balance at January 1, 2004	1,591	
Changes in exchange rates in respect of foreign operations		
Net income/(expense) recognized directly in equity		
Profit for the period	358	
Total income/(expenses)	358	
Dividend paid to Akzo Nobel	(477)	
Contributions attributed to:		
Share-based payment costs funded by Akzo Nobel	4	
Interest expense funded by Akzo Nobel	19	
Corporate overhead costs funded by Akzo Nobel	24	
Insurance expense funded by Akzo Nobel	27	
Tax transfers from Akzo Nobel, net	302	
Employee benefits and other non-cash transfers, net	29	
Cash transfers from Akzo Nobel, net	150	
Balance at December 31, 2004	2,027	
Changes in exchange rates in respect of foreign operations		
Net income/(expense) recognized directly in equity		
Profit for the period	566	
Total income/(expenses)	566	
Dividend paid to Akzo Nobel	(410)	
Contributions attributed to:		
Share-based payment costs funded by Akzo Nobel	3	
Interest expense funded by Akzo Nobel	28	
Corporate overhead costs funded by Akzo Nobel	27	
Insurance expense funded by Akzo Nobel	29	
Tax transfers to Akzo Nobel, net	(127)	
Employee benefits and other non-cash transfers, net	175	
Cash transfers to Akzo Nobel, net	(179)	

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)
		Balance at December 31, 2005	2,139
		Changes in exchange rates in respect of foreign operations	
		Net income/(expense) recognized directly in equity	
		Profit for the period	393
		Total income/(expenses)	393
		Change minority interests in subsidiaries	
		Contributions attributed to:	
		Share-based payment costs funded by Akzo Nobel	5
		Interest expense funded by Akzo Nobel	38
		Corporate overhead costs funded by Akzo Nobel	30
		Insurance expense funded by Akzo Nobel	28
		Tax transfers to Akzo Nobel, net	112
		Employee benefits and other non-cash transfers, net	(6)
		Cash transfers to Akzo Nobel, net	(426)
		Balance at December 31, 2006	2,313

The accompanying notes are an integral part of these combined finan

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEM
(All amounts in millions of euros unless otherwise sta

Note 1 Business and Basis of Presentation

Business

In these combined financial statements, the human healthcare and animal healthcare activities of Akz
referred to as the healthcare activities and references to the OBS Group or Company mean t
Nobel that undertook the human and animal healthcare activities during the relevant periods covered

The OBS Group is headquartered in Oss, The Netherlands.

The human healthcare business, Organon, specializes in the discovery, development, manufacturing
products. Its core therapeutic areas of expertise are contraception, fertility, hormone therapy, mental
Organon business includes Nobilon, a biotechnology company dedicated to exploring opportunities i

The animal healthcare business, Intervet, offers a full range of veterinary vaccines and pharmaceutic
poultry, pigs, cattle, sheep, goats, horses, cats, dogs and fish.

Following the announcement by Akzo Nobel that it intends to separate its healthcare activities from
BioSciences N.V. (OBS N.V.) on September 1, 2006 as a public company with limited liability (
laws of The Netherlands with an authorized share capital of EUR 225 thousand and an issued share c

On September 30, 2006 Akzo Nobel contributed to OBS N.V., through a contribution in kind, the sh
BioSciences International B.V. and Organon BioSciences Nederland B.V., in exchange for 24,955,00
value of EUR 1.00 (one euro) per share. As per the date of this contribution, OBS N.V. had an autho
issued share capital of EUR 25 million.

These combined financial statements were authorized on July 30, 2007 by the Board of Management

F-6

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Basis of Presentation

These combined financial statements reflect all of the assets, liabilities, revenues, expenses, and cash
entities forming part of the OBS Group are as follows:

Legal Entity	
Organon BioSciences N.V.	Th
Organon BioSciences Nederland B.V.(*)	Th
Organon BioSciences International B.V. (**)	Th
Intervet International B.V.	Th
Intervet Inc.	U
Intervet International GmbH	Ge
Intervet UK Ltd.	U
Laboratorios Intervet S.A.	Sp
Hydrochemie GmbH	Ge
Intervet Australia Pty Ltd.	A
Intervet Deutschland GmbH	Ge
Intervet Innovation GmbH	Ge
Akzo Nobel Ltda (***)	Br
Intervet Mexico S.A. de CV	M
Intervet S.A.	Fr
Intervet Productions S.A.	Fr
Intervet Pharma R&D S.A.	Fr
Intervet (Italia) S.r.l.	Ita
Intervet UK Production Ltd.	U
Intervet Holding B.V.	Th
Intervet Nederland B.V.	Th
Intervet KK	Ja
Nobilon International B.V.	Th
N.V. Organon	Th
Organon (Ireland) Ltd. (****)	Ire
Organon International Inc.	U
Organon USA Inc.	U
Organon S.A.	Fr
Nippon Organon KK	Ja

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Organon GmbH	Ge
Organon Laboratories Ltd.	U
Organon Española S.A.	Sp
Organon Italia S.p.A.	Ita
Organon do Brasil Indústria e Comércio Ltda	Br
Organon Ilaclari A.S.	Tu
Organon Holding B.V.	Th
Organon Nederland B.V.	Th
Organon Canada Ltd.	Ca
Multilan AG	Sv
Diosynth RTP Inc.	U

F-7

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

(*) Formerly Akzo Nobel Pharma B.V.

(**) Formerly Akzo Nobel Pharma International B.V.

(***) Represents the Intervet division of Akzo Nobel Ltda, the combined financial stateme revenues, expenses and cash flows of this legal entity that pertain directly to healthca of this legal entity was incorporated in a separate entity (Intervet do Brasil Veterinar OBS N.V. The remaining business of Akzo Nobel Ltda is not related to healthcare a healthcare activities.

(****) Including Organon Ireland Swiss Branch.

These combined financial statements exclude the assets, liabilities, revenues, expenses and cash flow thereof) not relating to the healthcare activities.

During 2006, the OBS Group divested Crina S.A., one of the remaining feed additives businesses he divested significant parts of its feed additives business to Biovet. In 2004, the OBS Group divested D reagents and testing kits for the control of livestock diseases. These combined financial statements re these businesses up to the date of divestment.

The OBS Group has historically operated as an integrated part of Akzo Nobel and within the Akzo N financial statements have been prepared on a carve-out basis from the consolidated financial state position and performance of the OBS Group as if the OBS Group had existed as of and during the ye and as if International Accounting Standard (IAS) 27, *Consolidated and Separate Financial State* financial statements included herein may not necessarily be indicative of the OBS Group s financial the OBS Group operated as a separate entity during the periods presented or for future periods.

As described above, these combined financial statements reflect the assets, liabilities, revenues, expe the carve-out basis of presentation, these combined financial statements include allocations for va expenses, as well as an allocation of certain assets and liabilities historically maintained by Akzo No Group. These include, among other things, corporate overhead, interest expense, certain deferred and liabilities for certain compensation plans and contingent liabilities. The various allocation methodolo expense, share based payments, and pension and postretirement expenses are discussed in Notes 3, 3 OBS Group considers that such allocations have been made on a reasonable basis, but may not neces been incurred if the OBS Group had operated on a stand-alone basis.

Akzo Nobel uses a centralized approach to manage cash and to finance many of its global operations equivalents maintained at Akzo Nobel are not included in the accompanying combined financial stat

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

include an allocation of Akzo Nobel s interest expense as discussed in Note 7. The OBS Group s fi
transactions with Akzo Nobel and are reflected in invested equity in the combined balance sheets.

F-8

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

The invested equity balance in these combined financial statements of the OBS Group constitutes Ak represents the excess of total assets over total liabilities. Invested equity includes the effects of carve funding of the OBS Group through the in-house banking cash pooling arrangements and loans to and OBS Group s cumulative net income, including income directly recognized in equity. As a conseque contract that evidences a residual interest in the assets after deducting liabilities to which reference is *Disclosure and Presentation.*

For those OBS Group companies located in countries where they were included in the tax grouping o respective entity s tax jurisdiction, the current tax payable or receivable of these OBS Group compa to or to be received from the country tax leading holding company of Akzo Nobel. For the purpose o assumed that only the current year is outstanding.

The combined statements of cash flows have been prepared under the indirect method in accordance *Statements*. The combined statements of cash flows exclude currency translation differences, which a liabilities of non-euro companies to euros at year-end exchange rates (except for those arising on cas for non-cash transactions.

Akzo Nobel and the OBS Group have identified certain issues and areas that, in preparation of and fo agreeable arrangements between them. These issues and areas have been included in a separation agr 2007. Note 31 provides further explanation on the separation agreement.

As a result of the foregoing, among other things, the combined financial statements may not necessar position, results of operations, or cash flows had the OBS Group operated on a separate stand-alone b periods. Furthermore, the combined financial statements do not reflect the financial impact of the act Nobel.

These combined financial statements of the OBS Group have been prepared in accordance with Inter adopted by the European Union (IFRS). IFRS as adopted by the OBS Group does not differ from Standards Board (IASB). The accounting policies as set out below have been applied consistently the year ended December 31, 2006, 2005 and 2004, with the exception of IAS 32, *Financial Instrum* *Financial Instruments: Recognition and Measurement* for financial instruments, which have been ap determined that the effect of not applying IAS 32 and IAS 39 prior to January 1, 2005 is immaterial.

These combined financial statements are presented in euro, which is the functional currency of OBS millions of euros except headcount figures or unless otherwise stated. IFRS as applied by the OBS G accounting principles generally accepted in the United States of America (US GAAP). The effects Note 32.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Note 2 Significant Accounting Policies

A summary of the significant accounting policies used in the preparation of the accompanying comb

F-9

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Principles of combination

These combined financial statements include the accounts of the OBS Group s operations controlle
together for all periods presented.

All significant intercompany balances and transactions with combined entities have been eliminated.
transactions with Akzo Nobel, excluding the OBS Group, have not been eliminated, but are presente
parties.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judg
application of policies and reported amounts of assets and liabilities, income and expenses. The estin
experience and various other factors that are believed to be reasonable under the circumstances, the r
judgments about carrying values of assets and liabilities that are not readily apparent from other sour
estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accountin
which the estimate is revised if the revision affects only that period or in the period of the revision ar
current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the com
significant risk of material adjustment in the next year are discussed in Note 29.

Management has also estimated the allocation of various expenses and certain assets and liabilities th
Nobel as disclosed in Note 1 and throughout these combined financial statements.

Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the
denominated in foreign currencies at the balance sheet date are translated to euro at the foreign excha
differences arising on translation are recognized in the combined statements of income. Non-moneta
terms of historical costs in a foreign currency are translated using the exchange rate at the date of the

Assets and liabilities of foreign subsidiaries are translated into euros at exchange rates on the balance
translated into euros at rates approximating the foreign exchange rates ruling at the dates of the trans
translation into euros of shareholders equities and of intercompany loans of a permanent nature wit
are recorded within invested equity. Upon disposal or liquidation of a foreign entity, these cumulativ
income or expense.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Exchange gains and losses arising from transactions denominated in a currency other than the functio
the fair value adjustment of forward exchange contracts, are included in the combined statements of

F-10

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Before being combined, the financial statements of subsidiaries established in hyperinflationary cour prices.

The main exchange rates against euros used in the preparation of the combined balance sheets and th

	Combined Bal Sheets	
	2006	**2**
USD	1.317	
GBP	0.671	
CHF	1.607	

Valuation

The principles of valuation and determination of income used in these combined financial statements otherwise in the principles of valuation of assets and liabilities.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any imp self-constructed assets includes the cost of materials, direct labor, the initial estimate, where relevant items and restoring the site on which they are located, and an appropriate proportion of production ov of any qualifying asset is capitalized during the period of time that is required to complete and prepa grants relating to the purchase of property, plant and equipment are deducted from the cost of the rela

Subsequent costs are included in an asset s carrying amount or recognized as a separate asset, as app economic benefits associated with the item will flow to the OBS Group and the cost of the item can b maintenance are charged to the income statement during the financial period in which they are incurr

Land is not depreciated. The cost of other property, plant and equipment is depreciated using the stra of the respective assets. In the majority of cases the useful life of equipment and machinery is 10 yea between 20 and 30 years. Residual value is in the majority of cases determined to be insignificant. D values are reassessed annually.

Components of property, plant and equipment that have different useful lives are accounted for as se

Gains and losses on the sale of property, plant and equipment are included in the combined statemen

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Leases

Leases of property, plant and equipment are classified as finance leases if the OBS Group has substa
All other leases are accounted for as operating leases.

Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the l
minimum lease payments. Each lease payment is apportioned to interest expense and a reduction of t
of interest on the remaining balance of the liability. Property, plant and equipment acquired under fi
the useful life of the asset or the lease term. Operating lease payments are recognized as an expense

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the OBS Group s s
acquisition. Goodwill related to an associate is included in the carrying amount of the investment. Se
less accumulated impairment losses. Gains and losses on the disposal of an entity include the carryin

Other intangible assets

Intangible assets with a finite life, such as licenses, know-how and intellectual property rights, are ca
amortization and any impairment recognized. Amortization is recognized in the combined statement
estimated useful lives, which in the majority of cases are between 4 and 15 years.

Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new sc
understanding are recognized in the combined income statements as an expense as incurred. An inta
Group can demonstrate all of the following: (a) the technical feasibility of completing the product or
sale; (b) its intention to complete the product or process and use or sell it;(c) its ability to use or sell
process will generate probable future economic benefits and demonstrate the existence of a market f
adequate technical, financial and other resources to complete the development and to use or sell the p
measure the expenditure attributable to the product or process during its development. Where the rec
development expenditure is stated at cost less accumulated amortization and impairment losses. The
amortized on a straight-line basis over its useful economic life. The expenditure capitalized includes
appropriate proportion of overheads.

A development project involves a product candidate undergoing a high number of tests to illustrate it
and animals prior to obtaining the necessary approval of the final product from the appropriate autho
with the individual development projects are dependent on obtaining such approval. Considering the
pharmaceutical products, management has concluded that the future economic benefits associated wi

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-12

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

estimated with sufficient certainty until the project has been finalized nor is the OBS Group technica it lacks the required regulatory approval. Development costs that meet the conditions mentioned abo met, all development costs are expensed as incurred. For the years prior to and for the years ended D Group has expensed all development costs.

Payments to in-license products and compounds from third parties, generally taking the form of up-f historic cost and are recognized on a straight-line basis, over their useful lives.

Financial non-current assets

Interests in companies where the OBS Group can exercise significant influence but no control are tre at the amount of the OBS Group s share in equity from the date that significant influence commence The calculation of equity is based on IFRS as disclosed in these notes to the combined financial state interest in the associate, the carrying amount is reduced to nil and recognition of future losses is disc legal or constructive obligations on behalf of the associate.

Unrealized gains arising from transactions with associates are eliminated to the extent of the OBS Gr against the investment in the company. Unrealized losses are eliminated in the same way as unrealize evidence of impairment.

Other financial non-current assets classified as available for sale are stated at fair value, with gains a value recognized directly in invested equity and impairment losses recognized in the combined state financial non-current assets classified as available for sale, the cumulative gain or loss previously re combined statements of income. Other financial non-current assets classified as held to maturity are Long-term receivables and loans to associates included within other financial non-current assets are interest method), less impairment losses.

The fair value of financial instruments classified as available for sale is their quoted price at the bala

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimate business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined using the weighted average cost formula, and includes expendi bringing them to their existing location and condition. In the case of manufactured inventories and w and direct labor costs and certain overhead and production expenses.

Trade and other receivables

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Trade and other receivables are stated at their amortized cost less impairment losses. Collectibility of
is based upon management s knowledge of customers and compliance with credit terms.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments that are readily convertible into cash less. The OBS Group s reported cash and cash equivalents relate to local cash on hand or local cash Group. As discussed in Note 1 and Note 3 during the periods covered by these combined financial st generally centralized such that cash collections by the OBS Group were automatically remitted to Ak not included in cash and cash equivalents.

Impairment

The carrying amount of the OBS Group s assets, other than inventories and deferred tax assets are re whether there is any indication of impairment. If any such indication exists, the asset s recoverable a recognized if the book value so computed exceeds the recoverable amount of the assets.

For goodwill, assets that have an indefinite life and intangible assets that are not yet available for use balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating un losses are recognized in the combined statements of income.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carr cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in t

When a decline in the fair value of an available-for-sale financial asset has been recognized directly i objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in even though the financial asset has not been derecognized. The amount of the cumulative loss that is between the acquisition cost and current fair value, less any impairment loss on that financial asset p

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is recoverable amount can be related objectively to an event occurring after the impairment loss was re

An impairment loss in respect of an investment in an equity instrument classified as available for sal fair value of a debt instrument classified as available-for-sale increases and the increase can be objec impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amo

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates u

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed th
determined, net of depreciation or amortization, if no impairment loss had been recognized.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Invested equity

The invested equity balance in the combined financial statements of the OBS Group constitutes Akzo represents the excess of total assets over total liabilities. Invested equity includes the effects of carve funding of the OBS Group activities through the in-house banking and cash pooling loans to and fro Group s cumulative net income, including income directly recognized in equity. As a consequence, that evidences a residual interest in the assets after deducting liabilities.

Provisions

Provisions are recorded when the OBS Group has a present legal or constructive obligation as a resul and it is probable that an outflow of economic benefits is required to settle that obligation. Provision timing of cash outflows into account. The expected future cash outflows are discounted using approp market assessments of the time value of money and, if applicable, the risks specific to the liability. T provisions as a result of the passage of time is recognized in the combined statements of income und

A provision for restructuring is recognized when a detailed and formal restructuring plan has been ap commenced or has been announced publicly committing the OBS Group to that course of action. Fut

Pensions and other postretirement benefits

The majority of the OBS Group s employees participate in Akzo Nobel defined benefit pension pla postretirement benefit plans which provide benefits to employees and former employees of both the In these plans, the assets and liabilities that relate to employees (and former employees) of the OBS employees (and former employees) of other Akzo Nobel businesses. In preparing the combined fina used a reasonable allocation methodology to determine the OBS Group s portion of the plans asse Note 21 for further details of the allocation methodology used.

Furthermore, some OBS Group employees participate in stand-alone OBS Group pension and other expenses, assets and liabilities for these plans are accounted for in the combined financial statement

The OBS Group s net obligation in respect of defined benefit pension plans is calculated separately benefit that employees have earned in return for their service in the current and prior periods; that be value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance s have currencies and terms consistent with the currencies and estimated terms of the obligation. Most with plan assets that have been segregated in trusts or foundations. Valuations of both funded and un actuaries using the projected unit credit method. Pension costs primarily represent the increase in the

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-15

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

projected pension benefits based on employee service during the year and the interest on this obligati years, net of the expected return on plan assets.

In certain countries the OBS Group also provides postretirement benefits other than pensions to its e Valuations of the obligations under these plans are carried out by independent actuaries using the pro such plans primarily consist of the present value of the benefits attributed on an equal basis to each y in respect of employee service in previous years.

Actuarial gains and losses arising in calculating the OBS Group s obligation in respect of a plan are unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defi assets. That portion is recognized in the combined statements of income over the expected average re participating in the plan, otherwise actuarial gains and losses are not recognized.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service the combined statements of income on a straight-line basis over the average period until the benefits vest immediately, the expense is recognized immediately in the combined statements of income.

Other long-term employee benefits

Other long-term employee benefits include long-service or sabbatical leave, jubilee or other long-ser payable more than 12 months after the related service rendered. These provisions are stated at presen

Defined contribution plans

For defined contribution plans, the OBS Group has no further payment obligations once the contribu contributions made are expensed as incurred.

Income taxes

During the periods presented, some entities of the OBS Group businesses did not file separate incom the tax grouping of other Akzo Nobel entities within the respective entity s tax jurisdiction. The inc financial statements was calculated on a separate return basis, as if the OBS Group was a separate ta

Deferred tax assets and liabilities are based on temporary differences between the valuation of assets and the valuation for tax purposes. Measurement of deferred tax assets and liabilities is based upon t expected to apply to taxable income in the years in which those temporary differences are expected t discounted. The tax effect on the elimination of intercompany profit in inventories is based on the ta the goods.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Deferred tax assets, including assets arising from losses carried forward, are recognized if it is probal
against which the asset can be used. Non-refundable dividend taxes are taken into account in the dete

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

to the extent of earnings expected to be distributed by associates. If separate tax rates exist for distrib deferred taxes are measured at the tax rate applicable to undistributed profits. The income tax conseq liability to pay the dividend is recognized.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of g liabilities that affect neither accounting nor taxable profit and differences relating to investments in s temporary difference will not reverse in the foreseeable future.

The OBS Group does not recognize deferred tax on differences between tax base and book value of i controlled and not anticipated in the foreseeable future.

Taxes on income comprise both current and deferred taxes, including effects of changes in tax rates. statements of income, unless it relates to equity and deferred tax recognized in purchase accounting.

Share-based payments

Certain OBS Group employees participate in various Akzo Nobel share-based payment plans. These the OBS Group to acquire Akzo Nobel N.V. common shares. These options generally vest if the emp uninterrupted three-year period. Also, for the options granted since 2005, certain economic value add vesting conditions. Akzo Nobel also has a Performance Share Plan, under which shares are condition number of shares which the employees will receive depends on the employee having stayed with the period and Akzo Nobel s Total Shareholder Return (TSR) performance over a three-year period, co group.

The fair value of the options and performance shares granted is recognized as an employee expense The fair value is measured at grant date and spread over the period during which the employees beco performance shares. The fair value of the options and performance shares granted to OBS Group emp using a binomial lattice model, taking into account the terms and conditions upon which the options performance shares this also includes the market conditions expected to impact Akzo Nobel s TSR p amount recognized as an expense is adjusted to reflect the actual number of options or performance s vesting of performance shares is only due to the actual TSR performance differing from the performa performance shares.

Borrowings

Borrowings are recognized initially at fair value. Subsequent to initial recognition, borrowings are st between cost and redemption value being recognized in the combined statements of income over the interest basis.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Short-term debt and trade and other payables

Short-term debt, trade payables and other payables are recognized at cost. Their carrying values appr
maturity of these instruments.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Derivative financial instruments

The OBS Group uses forward foreign currency contracts in order to manage its exposures to moveme

As of December 31, 2006 and 2005 and for the years then ended, forward exchange contracts are me sheets, with changes in the fair value recognized in income. The fair values are recognized in the con receivables or under trade and other payables.

Principles of determination of income

The determination of income is closely associated with the valuation of assets and liabilities. In addit preparation of the combined statements of income:

Revenues

Revenues are defined as the consideration received from the sale and delivery of goods and services value-added-tax, rebates, discounts and similar allowances.

Revenues from sales of goods are recognized when the significant risks and rewards have been trans if there are significant uncertainties regarding the recovery of the consideration due, associated cost, management keeps continuing involvement with the goods. Service revenues are recognized as servi on an accrual basis.

The OBS Group receives in-licensing, milestone, and other up-front non-refundable payments from t products or technology. Revenue associated with performance milestones is recognized based on ach respective agreements. Revenue from non-refundable up-front payments and license fees is initially r income as earned over the period of the development collaboration or the manufacturing obligation.

The OBS Group also generates revenues from collaborative research and development as well as co- consist of multiple elements and provide for varying consideration terms, such as up-front, milestone significant analysis by management in order to determine the appropriate method of revenue recogni separate units of accounting (each unit constituting a separate earnings process), the arrangement con based on their relative fair values and recognized over the respective performance period. Where the units, the individual deliverables are combined as a single unit of accounting and the total arrangeme estimated collaboration period.

The OBS Group has accruals and provisions for expected sales returns, charge-backs, discounts and o revenue at the time the related revenues are recorded. Such estimates are based on analyses of existin obligations, historical trends and the OBS Group s experience. Management believes that the total a

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

adequate, based upon currently available information. As these reductions are based on management
better information becomes available. Such changes that arise could impact the accruals and provisio

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

recognized in the balance sheet in future periods and consequently the level of sales recognized in th periods.

Cost of sales

Cost of sales comprise the manufacturing costs of the goods sold and delivered, and any inventory w

Manufacturing costs include such items as:

- the costs of raw materials and supplies, energy, and other materials;
- depreciation and the costs of maintenance of the assets used in production;
- salaries, wages, and social charges for the personnel involved in manufacturing.

The costs of services and royalties, generally, are included in the functional cost lines in the combine and distribution expenses, research and development expenses, or general and administrative expens

Government grants

Government grants related to cost are recognized in the combined statements of income in the same and are deducted from the relevant cost. For government grants related to assets, see the accounting

Financial expenses and income

Financial expenses comprise the interest expense on advances from Akzo Nobel based on the daily o through Akzo Nobel s cash pooling accounts using interest rates applicable to the currency and regi expense on borrowings from the Akzo Nobel Group, and borrowings from financial institutions, calc the interest expense component of finance lease payments and the accretion of the discount element are recognized under financial expenses.

Interest income is recognized under financial income, using the effective interest method.

Share of profit of associates

Share in profit of associates consists of the OBS Group s share in earnings of these companies and i allowance being made for taxes relating to these items.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Earnings per share

The OBS Group is not a separate legal entity with common shares outstanding. Therefore, historical
the combined financial statements.

Segment reporting

The primary segment reporting is based on the business segments of the OBS Group, whereby the bu
products or services which are subject to risks and rewards which differ from the risks and rewards o
products and services are related, aspects such as the nature of the products or services, the nature of
of customers and end users for the products or

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

services are taken into consideration. Segments reported are Organon and Intervet, which also reflect
The secondary segment reporting is based on the geographical areas in which the OBS Group operat
comparable risks and returns are grouped together. Inter-segment pricing is determined on an arm s

Standards issued, but not yet effective

The following new IFRS standards and interpretations have been adopted by the IASB and have bee
effective date of these standards and interpretations is annual periods beginning on or after January 1
Disclosures and Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures, IF
Interpretation 8, *Scope of IFRS 2 Share Based Payment*; IFRIC Interpretation 9, *Reassessment of Em*
Interim Financial Reporting and Impairment; IFRIC 11, *IFRS 2, Group and Treasury Share Transac*
Arrangements; IFRIC 13, *Customer Loyalty Programmes*, and IFRIC 14, *IAS 19 The Limit on a D*
Requirements and their Interaction. The OBS Group has analyzed the impact of the new accounting
and they are not expected to have a significant impact on the OBS Group.

Note 3 Related Parties

These combined financial statements include transactions with related parties. The OBS Group ente
subsidiaries. Furthermore, Akzo Nobel provided corporate services for the combined financial staten
that product transfers between the OBS Group and the Akzo Nobel Group were made at arm s lengt

Sales and purchases of goods and services to and from Akzo Nobel and its subsidiaries were not sign
2005 and 2004. At December 31, 2006 and 2005, the OBS Group had receivables from Akzo Nobel
EUR 6 million, respectively. These amounts are reflected in receivables from related parties in the co
and 2005, the OBS Group had payables to Akzo Nobel and its subsidiaries of EUR 5 million and EU
reflected in payables to related parties in the combined balance sheets.

In addition, the OBS Group purchases and sells goods and services to two related parties in which th
interest (associates). Such transactions were not significant on an individual or aggregate basis. The
conducted at arm s length with terms comparable to transactions with third parties.

General and administrative expenses include allocated corporate and regional costs from Akzo Nobe
EUR 27 million and EUR 24 million for the years ended December 31, 2006, 2005 and 2004, respec
Nobel s corporate administrative services to the OBS Group, and are generally allocated based on a
annual revenues, gross profit, and property, plant, and equipment, to Akzo Nobel s comparable cons
plant, and equipment. Management considers that such allocations have been made on a reasonable b
the costs had the OBS Group operated as a separate entity during the periods presented. In addition,
directly related to the OBS Group. These have been allocated to the OBS Group based upon actual c

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-20

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

incurred by Akzo Nobel. For the years ended December 31, 2006, 2005 and 2004, these direct relate
EUR 2 million and EUR 2 million, respectively.

Akzo Nobel incurs certain insurance costs on behalf of the OBS Group. These costs primarily includ
claims and certain administrative (insurance) services. Akzo Nobel s in-house insurance department
partially by themselves as well as insuring risk partially with third party insurance companies. For th
2004, Akzo Nobel has allocated EUR 28 million, EUR 29 million and EUR 27 million to the OBS G
These costs have been allocated based on the risk profiles of the OBS Group compared to the risk pro
profiles used are based on the nature and operations of the various subsidiaries that are included in th
allocations have been made on a reasonable basis, but may not necessarily be indicative of the costs l
during the periods presented.

In some countries, OBS Group entities form part of a fiscal unity headed by an Akzo Nobel company
files the tax return and settles the taxes with the respective OBS Group company in that country. Inco
mentioned OBS Group companies were calculated using a method as if these OBS Group companies

Akzo Nobel uses a centralized approach for cash management and to finance its operations. During t
statements, cash deposits were remitted to Akzo Nobel on a regular basis and are reflected within inv
Similarly, the OBS Group s cash disbursements were funded through Akzo Nobel s cash accounts.
equivalents or liabilities pertaining to book overdrafts have been allocated to the OBS Group in the c
equivalents reflected in these combined financial statements belong to legal entities of the OBS Grou

The OBS Group s combined statements of income also include an allocation of Akzo Nobel s inter
EUR 28 million and EUR 19 million, for the years ended December 31, 2006, 2005 and 2004, respec
Akzo Nobel s consolidated interest expense and are allocated principally based on the daily average
Group through Akzo Nobel s cash accounts using a rate applicable to the underlying currency. Whil
debt specific to the OBS Group; therefore, no allocation of Akzo Nobel s general corporate debt has
balance sheets as all transactions with Akzo Nobel are settled via invested equity.

In addition, the OBS Group enters into derivative contracts with Akzo Nobel to manage its foreign cu
2004, outstanding contracts to buy currencies had notional values of EUR 21 million, EUR 43 millio
contracts to sell currencies had notional values of EUR 57 million, EUR 43 million and EUR 30 mill

Additionally, the OBS Group has various loan receivables with the Akzo Nobel Group, which are inc
balance sheets. These loans bear interest at rates ranging from 3.9% to 4.0% in 2006 and 4.0% to 4.5
invested equity includes EUR 289 million and EUR 28 million, respectively, of net loans due from a
Group recognized interest income on these loans in the amount

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

of EUR 7 million, EUR 5 million and EUR 8 million for the years ended December 31, 2006, 2005 a

In the ordinary course of business the OBS Group has transactions with various organizations with w
Management are associated, but no transactions in respect of this item were conducted in 2006, 2005
transactions with members of the Board of Management, any other senior management personnel or
loans have been extended to members of the Board of Management, any other senior management pe
Certain members of the OBS Group s Board of Management are also members of Akzo Nobel s Bo

Key management salary, bonus and other emoluments

The key management compensation included in the table below, relates only to 12, 10 and 9 OBS Gr
in place during 2006, 2005 and 2004, respectively. The management compensation of the CFO, who
included for 2 months in 2006. In addition, Akzo Nobel has allocated a portion of other key managem
allocation of corporate and regional costs as described above, which has been excluded from the amo

Salaries and other short-term employee benefits	
Pensions	
Other emoluments	
Total	

EUR 1 million, EUR 1 million and nil of share-based payment costs related to the performance share
short-term employee benefits for the years ended December 31, 2006, 2005 and 2004, respectively.

Guarantees received

Akzo Nobel has declared in writing that it accepts joint and several liability for contractual debts of c
in these combined financial statements. These debts, provisions and payables, at December 31, 2006
EUR 223 million respectively, are included in the combined balance sheets. Additionally, guarantees
OBS Group companies in the amount of EUR 252 million and EUR 225 million at December 31, 200
issued by Akzo Nobel in relation to the exemption of certain Irish companies, under section 5(c) of th

Note 4 Segment Information

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Segment information is presented in respect of the OBS Group s business and geographical segment business segments of the OBS Group, whereby the business segments are engaged in providing prod rewards which differ from the risks and rewards of the other segments. In determining whether produ nature of the products or services,

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

the nature of the production processes, and the type or class of customers and end users for the produ Segments reported are Organon and Intervet, which reflects the management structure of the OBS Gr on the geographical areas in which the OBS Group operates, whereby segment revenue is based on th segment assets are based on the geographical location of the assets.

The identification of segments is based on the way the business units are currently managed (compos responsibilities) as well as the content of management information used to allocate resources within t are affected predominantly by differences in its businesses, Organon and Intervet, and not by the fact countries.

Segment revenues and results, assets and liabilities include items directly attributable to a segment as reasonable basis.

	Revenues from Third Parties			Group Revenues			Operating In	
	2006	2005	2004	2006	2005	2004	2006	2005
Organon	2,593	2,407	2,310	2,617	2,433	2,333	362	482
Intervet	1,125	1,092	1,029	1,125	1,092	1,029	221	242
	3,718	3,499	3,339	3,742	3,525	3,362	583	724
Inter-segment revenues				(24)	(26)	(23)		
				3,718	3,499	3,339		

	Total Assets		Total Liabilities Excluding Borrowings		Invest-ments in Associates		
	2006	2005	2006	2005	2006	2005	2006
Organon	2,139	2,366	764	839	13	8	107
Intervet	1,173	1,118	332	343			5:
Cash and cash equivalents	239	59					
Investments in associates	13	8					

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

3,564	3,551	1,096	1,182	13	8	162

	Revenues by Destination			Tota
	2006	2005	2004	2006
Europe	1,885	1,843	1,821	2,332
United States and Canada	852	715	674	497
Asia Pacific	470	466	432	256
Latin America	358	319	277	205
Other regions	153	156	135	22
	3,718	3,499	3,339	3,312
Cash and cash equivalents				239
Investments in associates				13
				3,564

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Note 5 Revenues

Product sales
Service revenue
Royalty and license income

Note 6 Other Operating Income/(expense)

Results on sale of redundant assets
Currency exchange differences
Impairment charges
Results on divestments
Other income/(expense)

In 2005, the asset impairments mainly relate to Organon s active pharmaceutical ingredients activiti market circumstances, leading to a pre-tax impairment charge related to property, plant and equipme certain other licenses were considered to be impaired by EUR 5 million.

In 2006, the results on divestments of EUR 6 million relate to the gain on Intervet s divestment of o 2005, Crina, located in Gland, Switzerland had annual sales of EUR 6 million and employed 19 peop based on blends of essential oils. In 2005, the OBS Group sold significant parts of its Intervet feed ad to Biovet for EUR 23 million cash and a pre-tax gain of EUR 21 million was recorded. In 2004, the EUR 13 million cash and a pre-tax gain of EUR 11 million was recorded.

In 2006, the other items primarily relate to a termination payment from Ligand regarding Avinza (EU relate to the early termination of the Risperdal® co-promotion agreement with Janssen (a subsidiary settlement with Duramed/Barr on Mircette® on their alleged patent infringement (EUR 66 million), t

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Remeron® in Germany (EUR 10 million). In 2004, the other items primarily relate to the full transfer
54 million), the early entrance fee for a marketing license for Remeron® in Germany (EUR 18 millio
legal settlement (EUR 16 million).

Note 7 Financial Expense and Income

Akzo Nobel uses a centralized approach for cash management and to finance its operations. During t
statements, cash deposits were remitted to Akzo Nobel on a regular basis and are reflected within inv
Similarly, the OBS Group s cash disbursements were funded through Akzo Nobel s cash accounts.

Interest allocations from Akzo Nobel are allocated principally based on the daily average outstanding
through Akzo Nobel s cash accounts using a rate

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

applicable to the underlying currency, which ranges from 1.0% to 7.7% for the years ended Decembe the years ended December 31, 2006, 2005 and 2004, interest expense of EUR 38 million, EUR 28 m the OBS Group. Further, interest income on advances to other Akzo Nobel entities totaled EUR 7 mi years ended December 31, 2006, 2005, and 2004, respectively.

Management has determined that no debt maintained at the Akzo Nobel group level is related specifi nor does the OBS Group guarantee or pledge its assets as collateral for Akzo Nobel s debt. As such, pushdown debt to the combined financial statements of the OBS Group. Nevertheless, as described a reflected in the combined financial statements of the OBS Group because the OBS Group did receive

The Organon BioSciences Group also has borrowings in which it directly enters into arrangements w obligations are reflected in the OBS Group s combined financial statements as a liability. Loans fro equity. The actual interest expense incurred in conjunction with these borrowings has been reflected

Financial expense and income consist of the following:

	2006	
Financial expenses		
Interest expenses related parties	(38)	
Interest expenses other	(7)	
		(45
Financial income		
Interest income related parties	7	
Interest income other	3	
		10
		(35

Interest expense is reduced by EUR 1 million, EUR 1 million and EUR 3 million for the years ended respectively, due to interest capitalized on capital investment projects under construction.

Following the separation of the OBS Group from Akzo Nobel, the financial expenses and income as expected in the future. See Note 31 for further discussion of the separation of the OBS Group from A

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Note 8 Taxes

Profit before tax amounted to EUR 550 million, EUR 697 million and EUR 516 million for the years
respectively. Tax (charges)/benefits are included in the combined statements of income as follows:

Tax on operating income less financing costs

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

The classification of current tax (charges)/benefits in the combined statements of income is as follow

	2006	
Current tax:		
for the year	(98)	
adjustments for prior years	(1)	
		(99)
Deferred tax:		
origination and reversal of temporary differences	(57)	
tax losses not recognized	(1)	
		(58)
		(157)

The reconciliation of the statutory tax rate in The Netherlands to the effective combined tax rate is as

Statutory tax rate in The Netherlands
Effect of different tax rates in foreign countries
Tax-exempt income/non-deductible expenses
Adjustments for prior years
Other

Note 9 Salaries, Wages, and Social Charges

Salaries and wages
Pension and other postretirement costs
Other social charges

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Pension and other postretirement costs for the years ended December 31, 2006 and 2005 excludes th
respectively, relating to changes in the pension and postretirement plans in the US and Canada in 20
EUR 5 million, EUR 3 million and EUR 4 million for share-based compensation are included in sala
December 31, 2006, 2005 and 2004 respectively.

Average number of employees	2
Organon	1
Intervet	
	1
Number of employees at December 31	1

The average number of employees working outside The Netherlands during the years ended Decemb
and 14,500 respectively.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Note 10 Property, Plant and Equipment, net

	Total	Building and Land	Plant Equipment and Machinery
Balance at January 1, 2005			
Cost of acquisition	2,371	936	919
Depreciation/impairment	(1,224)	(354)	(635)
Book value	1,147	582	284
Changes in book value			
Capital expenditures	236	59	132
Transfer between categories	(73)	7	(3)
Disposals	(14)	(3)	(3)
Depreciation	(166)	(56)	(81)
Impairment	(53)	(19)	(33)
Changes in exchange rates	44	25	12
Total changes	(26)	13	24
Balance at December 31, 2005			
Cost of acquisition	2,484	1,028	1,019
Depreciation/impairment	(1,363)	(433)	(711)
Book value	1,121	595	308
Changes in book value			
Acquisitions through business combinations	5	2	3
Divestures	(2)	(1)	(1)
Capital expenditures	162	49	64
Transfer between categories		18	(15)
Disposals	(11)	(2)	(1)
Depreciation	(152)	(49)	(69)
Impairment			
Changes in exchange rates	(26)	(15)	(4)
Total changes	(24)	2	(23)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Balance at December 31, 2006			
Cost of acquisition	2,502	1,094	974
Depreciation/impairment	(1,405)	(497)	(689)
Book value	1,097	597	285

In cases where the book value of an asset exceeds the recoverable amount, an impairment charge is r
recognized in other operating income/(expense) in the combined statements of income.

In 2005, an impairment charge totaling EUR 53 million was recognized. The impairments mainly rel
ingredients activities, which was the result of difficult market circumstances. The recoverable amoun
the value in use, using discount rates in the range of 8% to 16% reflecting the risk specific to the asse

The book value of property, plant and equipment financed by installment buying and leasing, and no
EUR 40 million and EUR 48 million at December 31, 2006 and 2005, respectively.

Purchase commitments for property, plant and equipment totaled EUR 69 million at December 31, 2
totaled EUR 35 million.

Both at December 31, 2006 and 2005, no item of property, plant and equipment was registered as sec

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Note 11 Intangible Assets, net

	Total
Balance at January 1, 2005	
Cost	251
Amortization/impairment	(106)
Book value	145
Changes in book value	
Acquisitions	8
Investments	51
Amortization	(22)
Impairments	(20)
Changes in exchange rates	2
Total changes	19
Balance at December 31, 2005	
Cost	290
Amortization/impairment	(126)
Book value	164
Changes in book value	
Acquisitions	2
Investments	8
Amortization	(29)
Impairment	
Changes in exchange rates	
Total changes	(19)
Balance at December 31, 2006	
Cost	299
Amortization/impairment	(154)
Book value	145

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The amortization and impairment charges on intangible assets have been recognized on the following
income for the years ended December 31:

Cost of sales
Selling and distribution expenses
Research and development costs
General and administrative expenses
Other operating income/(expense)

Impairment tests are performed for all cash generating units containing goodwill at each balance shee
impairment. Intangibles with an indefinite useful life are tested annually for impairment. For all othe
performed whenever an indicator of impairment exists. Impairments of intangible assets of EUR 20 r

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

2005 mainly relate to Organon s active pharmaceutical ingredients activities. The estimates of the re determining the value in use, using discount rates in the range of 8% to 16% reflecting the risk speci

Note 12 Financial non-current assets

	Total	Defer Ta Asse
Balance at January 1, 2005	492	36
Acquisitions/loans granted/investments	35	
Divestures/repayments	(25)	
Amounts recognized as income/(expense)	(11)	(1
Fair value adjustments	1	
Transfers from Akzo Nobel	8	
Changes in exchange rates	12	
Balance at December 31, 2005	512	36
Acquisitions/loans granted/investments	6	
Divestures/repayments	(15)	
Amounts recognized as income/(expense)	(57)	(5
Fair value adjustments	(1)	
Transfers from Akzo Nobel	(10)	(1
Changes in exchange rates	(23)	(1
Balance at December 31, 2006	412	28

Deferred tax assets

Further details on deferred tax assets are provided in Note 13.

Investments in associates

The investments in associates at December 31, 2006 include a loan to an associate of EUR 3 million. provided in Note 14.

Other investments

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Other investments at December 31, 2006 and 2005 include long-term receivables totaling EUR 61 m
other financial fixed assets totaling EUR 35 million and EUR 42 million, respectively.

The long-term receivables at December 31, 2006 and 2005 include a subordinated loan of EUR 33 m
Nobel Pension Fund in The Netherlands. This amount represents a reasonable allocation to the OBS
included is an allocated balance of EUR 8 million and EUR 15 million as of December 31, 2006 and
redeemed by retaining future employee pension premiums. These allocations have been made based
benefit obligations to the total Akzo Nobel Pension Fund defined benefit obligation.

Note 13 Deferred Tax Assets and Liabilities

In assessing the realizability of the deferred tax assets, management considers whether it is probable
not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation o

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

which those temporary differences become deductible. Management considers the scheduled reversa taxable income, and tax planning strategies in making this assessment. The amount of the deferred ta change in the near term if future estimates of projected taxable income during the carry-forward peri

The tax effects of temporary differences that give rise to a significant portion of the deferred tax asse 2005 are presented below.

	2006 Assets	2005 Assets	20 Liabi
Intangible assets	26	61	
Property, plant and equipment	40	47	(3
Inventories	120	114	(2
Trade and other receivables	6	10	6
Provisions:			
restructuring	1		
other provisions	86	133	6
Other items	21	23	
Net operating loss carry-forwards	13	22	
Deferred tax assets/liabilities	313	410	(5
Offsetting of tax	(32)	(43)	3
Net deferred tax assets/(liabilities)	281	367	(2

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off ta deferred tax assets and liabilities relate to the same tax authority.

The movement in deferred tax assets and liabilities during the year is as follows:

	Balance January 1, 2005	Changes in Exchange Rates	Reco in I
Intangible assets	34		
Property, plant and equipment	(7)	1	

Harrah's Historical (Note 1)	Caesars Historical (Note2)			Property Dispositions (Note 3)
		Inventories	105	
		Trade and other receivables	4	
		Provisions:		
		restructuring	4	
		other provisions	133	1
		Other items	26	3
		Net operating loss carry-forwards	33	1
		Net deferred tax assets/(liabilities)	332	6

F-30

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

	Balance January 1, 2006	Changes in Exchange Rates	Rec in I
Intangible assets	61	(4)	
Property, plant and equipment	12	(5)	
Inventories	86		
Trade and other receivables	8		
Provisions:			
restructuring			
other provisions	128	(5)	
Other items	14	(1)	
Net operating loss carry-forwards	22	(1)	
Net deferred tax assets/(liabilities)	331	(16)	

Classification of the deferred tax assets and liabilities in the combined balance sheets, which is deter

Deferred tax assets
Deferred tax liabilities

At December 31, 2006, tax losses carried forward amounted to EUR 60 million, of which EUR 14 m not recognized in the combined balance sheets. Of the total tax losses carried forward, no tax losses c EUR 46 million can be carried forward indefinitely.

At December 31, 2005, tax losses carried forward amounted to EUR 180 million, of which EUR 20 r not recognized in the combined balance sheets. Of the total tax losses carried forward, EUR 1 millio EUR 83 million can be carried forward indefinitely.

Note 14 Investments in Associates

These combined financial statements include the OBS Group s ownership in the following investme 2005:

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Legal Entity

Legal Entity	
South Egypt Drug Industries Co. (Sedico)	E
BioConnection B.V.	T

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

A summary of financial information for the investments in associates on a 100% basis is provided be

Net revenues
Income before taxes
Net income
Share of net income recognized in the combined statements of income
Current assets
Non-current assets

Total assets

Current liabilities
Non-current liabilities
Shareholders equity

Total liabilities and equity

Investments in associates included in the combined balance sheets

Note 15 Inventories, net

Raw materials and supplies
Semi-finished goods
Finished products and goods for resale

Of the total carrying amount of inventories at December 31, 2006 and 2005, EUR 1 million and EUR realizable value (fair value less cost to sell). In 2006, 2005 and 2004, EUR 22 million, EUR 24 millio recognized in the combined statements of income for the write-down of inventories to their net realiz EUR 6 million and EUR 1 million, respectively, of write-downs were reversed in the period of sale.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Additionally, for the years ended December 31, 2006, 2005 and 2004, the OBS Group recorded an ex
EUR 46 million, EUR 46 million and EUR 53 million, respectively, in regard of impairments in relat
inventories subject to retention of title clauses.

Note 16 Income Tax Receivable and Payable

Income tax receivable of EUR 74 million and EUR 62 million at December 31, 2006 and 2005, respe
recoverable in respect of current and prior periods. Income tax payable of EUR 133 million and EUR
respectively, relates to the amount of taxes payable for current and prior periods to both the tax autho

For those OBS Group entities located in countries where they were included in the tax grouping of o
entity s tax jurisdiction, the current tax payable or receivable of these OBS Group entities represents

F-32

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

received from the country tax leading holding of Akzo Nobel. For the purpose of these combined fin
current year is outstanding. As of December 31, 2006 and 2005, income tax receivable from Akzo N
payable to Akzo Nobel entities of EUR 15 million, respectively, are included in the income tax recei
balance sheets.

Income tax receivable and payable have been offset in cases where there is a legally enforceable righ
liability and when the intention exists to settle on a net basis or to realize the receivable and payable

Note 17 Trade and Other Receivables, net

Trade receivables
Prepaid expenses
Other receivables

Trade receivables are shown net of impairment losses of EUR 15 million and EUR 15 million at Dec
year ended December 31, 2006, 2005 and 2004, the OBS Group recorded net additions and reversals
EUR 2 million and EUR 3 million in the combined statements of income, respectively.

Note 18 Cash and Cash Equivalents

Short-term investments
Cash on hand and in banks

Short-term investments almost entirely consist of cash loans, time deposits, marketable private borro
convertible into cash.

At December 31, 2006 and 2005, the entire amount of cash and cash equivalents was freely available

Note 19 Invested Equity

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The invested equity balance in the combined financial statements of the OBS Group constitutes Akzo
represents the excess of total assets over total liabilities. Invested equity includes the effects of carve
funding of the OBS Group activities through the in-house banking, cash pooling loans from and to re
Group s cumulative net income, including income directly recognized in equity. As a consequence,
that evidences a residual interest in the assets after deducting liabilities.

Cumulative translation reserves

The cumulative translation reserves comprise all foreign currency differences arising from the transla
net investments in foreign subsidiaries.

Assets and liabilities of foreign subsidiaries are translated into euros at exchange rates on the balance
translated into euros at rates approximating the

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

foreign exchange rates ruling at the dates of the transactions. Exchange differences resulting from tra
of intercompany loans of a permanent nature with respect to subsidiaries outside the euro region are
or liquidation of a foreign entity, these cumulative translation adjustments are recognized as income

A description of the amounts recorded in invested equity is as follows:

Share-based payment costs funded by Akzo Nobel

The share-based payment costs funded by Akzo Nobel represents share-based payment expenses, all
OBS employees participating in the Akzo Nobel share plans. See Note 20.

Interest expense funded by Akzo Nobel

The interest expense funded by Akzo Nobel represents interest charges allocated to the OBS Group b
the OBS Group by Akzo Nobel. See Note 3 and 7.

Corporate overhead costs funded by Akzo Nobel

The corporate overhead costs funded by Akzo Nobel represent an allocation of charges to the OBS C
corporate administrative costs, on behalf of the business units of the OBS Group. See Note 3.

Insurance expense funded by Akzo Nobel

The insurance expense funded by Akzo Nobel represents insurance expenses incurred by Akzo Nobe
allocated to the OBS Group. See Note 3.

Tax transfers from/(to) Akzo Nobel

The tax transfers from/(to) Akzo Nobel represent intercompany tax payments, receipts and settlemen
Nobel tax leading holding companies.

Employee benefits and other non-cash transfers

These amounts primarily represent allocations of employee benefit related assets and liabilities in reg
Nobel on behalf of the OBS Group.

Cash transfers from/(to) Akzo Nobel

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The cash transfers from/(to) Akzo Nobel consist of group contributions from or to Akzo Nobel, capit
movement of funding by Akzo Nobel and intra group movements. As of December 31, 2006 and 200
and EUR 899 million, respectively, of funding by Akzo Nobel, which does not have the characteristi
2005, invested equity includes EUR 289 million and EUR 28 million, respectively, of net loans due f

Note 20 Share-Based Payments

Akzo Nobel sponsors the following stock options plans and share plans in which certain employees o
share-based payment plans are Akzo Nobel plans, amounts have been recognized through invested e

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Stock Option Plans

Akzo Nobel grants options to all members of the Board of Management, Senior Vice Presidents and are exercisable after three years. The options granted to Senior Vice Presidents and Executives expir onwards expire after seven years. Options granted to members of the Board of Management from 20 from 2003 onwards expire after seven years. All outstanding options issued from 1999 cannot be exe entitles the holder thereof to buy one Akzo Nobel N.V. common share or one American Depository S Amsterdam opening price on the first day that the Akzo Nobel share is quoted ex dividend or the ope the first day that the Akzo Nobel ADS is quoted ex dividend. Also, for the options granted since 200 criteria are included in the vesting conditions. Through June 30, 2005, the option holder could also r

Since 2005, Akzo Nobel grants performance related stock options to Executives. Under this plan, Ex options, under shareholder approval, whose vesting is conditional on the achievement of financial pe Value Added on Invested Capital (EOI). The percentage of granted, contingent options that vest d three-year period. One option entitles the holder thereof to buy one Akzo Nobel N.V. common share that the option be cash settled.

These option plans could be cash settled through July 1, 2005, and were modified as of this date to b service received in return for share options granted are measured by reference to the fair value of sha Group recognized at each balance sheet the fair value of the options outstanding per that date, taking three-year vesting period. The change in this fair value was recognized in income. Compensation exp under these plans for each of the years ended December 31, 2006, 2005 and 2004.

Employee Share Plan

In 2001, Akzo Nobel introduced the Akzo Nobel Employee Share Plan, whereby Akzo Nobel N.V. c each year. Generally, these shares vest if the employee has remained in Akzo Nobel s service for a p Board of Management of Akzo Nobel decided to accelerate the settlement of this plan whereby the g issuing shares to employees, Akzo Nobel settled its liability with the OBS Group employees by mak payment during the year ended December 31, 2004. Additionally, the Board of Management of Akz May 2004.

The OBS Group has recognized compensation expense of EUR 2 million under this plan for the yea

Performance Share Plan (Executives and Board of Management)

In 2004, Akzo Nobel introduced a conditional performance stock option plan for the Board of Mana Under this plan, members of the Board of Management and Executives were granted a conditional n conditional on the achievement of performance targets, expressed as Total Shareholder Return

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-35

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

(TSR) of Akzo Nobel, relative to the TSR of a group of competitors during the relative performan shares that vest depends on Akzo Nobel s TSR, relative to those of competitors, achieved during the satisfied by the delivery of Akzo Nobel N.V. shares, or in exceptional cases, by means of a cash pay

Due to the performance criteria of the share plan, the OBS Group bases compensation expense on the that are expected to vest and revises that estimate, if necessary, if subsequent information indicates t initial estimates. Management expects the conditional shares granted to vest based on available infor EUR 1 million and EUR 0.1 million has been recognized during the years ended December 31, 2006

The following is a summary of activity pertaining to the OBS Group employees that participated in t plans:

Outstanding	Common Shares	Weighted Average Exercise Price in EUR
Balance at January 1, 2004	1,207,600	39.80
Options granted	220,080	31.45
Options forfeited	(225,339)	40.15
Balance at December 31, 2004	1,202,341	38.21
Options granted	257,523	31.98
Options forfeited	(242,785)	43.27
Balance at December 31, 2005	1,217,079	35.88
Options granted	231,270	46.46
Options exercised	(236,640)	35.31
Options forfeited	(112,050)	44.91
Balance at December 31, 2006	1,099,659	37.31

The following is a summary of activity pertaining to the OBS Group Executives and Board of Manag performance share plan:

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Outstanding

Balance at January 1, 2004	
Granted	
Balance at December 31, 2004	
Granted	
Forfeited	
Accreted dividend	
Balance at December 31, 2005	
Granted	
Forfeited	
Accreted dividend	
Balance at December 31, 2006	

F-36

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Fair value and assumptions used

The expected value of performance stock options for the Board of Management and Executives is ba using certain assumptions. These assumptions were used for these calculations only, and do not nece expectations of future developments. In addition, option valuation models require the input of highly share price volatility. The OBS Group s employee stock options have characteristics significantly di in the subjective assumptions used for the calculation can materially affect the fair value estimate.

The fair value and the assumptions used for the options granted were as follows:

		Common Shares, in EUR
	2006	2005
Fair value at measurement date	9.97	7.45
Share price at measurement date	46.46	31.98
Exercise price	46.46	31.98
Expected share price volatility (%)	24.8	33.4
Expected option life (years)	5	5
Expected dividend yield (%)	2.74	4.4
Risk free interest rate (%)	3.92	3.25

The expected volatility is based on the historic volatility (calculated based on the weighted average r any expected changes to future volatility due to publicly available information. Share options are gra performance condition. Such conditions are not taken into account in the grant date fair value measur associated with the share option grants.

The grant date fair value of the performance shares is amortized as an expense over the three-year ve based on the Monte Carlo simulation model taking market conditions into account. The value was ca EUR 16.80 for the performance shares conditionally granted in 2006, EUR 12.67 for the 2005 perfor performance shares.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Note 21 Provisions

	Total	Pensions and Other Postretirement Benefits
Balance at January 1, 2005	536	417
Additions made during the year	49	11
Utilization	(261)	(152)
Amounts reversed during the year	(5)	
Transfers from Akzo Nobel	12	12
Unwind of discount	1	
Changes in exchange rates	22	16
Balance at December 31, 2005	354	304
Additions made during the year	48	13
Utilization	(91)	(63)
Amounts reversed during the year	(6)	
Transfers from Akzo Nobel	18	18
Changes in exchange rates	(11)	(9)
Balance at December 31, 2006	312	263

The above movement schedule includes the current portion of the provisions, which at December 31
and EUR 29 million, respectively.

Provisions for pensions and other postretirement benefits

The majority of the OBS Group s employees participate in Akzo Nobel defined benefit pension plar
postretirement benefit plans, which provide benefits to employees and former employees of both the
In these plans, the assets and liabilities that relate to employees (and former employees) of the OBS
employees (and former employees) of other Akzo Nobel businesses.

The OBS Group has obtained information about each of these Akzo Nobel plans measured in accord
that apply to each of the plans as a whole, and used a reasonable allocation method to determine the

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

liabilities and benefit costs under IAS 19. For each of these plans, the defined benefit obligation (at e
contributions, benefit payments, and impact of special events (in each accounting period), relating to
approximate actuarial techniques which take into account the membership profile of OBS Group part
for participants in the plan as a whole. Plan assets at each balance sheet date have generally been spli
obligation.

Management believes that such allocations have been made on a reasonable basis, but may not neces
these pension plans in the future.

Furthermore, some OBS Group employees participate in stand-alone OBS Group pension and other p
expenses, assets and liabilities for these plans are accounted for in the OBS Group businesses in acco

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

The defined benefit pension plans in which the OBS Group s employees participate generally provid employees compensation. The funding policies for the plans are consistent with local requirements under the plans are systematically provided for by depositing funds with trustees or separate foundati sheet provisions. Plan assets principally consist of long-term interest-earning investments, quoted eq

A number of OBS Group s current and former employees participate in Akzo Nobel postretirement Group has accrued for the expected costs of providing such postretirement benefits during the years t services.

Valuations of the obligations under the pension and other postretirement benefit plans are carried out applied are based on yields available on high quality corporate bonds that have currencies and terms terms of the OBS Group s obligations.

During 2006, Akzo Nobel closed their US and Canadian defined benefit pension plans in which OBS participate to further accrual and implemented defined contribution plans for future benefit provision qualification requirements and changed the existing level of benefits in its US postretirement welfare former employees participate. Due to these changes, the OBS Group s provision for pensions and ot EUR 29 million, which was recorded in the combined statements of income during the year ended D

During 2005, Akzo Nobel reached agreement with the unions to a change to its pension arrangement employees and former employees participate. With effect from December 31, 2005, the pension plan defined contribution plan and certain changes were made to the pre-retirement plan. In connection w a one-time nonrefundable contribution of EUR 151 million, prepaid EUR 50 million in July 2005 of employee pension premiums, and granted a EUR 100 million subordinated loan in September 2005 t proportion of these amounts has been allocated to the OBS Group using the same method used to allo believes that this allocation method is reasonable. These changes resulted in a combined curtailment the OBS Group of EUR 1,086 million and a settlement of plan assets of EUR 1,059 million, and of th and prior service costs totalling EUR 32 million. In total, the net effect of the change to The Netherla EUR 59 million, which has been recorded in the combined statements of income in 2005.

Effective December 31, 2005, due to changes in the national healthcare system in The Netherlands, t postretirement healthcare plan in that country, except for a gradually declining transition arrangemen curtailment of defined benefit obligations of the OBS Group of EUR 29 million, and the recognition service costs totalling EUR 4 million. In total, the net effect of the termination was a pre-tax gain on been recorded in the combined statements of income.

At December 31, 2006 and 2005, the principal defined benefit pension plans covered approximately respectively.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-39

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Below, a table is provided with a summary of the changes in the pension and the other postretiremen and 2005.

Asset/(liability)
Defined benefit obligation (DBO)
Balance at beginning of year
Acquisitions/divestments
Settlements/curtailments
Service costs
Contribution by employees
Interest costs
Other
Plan amendments
Benefits paid
Actuarial gains and losses
Changes in exchange rates
Balance at end of year
Plan assets
Balance at beginning of year
Acquisitions/divestments
Settlements
Contribution by employer
Contribution by employees
Benefits paid
Actual return on plan assets
Other
Changes in exchange rates
Balance at end of year
Funded status
Unrecognized net loss/(gain)
Unrecognized prior service costs

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Medicare receivable

Net balance provisions

The pension defined benefit obligation breaks down as follows:

Wholly or partly funded plans
Unfunded plans

The difference between the actual and the expected return on plan assets was a gain of EUR 11 milli

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

In the United States, the Medicare Prescription Drug Improvement and Modernization Act of 2003 in
as well as a federal subsidy to sponsors of postretirement healthcare plans, which both began at Janua
recognized as an asset under other financial non-current assets, in the combined balance sheets meas
2005, this value was EUR 9 million and EUR 12 million, respectively.

The net periodic pension costs for the defined benefit pension plans were as follows:

Charge/(income)	2006	Pensions 2005
Service costs for benefits earned	31	99
Interest costs on DBO	26	61
Expected return on plan assets	(23)	(72)
Amortization of unrecognized losses	1	3
Settlements/curtailments	(12)	(59)
	23	32

The weighted average assumptions underlying the computations were:

Percentage	2006	Pensions 2005
Pension benefit obligation December 31		
discount rate	4.8	4.5
rate of compensation increase	4.3	4.0
Net periodic pension costs		
discount rate	4.5	4.7
rate on compensation increase	4.0	3.0
expected return on plan assets	6.5	6.7

The calculation of the weighted average discount rate as of December 31, 2006 and 2005 excludes th
assumptions for the expected return on plan assets were based on a review of the historical returns of
pension plans are invested. The historical returns on these asset classes were weighted based on the e
pension plans.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Akzo Nobel s primary objective with regard to the investment of pension plan assets is to ensure tha
available to satisfy future benefit obligations. For this purpose, asset and liability management (ALM
pension fund. An appropriate asset mix is determined on the basis of the outcome of these ALM stud
regulations.

Pension plan assets principally consist of long-term interest-earning investments, quoted equity secur
and 2005, plan assets did not include financial instruments issued by the OBS Group, nor any proper

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

weighted average pension plan asset allocation at December 31, 2006 and 2005, and the target alloca category are as follows:

	Percentage
Equity securities	
Long-term interest earning investments	
Real estate	
Other	
Total	

Weighted average assumptions for other postretirement benefits were as follows:

	Percentage
Assumed healthcare cost trend rates at December 31:	
healthcare cost trend assumed for next year	
rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	
year that the rate reached the ultimate trend rate	

In line with agreements in place until December 31, 2005, allowances under the healthcare plan in th future.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthca assumed healthcare cost trend rates would have the following effects:

	1 P
Effect on total of service and interest cost	
Effect on postretirement benefit obligation	

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Cash flows

The OBS Group expects to contribute EUR 29 million to its defined benefit pension plans in 2007.

The following benefit payments, which take into account the effect of future service, are expected to

2007
2008
2009
2010
2011
2012-2016

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

The remaining plans primarily represent defined contribution pension plans. Expenses for these plan
EUR 3 million in 2005.

Provisions for restructuring of activities

Provisions for restructuring of activities comprise accruals for certain employee benefits and for cost
specific activities and closing down of facilities. For all restructurings a detailed formal plan exists, a
the plan has been announced. Most restructuring activities relate to relatively smaller restructurings,
years from the balance sheet date. However, for certain plans payments of termination benefits to fo

Other provisions

Other provisions relate to a great variety of risks and commitments, including provisions for other lo
leave and jubilee payments, provisions for environmental costs, provision for returns, allowances and
the OBS Group has recorded a provision of EUR 11 million, for returns and allowances. For details o

The majority of the cash outflows related to other provisions are expected to be within 1 to 5 years. I
rate of 5%, on average, has been used.

Note 22 Deferred Income

In December 2003, the OBS Group received an initial payment of EUR 88 million from Pfizer for th
for asenapine. Such payments are to be reported as deferred income and to be recognized as revenue
recognition is based on the estimated co-development costs expected to be incurred over the estimate
2004 to May 2007.

Non-current deferred income
Current deferred income

Note 23 Borrowings (Non-current)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Debt to credit institutions
Other borrowings

During 2006 and 2005, the weighted average effective interest rate was 5.9% and 4.4%, respectively

Aggregate maturities of non-current borrowings at December 31, 2006 are as follows:

Debt to credit institutions
Other borrowings

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

At December 31, 2006 and 2005, none of the borrowings were secured by means of mortgages, etc.

Finance lease liabilities are included under other borrowings. The amounts payable in respect of thes are due as follows:

	Minimu Payr
Next year	
Between 1 and 5 years	
More than 5 years	

Note 24 Borrowings (Current)

Debt to credit institutions	
Current portion of borrowings	

Note 25 Trade and Other Payables

Suppliers	
Prepayments by customers	
Taxes and social security contributions	
Amounts payable to employees	
Bonuses and discounts to customers	
Other accrued expenses	
Fair value derivatives	
Other liabilities	

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Total trade and other payables

Note 26 Financial Instruments

Foreign exchange risk management

The OBS Group enters into forward exchange contracts with Akzo Nobel to hedge the transaction ris
transactions denominated in currencies other than the functional currency of the subsidiary concerne
hedging activities is to protect the OBS Group from the risk that the eventual functional currency net
financing transactions are adversely affected by changes in exchange rates. Most forward exchange c
maturity of less than one year. Where necessary, the forward exchange contracts are rolled over at m
instruments to hedge the translation risk related to equity, intercompany loans of a permanent nature,
derivatives are not used for speculative purposes.

At December 31, 2006 and 2005, the notional value of outstanding contracts to buy currencies totale
respectively, while contracts to sell currencies totaled EUR 57 million and EUR 43 million, respectiv
dollar,

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Australian dollar, Swiss franc, Swedish kronor, Norwegian kronor, Polish zloty, pounds sterling, and
year.

Interest risk management

The subordinated loan to the Akzo Nobel Pension Fund is sensitive to changes in interest rates. The C
is EUR 36 million and the expected maturity is subsequent to 2010 with an average interest rate of 3.
value of the loan and estimated fair value is EUR 33 million with an effective interest rate of 5.1%.

Credit risk

The OBS Group has a credit risk management policy in place. The exposure to credit risk is monitore
performed on all customers requiring credit. Generally the OBS Group does not require collateral in

Investments in cash and cash equivalents are entered into with counterparties which have a high cred
set. Transactions involving derivative financial instruments are with counterparties with sound credit
contractual netting agreements. The OBS Group has no reason to expect nonperformance by the cour

Due to the geographical spread of the OBS Group and the diversity of its customers, at balance sheet
significant concentration of credit risks. The maximum exposure to credit risk is represented by the c
including derivative financial instruments, in the combined balance sheets.

Sensitivity analysis

By managing currency risks, the OBS Group aims to reduce the impact of short-term fluctuations on
longer-term, however, permanent changes in foreign exchange and interest rates would have an impa

At December 31, 2006, the decrease in the OBS Group s profit before tax as a result of a general inc
would be negligible. Cash and cash equivalent and current borrowings have been included in this ass

Fair value of financial instruments

The estimated fair values at December 31, 2006 of non-current borrowings and the subordinated loan
their carrying values. The fair value of the OBS Group s non-current borrowings was estimated base
similar issues or on the current rates offered to the OBS Group for debt with similar maturities.

The fair value of forward exchange contracts is determined using quoted forward exchange rates at th
and 2005 the OBS Group s forward exchange contracts were recognized at fair value. The OBS Gro
January 1, 2005. The effect for the year ended December 31, 2004 of not applying IAS 32 and IAS 3

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

and IAS 39 from January 1, 2005, forward exchange contracts are carried at fair value.

The carrying amounts of cash and cash equivalents, receivables, current borrowings, and other curren short maturity period of those instruments.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Note 27 Contingent Liabilities and Commitments

Environmental matters

The OBS Group is confronted with costs arising out of environmental laws and regulations, which in
effects on the environment of the disposal or release of certain wastes or substances at various sites.
such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending

It is the OBS Group s policy to accrue and charge against earnings environmental cleanup costs whe
and an amount is reasonably estimable. These accruals are reviewed periodically and adjusted, if nec
and additional information becomes available. Environmental liabilities can change substantially due
the nature or extent of the contamination, the necessity of employing particular methods of remediati
parties, or other factors of a similar nature. Cash expenditures often lag behind the period in which ar

The provisions for environmental costs accounted for in accordance with the aforesaid policies aggre
2006 and 2005, respectively. The provision has been discounted using an average discount rate of 5.

The OBS Group has certain asset retirement obligations for which the timing of settlement is conditi
facility. At this time, there are no specific plans for the closure of these related facilities, and the OB
improvements to the assets as necessary that would extend their lives indefinitely. Furthermore, the s
regulation or contract. As a result, the OBS Group is unable to estimate the fair value of the liability.
initiated in the future, the settlement dates will become determinable, an estimate of the fair value wi
will be recorded.

While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonabl
provisions for environmental costs which, in Management s opinion, based on information currently
the OBS Group s financial position and liquidity but could be material to the OBS Group s results

Antitrust

In 1999, the Brazilian Consumer Authority commenced action against Hoechst Roussel Vet, a veteri
Brazilian Consumer Authority demanded the OBS Group to justify the prices charged for FMD vacc
February 1, 2001, the Secretariat for Economic Monitoring issued a technical opinion recommending
was no proof of the alleged conduct. An economic survey justifying the pricing and documentation w
Justice in May 2005. However, no final report and opinion has been published at this time. The maxi
could impose on Intervet is 30% of the total gross revenue of the Brazilian subsidiary in the year bef
to less than EUR 10 million.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Also in 1999, the Brazilian Antitrust Authority commenced an investigation into Organon s Brazilia
companies to investigate alleged collusion on their

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

part against generic manufacturers of pharmaceutical products in Brazil. A final administrative decis pharmaceutical company, including our subsidiary, was convicted and fined an amount equal to 1% before the infraction. This amount has not yet been established, however, the OBS Group has made a EUR 0.8 million.

Litigation

During the years ended December 31, 2005 and 2004, the OBS Group paid EUR 64 million and EUR respect to antitrust cases relating to the Company s Remeron® product. These amounts were accrued

In December 2005, the OBS Group reached a settlement agreement with Duramed/Barr on its infring Mircette® patent. Duramed/Barr paid the OBS Group EUR 109 million during the year ended Decem rights to Mircette® and for damages connected to the OBS Group s claim. The OBS Group recogniz year ended December 31, 2005.

During 2005, the State of Alabama, the State of Mississippi, and 41 counties (now 42 counties) and N separately brought claims against up to approximately 80 pharmaceutical manufacturers, including C predecessor of our United States subsidiary Organon Pharmaceuticals U.S.A Inc. LLC and Organon case of the State of Mississippi, conspiracy to commit such fraud, in violation of state, federal, and/o defendants committed fraud and were unjustly enriched by intentionally setting false and inflated ave products, which is the basis for Medicaid reimbursement. The plaintiffs further allege that such produ physicians and/or pharmacy chain stores in such a way as to capitalize on the difference between the the products and the actual acquisition cost for the products. The allegations against our subsidiary h although Remeron® sales are specifically mentioned in most complaints, in all cases except in Alaba products also. The complaints seek injunctive relief as well as actual, statutory, treble and punitive d

All but four of the New York county cases have been consolidated in the US District Court for the D New York cases have been removed to federal district courts in New York and transfer to the US Dis pending a decision by the Judicial Panel on Multidistrict Litigation. A motion to dismiss the cases in Massachusetts was partially granted in April 2007. Thereafter, plaintiffs have filed a First Amended defendants, including our subsidiaries, have filed a joint motion to dismiss. A decision on this motion motion to dismiss the Erie County case (one of the cases pending transfer to the US District Court fo granted in September 2006. The Mississippi case has been dismissed. The proceedings in the State o having commenced on April 13, 2005. The OBS Group does not believe to have been engaged in any defending these matters.

Certain wholly owned operating subsidiaries of Organon and Intervet were named in the final report United Nations Oil for Food Program for humanitarian support to Iraq. The report states that these connection with four contracts (with a total value of USD 3.4 million) with the Iraqi Government to

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-47

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

provide pharmaceuticals and vaccines. Akzo Nobel has been conducting an internal review of this m to the US Securities and Exchange Commission and to the US Department of Justice. The Dutch FIC Organon s involvement in this matter; these investigations have been concluded in May 2007. The C settlement with these authorities. While neither of the said authorities have taken any action against A expose Akzo Nobel and/or its subsidiaries to regulatory and/or criminal charges and sanctions.

In January 2006, Akzo Nobel Nederland B.V. and the Akzo Nobel Pension Fund in The Netherlands Retired Akzo Nobel Employees (Vereniging van Gepensioneerden Akzo Nobel) with regard to the cl pension plan (relating to the change from a defined benefit plan to a defined contribution plan), as a c right to indexation became conditional. If the claim were to succeed, then, pursuant to the separation responsible to reimburse Akzo Nobel or any other member of its group for all losses actually incurre to any former employees that, at the time of ceasing their employment with the Akzo Nobel Group, w human healthcare or animal healthcare activities of the Akzo Nobel Group. The claim was recently d appeal can be filed within three months after the court s judgment, which period expires in April 20

In July 2006, drug wholesaler RxUSA brought claims against 16 pharmaceutical manufacturers, incl drug wholesalers, the Healthcare Management Distribution Association and certain individuals, alleg things, monopolization of the wholesale pharmaceutical market in violation of state and federal antitr willfully acquired and sought to maintain a monopoly and exclude competition by secondary whole pharmaceutical manufacturers and other wholesale dealers wrongfully and illegally refused to deal d to acquire products for sale. RxUSA is seeking injunctive relief, attorneys fees and treble damages. Group has filed motions to dismiss these claims and intend to contest them vigorously.

During 2006, the OBS Group lost key elements of patent protection for Livial® in the United Kingdo purity, crystalline purity and particle size patents have recently been revoked by U.K. courts. The OB of the crystalline purity patent, but not to appeal the decision regarding the chemical purity patent. Pe particle size patent has been denied by the court in London. The OBS Group s chemical purity paten Office. The OBS Group has appealed the decision to revoke this patent, and this appeal has had a sus particle size patent has also been challenged before the European Patent Office.

A number of the OBS Group subsidiaries are the subject of litigation or product liability claims arisin as a result of which claims could be made against them which, in whole or in part, might not be cove the gross amount of any probable claim that can be reasonably estimated. Insurance receivables are r virtually certain to be recovered.

There are various remaining product liability claims pending against the OBS Group in various Euro by, in most cases, women claiming to have conceived while allegedly using the OBS Group s contra

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-48

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

problems in connection with the insertion or removal of Implanon® or to changes in bleeding pattern is named as a co-defendant. Although these cases have all been brought by individual women, only i decided to consolidate the cases. On June 15, 2005, a court in s-Hertogenbosch in The Netherlands pending allocation of responsibility between physicians and Organon, damages should be paid to wo while using Implanon®. The OBS Group appealed this decision in September 2005. Oral pleadings w May 14, 2007. A judgment is expected on August 28, 2007. No final judgments have been rendered. be held liable in connection with these cases are expected to be covered by product liability insuranc

In 1999, an ex-freelance collaborator of Diosynth B.V./Moeders voor Moeders, commenced legal ac retirement benefits against Diosynth B.V. (as per January 1, 2007, part of N.V. Organon). Entitlemen employment relationship; Diosynth believes that freelancers working for Moeders voor Moeders do r receive a pension. The legal position in this case may create a precedent for a couple of hundred of e deposition of witnesses in this case will be finalized on October 4, 2007.

Salmon producers in Chile have made claims for damages allegedly incurred because of the use of Ir were filed in 2005, 2006 and 2007. The claims maintain that administration of Intervet s vaccine ag caused death or injury to part of their salmon populations. No judgments have been rendered. At this that any damages for which the OBS Group may be held liable in connection with these claims woul insurance the OBS Group maintains.

A case from Intervet, Inc. against Merial Ltd. et al. is pending since December 23, 2005 in the Unite Columbia. This lawsuit is a declaratory judgment action seeking a declaration from the court that Un Circovirus Vaccine and Diagnostics Reagents and referred to herein as the 601 patent) is invali PCV-2 vaccine.

Merial Ltd, and Merial SAS have answered the Complaint by alleging that the 601 patent is valid, e vaccine. They also have brought a counterclaim for patent infringement against Intervet, Inc. Interve is invalid, unenforceable, and not infringed by Intervet, Inc. Discovery is presently ongoing between Under the present schedule for the case, there will be a hearing to determine the meaning of the clai this matter likely will not occur until the second or third quarter of 2008.

A second case, Intervet, Inc. v. Merial Ltd. et al., is pending since March 20, 2007, in the United Sta This lawsuit is a declaratory judgment action seeking a declaration from the court that United States Multisystemic Wasting Syndrome and Porcine Circovirus from Pigs and referred to herein as the infringed by Intervet s PCV-2 vaccine. Merial Ltd, and Merial SAS have filed and served a Compla trial, alleging that the 594 patent is valid, enforceable, and infringed by Intervet s PCV-2 vaccine.

In November 2006, four trade unions together initiated proceedings in The Netherlands against Akzo Nobel. The trade unions claim that Akzo Nobel

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Nederland B.V., allegedly as representative of all other parts of the Akzo Nobel Group , wrongfull cover medical insurance costs of retirees in The Netherlands. These retirees also include persons wh healthcare and animal healthcare activities of the Akzo Nobel Group.

The trade unions allege that the retirees, on the basis of a promise made by Akzo Nobel Nederland B indefinitely and that there was insufficient cause for termination of the obligation. Akzo Nobel Nede terminate the arrangements subject to a transitional regime through June 30, 2009. Akzo Nobel Nede the claim by the trade unions. The proceedings against Akzo Nobel Nederland B.V. are at an early st financial consequences for the OBS Group if the claim would succeed. Pursuant to the separation ag all costs incurred by Akzo Nobel or any other member of its group in connection with the allowance at the time of ceasing their employment with the Akzo Nobel Group, worked primarily in any curren healthcare activities of the Akzo Nobel Group. The maximum amount that the OBS Group could be number of factors, which also include the arrangements with individual employees, any future chang retirees will live.

On March 23, 2007 the University of Illinois filed a lawsuit against Organon Teknika Corporation fo agreement which dates back to 1986. The UOI claims USD 14.9 million of underpaid royalties (whic alleged royalty underpayment), based on an audit on the period January 1, 2002, through December interpretation of what the correct arms length price should be. Organon Teknika is of the opinion

There have been various lawsuits filed against several US entities relating to the use of NuvaRing. W contain little information about the claimed injuries. It should be noted that Organon does not yet ha allegations. The remaining cases do not contain any information other than the allegation that the wo thereby . Other general allegations of the thrombogenicity of the product suggest that the claimants thromboembolic event.

A number of other claims are pending against the OBS Group, all of which are contested. The OBS authorities in several jurisdictions. Furthermore, in the context of the divestitures of certain business the creation of our company, the relevant Akzo Nobel Group companies have agreed to indemnify a their successors and assignees) regarding certain representations and warranties or developments. To former human pharmaceutical or animal health business activities of Akzo Nobel, the OBS Group ag indemnify Akzo Nobel in respect of claims arising therefrom.

While the outcome of these claims and disputes cannot be predicted with certainty, the OBS Group b information received, that the final outcome will not materially affect the combined financial positio OBS Group s result of operations or cash flows in any one accounting period.

Other contingent liabilities

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

At December 31, 2006 and 2005, guarantees related to contracts with third parties totaled EUR 3 mil

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

A majority of the OBS Group businesses do not file separate tax returns since these entities were inc entities within their respective entity s tax jurisdiction. Certain tax authorities have the right to hold for any and all liabilities outstanding of the group. Management of the OBS Group believes that the held responsible for tax liabilities incurred by other Akzo Nobel entities.

The OBS Group is a party in several research and development collaborations and licensing agreeme compensation elements that can contain periodic payments, payments related to sales of certain prod payments are expensed in the period they relate to and the payments related to sales of certain produ sales were recognized. Milestone payments are expensed in the period in which the recognition crite

Some of the licenses and collaboration, co-development, co-marketing and other agreements and ins contain change of control provisions that may be triggered by a change in the controlling interest in of potential impacts related to the separation of the OBS Group.

Pfizer terminated the asenapine license and collaboration agreement on November 27, 2006. The ter when we are successful in bringing asenapine to the market, we will be obliged to reimburse Pfizer f interest) for development, marketing and manufacturing, by paying it a royalty at the rate of 5% on n

Commitments

Purchase commitments for property, plant and equipment aggregated EUR 69 million and EUR 35 m respectively. The OBS Group also has purchase commitments for materials and other supplies incide of EUR 358 million and EUR 320 million at December 31, 2006 and 2005, respectively.

Long-term liabilities contracted in respect of leasehold, rental, operating leases, research, etc., aggre December 31, 2006 and 2005, respectively. Payments due within one year amounted to EUR 93 mil and 2005, respectively; payments between one and five years EUR 158 million and EUR 159 millio than five years amount to EUR 36 million and EUR 24 million, respectively.

Note 28 Cash Flow Information

The OBS Group paid cash for income taxes of EUR 41 million, EUR 57 million and EUR 70 millio and 2004, respectively. During the periods presented, some entities of the OBS Group businesses di were included in the tax grouping of other Akzo Nobel entities within the respective entity s tax jur these entities are paid by other Akzo Nobel entities.

The OBS Group paid cash for interest of EUR 11 million, EUR 7 million and EUR 6 million for the 2004, respectively.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The OBS Group s financing requirements are primarily met by cash transfers with Akzo Nobel and
combined statements of cash flows. This represents

F-51

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

net cash transfers to and from Akzo Nobel for the settlement of various intercompany transactions ar

Note 29 Accounting Estimates and Judgments

In preparing the financial statements, management makes estimates and judgments that affect the rep and expenses, and related disclosures of contingent liabilities at the date of the OBS Group s combi accounting policies involving a higher degree of judgment and complexity are described below.

Impairment of intangible assets and property, plant and equipment

The OBS Group reviews long-lived assets for impairment when events or circumstances indicate car subject to this review include intangible and tangible fixed assets. In determining impairments of inta must make significant judgments and estimates to determine if the future cash flows expected to be g carrying value. Determining cash flows requires the use of judgments and estimates that have been in long-range planning forecasts. The data necessary for the execution of the impairment tests are based flows, which require estimating revenue growth rates and profit margins. Assets are written down to amount of impaired assets is determined by taking into account these estimated cash flows and using discounting these cash flows with business-specific discount rates.

Changes in assumptions and estimates included in the impairment reviews could result in significant combined financial statements.

Internally generated research and development

Under IAS 38, *Intangible Assets*, an intangible asset is recognized when it is probable that the expect to the asset will flow to the OBS Group and when the cost of the asset can be measured reliably. Inte satisfy these criteria, and therefore is expensed as incurred under research and development expenses

Internally generated development expenses are recognized as an intangible asset if, and only if, all th technical feasibility of completing the development project; (b) the OBS Group s intention to compl the project; (d) the probability that the project will generate future economic benefits; (e) the availab resources to complete the project; and (f) the ability to measure the development expenditure reliably regulatory approval and to the research and development process, the criteria for capitalization are co approval has been obtained from the regulatory authorities.

Accounting for income taxes

As part of the process of preparing the combined financial statements, the OBS Group is required to jurisdictions in which the OBS Group operates. This process involves estimating actual current tax e

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

and financial reporting. Temporary differences result in deferred tax assets and liabilities, which are
OBS Group must then assess whether it is probable that deferred tax assets will be recovered from fu

F-52

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

Provisions

By their nature, provisions for contingent liabilities are dependent upon estimates and assessments w
met, including estimates as to the outcome and the amount of the potential cost of resolution. Conting
against income when it is probable that a liability has been incurred and the amount of such liability

Contingent liabilities and provisioning for environmental matters, litigation, and tax disputes are disc
matters are based on the nature and seriousness of the contamination as well as on the technology req
tax disputes are also based on an estimate of the costs, taking into account legal advice and informati

Should the actual outcome differ from the assumptions and estimates, revisions to the estimated prov
the OBS Group s financial position and results from operations.

Also provisions for termination benefits and exit costs involve management s judgment in estimatin
payments and site closure or other exit costs. Should the actual cash outflows differ from the assump
be required, which could impact the OBS Group s financial position and results from operations.

Accounting for pensions and other postretirement benefits

Retirement benefits represent obligations that will be settled in the future and require assumptions to
plan assets. Retirement benefit accounting is intended to reflect the recognition of future benefit cost
period, based on the terms of the plans and the investment and funding decisions made by the OBS G
make assumptions regarding variables such as discount rate, rate of compensation increase, return on
costs. Periodically, management consults with external actuaries regarding these assumptions. Chang
significant impact on the projected benefit obligations, funding requirements and periodic costs incu
policies, see Note 21.

It should be noted that when discount rates decline or rates of compensation increase due to e.g. in
benefit obligations will increase. Net periodic pension and postretirement costs might also increase, b
the unrecognized loss and the so-called corridor (10% of the greater of benefit obligations and plan a
discount rate versus the change of the benefit obligation.

Note 30 Subsequent Events

Loan from Akzo Nobel

On February 28, 2007, Akzo Nobel and the OBS Group entered into a EUR 1.15 billion loan. Under
loan is December 31, 2007, and the interest rate is the 6-month EURIBOR + 0.15% that accrues on t
of payment (both days inclusive). The entire principal amount of the loan not yet repaid to Akzo Nob

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

any further notification or formality being required should, amongst others, any other indebtedness o
prior to its

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

specified maturity by reason of any default by the OBS Group in the due performance or observance indebtedness shall not be material in the context of the loan agreement.

Schering-Plough proposal to purchase the OBS Group

On March 12, 2007, Schering-Plough announced its intention to acquire the OBS Group from Akzo

Note 31 Incorporation and Separation

Incorporation

Following the announcement of Akzo Nobel that it intends to separate its healthcare activities from t incorporated OBS N.V. on September 1, 2006 as a public company with limited liability (naamloze The Netherlands with an authorized share capital of EUR 225 thousand and an issued share capital o seat is in Oss, The Netherlands.

On September 30, 2006 Akzo Nobel contributed to OBS N.V., through a contribution in kind, the sh BioSciences International B.V. and Organon BioSciences Nederland B.V., in exchange for 24,955,00 value of EUR 1.00 (one euro) per share. As per the date of this contribution, the Company had an au an issued share capital of EUR 25 million.

The combined financial statements for the year ended December 31, 2006, include invested equity a equity included certain allocated balances, which legally were not part of the aforesaid contribution i Consequently, the shareholders equity in the legal company balance sheet of OBS N.V. as of Dece the combined financial statements as of December 31, 2006. The main differences relate to a differe funding (presented as invested equity in the combined financial statements and as intercompany deb for tax liabilities related to allocated balances which will be settled by Akzo Nobel as these tax liabil those were part of an Akzo Nobel fiscal unity, and to certain other items which are allocated to the O OBS Group.

Separation

In February 2006, Akzo Nobel announced its intention to separate the OBS Group. In March 2007, A received an offer from Schering-Plough to acquire the OBS Group. The works council advice proced Subject thereto, the intended closing is further subject to certain conditions precedent, including the jurisdictions. The proceeds from the sale of the OBS Group will not be received by the OBS Group b

Akzo Nobel and the OBS Group have identified certain issues and areas that, in preparation of and fo agreeable arrangements between them. These issues and areas have been included in a separation ag

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

the OBS Group. The separation agreement was signed on February 28, 2007, and was subsequently a

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

The amended separation agreement addresses, amongst others, the separation of liabilities and obliga indemnities, release of guarantees, pending litigation, provisions and accruals, claimant s insurance

The terms of the intended transaction between Akzo Nobel and Schering-Plough include that, subjec provisions, Akzo Nobel indemnifies Schering-Plough for (i) all taxes for which a member of the OB prior to January 1, 2007 and that are not provided for in the combined financial statements of the OB December 31, 2006, and (ii) taxes for which a member of the OBS Group becomes liable relating to ending on the closing date of the intended transaction, unless and to the extent the member of the OB underlying income, profit or gain at closing, or such income, profit, gain or event has arisen in the or OBS Group concerned.

The terms of the intended transaction further include Schering-Plough will indemnify Akzo Nobel ag Nobel or a member of Akzo Nobel as a consequence of any pre-closing transactions, requested by Sc which would allow for a direct sale by Akzo Nobel of the shares in one or more members of the OBS

The separation agreement also contains provisions dealing with the retirement benefits of relevant pa arrangements based on an agreed upon division of the rights, obligations, assets and liabilities relatin the relevant (current and former) employees in the (current and former) human healthcare or animal the other hand, retirement benefits of other participants in Akzo Nobel plans. It should be noted that the approval of relevant third parties, for example pension fund trustees, employee representative bo agreement thus also provides that in the event that the OBS Group and Akzo Nobel have not been ab division, they will use their reasonable best efforts to procure that the parties are placed in the same p been affected on the agreed basis.

OBS N.V. has undertaken in the separation agreement to procure that, for services rendered on or aft the OBS Group s retirement benefit plans are offered retirement benefits which are substantially equ required under applicable law) to their current retirement benefits.

The financial implications of a future split as defined above, for example on assets, liabilities and fut determined yet. However, it is the intention of Akzo Nobel and the OBS Group to limit the financial the split of rights, obligations and assets. Furthermore, the subordinated loan to the Akzo Nobel Pens (EUR 33 million) was allocated in the combined financial statements for the year ending December 3 Akzo Nobel holds the legal title.

The terms of the intended transaction between Akzo Nobel and Schering-Plough further include that closing of the intended transaction, its claim against OBS N.V. under the related party loan of EUR 1 intra-group indebtedness between OBS N.V. on the one hand and the other members of the Akzo No loans made by OBS N.V. to Akzo Nobel in 2007 on terms substantially equivalent to the aforesaid re

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

paid immediately after closing. Under the loan agreement between Akzo Nobel (as lender) and OBS
is December 31, 2007 and the interest rate is the 6-month EURIBOR + 0.15%, that accrues on the an
payment (both days inclusive). The entire principal amount of the loan not yet repaid to Akzo Nobel
any further notification or formality being required should, amongst others, any other indebtedness o
its specified maturity by reason of any default by OBS N.V. in the due performance or observance of
indebtedness shall not be material in the context of the loan agreement.

OBS N.V. has undertaken to replace the statement of joint and several liability (verklaring van hoo
Nobel in respect of the members of the OBS Group in The Netherlands under article 2:403 section 1
reasonably practicable, but in any event within 6 months after closing of the intended transaction bet

Note 32 Application of Generally Accepted Accounting Principles in the United States of Am

The OBS Group s combined financial statements have been prepared in accordance with IFRS whic
significant respects from US GAAP. The effects of the application of US GAAP to combined net inc
the table below:

IFRS profit for the period attributable to equity holders of OBS Group

US GAAP adjustments:

(a) Business combinations
(b) Pensions and other postretirement benefits
(c) Impairment of goodwill
(d) Research and development
(e) Subsequent events
(f) Tax on elimination of intercompany profits
(g) Deferred income taxes

Total US GAAP adjustments

Net income, as reported under US GAAP

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-56

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

The effects of the application of US GAAP to total invested equity, as determined under IFRS, are se

Invested equity, as reported under IFRS	
Less: minority interests, as reported under IFRS	
Invested equity excluding minority interests, as reported under IFRS	
US GAAP adjustments:	
(a) Business combinations	
(b) Pensions and other postretirement benefits	
(c) Impairment of goodwill	
(d) Research and development	
(e) Subsequent events	
(f) Tax on elimination of intercompany profits	
(g) Deferred income taxes	
Total US GAAP adjustments	
Invested equity, as determined under US GAAP	

(a) Business combinations

The aggregate adjustment for business combinations presented in the tables above consists of the foll

	For t D 2006
US GAAP adjustments:	
(1) Acquired in-process research and development	1
(2) Application of IFRS 1	

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)
		Total US GAAP adjustments	1

(1) Acquired in-process research and development

Under IFRS, in-process research and development acquired in connection with a business combinati
Business Combinations, and IAS 38. Under US GAAP, the attributable fair value of in-process resea
combination, and which has no alternative future use, is expensed as of the acquisition date in accord
Combinations, FIN No. 4, *Applicability of FASB Statement No. 2 to Business Combinations to be Ac*
SFAS No. 2, *Accounting for Research and Development Costs*.

The adjustment to invested equity included in the tables above reflects the invested equity impact of
research and development-related assets (EUR 5 million and EUR 6 million, respectively, as of the y
US GAAP purposes. The tables also reflect the reversal of amortization expense and/or impairments

F-57

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

(EUR 1 million and EUR 1 million, respectively, for each of the years ended December 31, 2006 and
subsequent periods.

(2) Application of IFRS 1

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, has been applied by th financial statements. IFRS 1 generally requires retrospective application of all IFRS standards that ar 1 permits certain exemptions and exceptions to this requirement. In particular, IFRS 1 permits compa prior to the date of their transition to IFRS (for the OBS Group as of January 1, 2004) to retain the ac principles applied prior to the adoption of IFRS.

Specifically, for certain business combinations consummated prior to January 1, 2000, the OBS Grou business combinations directly in invested equity. From January 1, 2000 through the adoption of cha IFRS, the OBS Group amortized goodwill. Under US GAAP, for all periods presented, goodwill is re subject to periodic amortization (through December 31, 2001) and subsequently periodic (at least ann

Accordingly, this adjustment reflects the reinstatement of goodwill, net of applicable accumulated am purposes as of each of the balance sheet dates presented.

(b) Pensions and other postretirement benefits

The aggregate adjustment for pensions and postretirement benefits presented in the tables above cons

	For D 2006
US GAAP adjustments:	
(1) Definition of defined contribution plan	(10
(2) Additional minimum pension liability	
(3) Application of IFRS 1 and other differences	(22
Total US GAAP adjustments	(32

(1) Definition of defined contribution plan

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Under IAS 19 (Revised), *Employee Benefits*, an arrangement qualifies as a defined contribution plan
is limited to the amount contributed by it into a separate entity (generally, a fund). This is the case re
assets to pay all employee benefits laid out in the plan agreement relating to employee service in the
focuses on the contributions to be made by the company to the plan as a whole and does not require i
contributions would be made.

Under US GAAP, SFAS No. 87, *Employers Accounting for Pensions*, states that a defined contribu
benefits in return for services rendered, establishes an individual account for each participant, and sp
the

F-58

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

individual s account are to be determined. Moreover, the benefits a participant in a defined contribu amount contributed to the participant s account, the return earned on those contributions, and forfeit allocated to the remaining participant accounts.

During 2005, Akzo Nobel reached an agreement with the unions on a change of its pension plan in th and former employees participate, so that effective December 31, 2005, it changed from a defined be IFRS, as the actuarial risks related to the Dutch plan no longer rested with the OBS Group. However prescribes for a defined contribution plan that the plan provides an individual account for each partic individual accounts per participant as it is a collective defined contribution plan. Accordingly for US plan is still accounted for as a defined benefit plan.

The adjustment to invested equity included in the table above as of December 31, 2006 and 2005 refl liability for the pension plan in accordance with SFAS No. 87. The adjustment to net income include December 31, 2006 reflects the excess of US GAAP expense calculated in accordance with SFAS N year. For the year ended December 31, 2005, the adjustment to net income in the table above reflects contributions, offset in 2005 by the gain on termination of EUR 59 million (before income taxes) rec that caused it to be accounted for as a defined contribution plan for IFRS purposes.

(2) Additional minimum pension liability

Prior to adoption of SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other I Statements No. 87, 88, 106, and 132(R),* SFAS No. 87 required employers to report a minimum pens SFAS No. 87, if the accumulated benefit obligation (ABO) exceeded the fair value of the plan s asse recognize a liability for that difference. Where required, an additional minimum pension liability was asset to the extent of any unrecognized prior service cost, with a charge through other comprehensive any excess. The concept of a minimum pension liability does not exist in IFRS. Following adoption o which requires employers to recognize in full an asset or a liability for the funded status of its define liabilities are no longer required.

(3) Application of IFRS 1 and other difference

Under IFRS, the OBS Group accounts for its pension and other postretirement benefit plans in accor *Benefits*. In addition, upon transition to IFRS as of January 1, 2004 (and in accordance with IFRS 1), of that date were recognized immediately in invested equity, with an offset to the pension liability. A the OBS Group had no deferred actuarial gains or losses. Subsequently, in accordance with IAS 19 (I policy whereby actuarial gains and losses are deferred when they initially arise (for those arising afte unrealized actuarial gains or losses exceed 10% of the greater of (i) the present value of the defined b assets, they are recognized in the combined statements of income through periodic amortization over employees participating in the plan. Otherwise, they continue to be deferred until they exceed the c

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-59

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Under US GAAP, the OBS Group accounts for its pension and postretirement benefit plans in accord
Employers Accounting for Postretirement Benefits Other than Pensions and, as from December 31,
SFAS No. 158, the OBS Group applied a corridor policy also under US GAAP. Following adopti
OBS Group continues to apply a corridor policy with respect to determination of the income stateme
funded status of the plan (defined benefit obligation less plan assets) is now recognized as a liability
losses recognized directly in invested equity.

In addition to the differences described above (principally related to the recognition of deferred actua
as of January 1, 2004 pursuant to IFRS 1), the OBS Group has also identified differences related to t
Under IFRS, IAS 19, requires that the calculation of the pension obligation, as well as the fair value
company s balance sheet date. Under US GAAP, SFAS No. 87, requires that the plan s assets and o
financial statements or, if used consistently from year to year, as of a date not more than three month
defined benefit plans utilize a September 30 measurement date for US GAAP purposes and a Decem

In the United States, the Medicare Prescription Drug Improvement and Modernization Act of 2003 i
as well as a federal subsidy to sponsors of postretirement healthcare plans, which both began on Janu
IFRS has been recognized as an asset under other financial noncurrent assets in the combined balanc
December 31, 2006 and 2005, these amounts were EUR 9 million and EUR 12 million, respectively.
netted with the postretirement healthcare benefit liability.

In connection with the change in the pension plan in the Netherlands in 2005, the OBS Group was al
loans that are to be redeemed by retaining employee pension premiums, which have been recorded a
US GAAP purposes, these items are included in the pension assets at their nominal value, and accord
been reversed. Any difference between the fair value and the nominal value of the loans has been rev

(c) Impairment of goodwill

Under IFRS, goodwill is required to be tested for impairment at least annually (and, more frequently
the cash generating unit (or group of cash generating units, if that is how goodwill is monitored inter
smallest identifiable group of assets that generates cash inflows from continuing use and that are larg
assets or groups of assets. The goodwill impairment test is a one-step test that compares the recovera
sell or value in use) of the cash generating unit to its carrying amount, with any excess of carrying a
impairment loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill
of units) and then to the other assets of the unit (or group of units) pro rata on the basis of the carryin
units). Impairment losses related to goodwill can not be reversed.

Under US GAAP, goodwill is required to be tested for impairment at least annually (and, more frequ
event) at the reporting unit level. A reporting unit is an operating segment or one level below an ope

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-60

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

goodwill impairment test is a two-step test that compares the fair value of the reporting unit to its car unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the car fair value, the second step of the goodwill impairment test is performed to measure the amount of im goodwill impairment test compares the implied fair value of reporting unit goodwill, which is determ price allocation as of the impairment testing date, to the carrying amount of that goodwill, with any e value recognized as an impairment loss. Impairment losses related to goodwill can not be reversed.

The cash generating unit is at a lower level in the operation than the reporting unit and, accordingly, not reflected under US GAAP. The adjustment included in the tables above reflects the reversal for U IFRS purposes that was not recognized for US GAAP purposes due to this differing level at which g generating unit under IFRS vs. reporting unit under US GAAP).

(d) Research and development

Under IFRS, payments made to acquire research and development-related assets outside of a busines products that are still in the research or development stage, are eligible for capitalization under IAS 3 (i) the project meets the definition of an asset, (ii) the project is identifiable and (iii) the fair value of Accordingly, under IFRS, certain up-front payments made in connection with collaboration agreeme over their estimated useful lives.

Under US GAAP, payments to acquire research and development-related assets that have no alternat date in accordance with SFAS No. 2.

The adjustment included in the tables above reflects the immediate write-off of acquired research and acquisition (EUR 4 million and EUR 28 million, respectively, for the years ended December 31, 200 by the reversal of amortization expense and/or impairments (EUR 9 million and EUR 2 million, resp December 31, 2006 and 2005) recorded for IFRS purposes in subsequent periods.

(e) Subsequent events

The aggregate adjustment for subsequent events presented in the tables above consists of the followi

Fo

20

US GAAP adjustments:

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(1) Subsequent events other than taxes
(2) Subsequent events tax-related

Total US GAAP adjustments

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(All amounts in millions of euros unless otherwise sta

Under IFRS, the OBS Group has applied IAS 10, *Events after the Balance Sheet Date*, and has adjus adjusting events identified between the time the parent company financial statements were issued financial statements were issued.

Under US GAAP, practice with respect to the preparation of carve-out financial statements is to refle the parent company, as the carve-out financial statements are an extraction of the parent company ac correction of an error. The subsequent events other than tax-related adjustments noted above primari significantly, under IAS 10, through January 1, 2004, the OBS Group recorded an aggregate provisio court cases related to its Remeron® product that had been ongoing since 2002. During 2004, the OBS (EUR 89 million). During 2005, the OBS Group settled all remaining Remeron® court cases (EUR 6 2005 by the United States District Court for the District of New Jersey. Under US GAAP, the Remer consistent with Akzo Nobel. The subsequent events for the tax-related adjustments primarily relate t transfer pricing.

Under US GAAP, the amounts have been recognized in periods consistent with Akzo Nobel. Accord reflected in the IFRS combined financial statements have been reversed under US GAAP.

(f) Tax on the elimination of intercompany profits

In accordance with IFRS (IAS 12, *Income Taxes*), the deferred tax effect of the elimination of interco the purchaser s tax rate. Under US GAAP (SFAS 109, *Accounting for Income Taxes*), no deferred ta tax base in the buyer s jurisdiction and the amount reported in the combined financial statements; ad transfers recognized by the seller are deferred in consolidation, hence eliminating the income tax effe statements of income.

For the year ended December 31, 2006, this resulted in an increase in net income of EUR 3 million a December 31, 2006 of EUR 37 million. For the year ended December 31, 2005, this resulted in a dec decrease in invested equity at December 31, 2005 of EUR 40 million.

(g) Deferred income taxes

The aggregate adjustment for income taxes presented in the tables above consists of the following ad

Fo

2

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)
		US GAAP adjustments:	
		(1) Deferred tax on in-process research and development	
		(2) Other deferred income tax impacts	
		Total US GAAP adjustments	

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS
(All amounts in millions of euros unless otherwise sta

(1) Deferred income tax on in-process research and development

Under IFRS, a deferred tax asset or liability is recognized for differences in the financial reporting ba
research and development, similar to other identifiable intangible assets, irrespective of whether the a
has basis for tax purposes. Under US GAAP (EITF 96-7, *Accounting for Deferred Taxes on In-Proce*
acquired in a Business Combination), in circumstances where there is no tax basis in the acquired in-
taxes are not provided on the initial difference between the amount assigned for financial reporting a
development is charged to expense on a gross basis (without tax benefit) at acquisition. In circumstar
in-process research and development, upon consummation of the business combination, the in-proces
charged to expense, a deferred tax asset is recognized to the extent that realizability is more likely tha

The deferred tax liability recorded under IFRS results in a corresponding increase to goodwill. Altho
equity (between IFRS and US GAAP) at the acquisition date, a reclassification adjustment is necessa
amount of the deferred tax liability recorded under IFRS in relation to acquired in-process research a
liabilities by a corresponding amount (EUR 8 million). The impact on income tax expense of this dif
and development is amortized or impaired for IFRS purposes is reversed under US GAAP.

(2) Other deferred income tax impacts

This adjustment reflects the deferred tax effects attributable to the aforementioned pre-tax adjustmen

(h) Other presentation differences

Deferred income taxes

Under IFRS, deferred tax assets and liabilities are classified as non-current on the balance sheet base

Under US GAAP, deferred tax assets and liabilities are classified as current or non-current on the bal
sheet item to which they relate (e.g. deferred taxes related to fixed assets are classified as non-curren
difference is expected to reverse). Where no related asset or liability exists (e.g. for net operating los
classified as current or non-current on the balance sheet based on the timing of their expected reversa

Oss, July 30, 2007
The Board of Management
Toon Wilderbeek

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

Independent Auditors Report

The Board of Management
Organon BioSciences N. V.

We have audited the accompanying combined balance sheets of the OBS Group, as defined in Note 1
December 31, 2006 and 2005, and the related combined statements of income, invested equity and ca
period ended December 31, 2006. These combined financial statements are the responsibility of the O
responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United Stat
that we plan and perform the audit to obtain reasonable assurance about whether the financial statem
includes consideration of internal control over financial reporting as a basis for designing audit proce
but not for the purpose of expressing an opinion on the effectiveness of the OBS Group s internal co
express no such opinion. An audit also includes examining, on a test basis, evidence supporting the a
statements, assessing the accounting policies used and significant estimates made by management, as
statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material resp
of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the ye
December 31, 2006 in conformity with International Financial Reporting Standards as adopted by the

International Financial Reporting Standards as adopted by the E.U. vary in certain significant respect
principles. Information relating to the nature and effect of such differences is presented in Note 32 to

KPMG Accountants N.V.

KPMG Accountants N. V.
Eindhoven, the Netherlands
July 30, 2007

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS Group

UNAUDITED CONDENSED COMBINED INTERIM STATEMEN
(Amounts in millions of euros)

Revenues	
Cost of sales	
Gross profit	
Selling and distribution expenses	
Research and development expenses	
General and administrative expenses	
Other operating (expense)/income	
Operating income	
Financial expense	
Financial income	
Operating income less net financing costs	
Share of profit of associates	
Profit before tax	
Income tax expense	
Profit for the period	
Attributable to:	
Equity holders of the OBS Group	
Minority interest	
Profit for the period	

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

F-65

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS Group

UNAUDITED CONDENSED COMBINED INTERIM BALAN

(Amounts in millions of euros)

	Note
ASSETS	
Property, plant and equipment, net	
Intangible assets, net	
Financial non-current assets:	
deferred tax assets	7
investments in associates	
other investments	
Total non-current assets	
Inventories, net	8
Income tax receivable	
Receivables from related parties, net	3
Trade and other receivables, net	9
Cash and cash equivalents	
Total current assets	
Total assets	
Invested Equity	
Owners net investment (including cumulative translation reserves)	10
Minority interest	
Total invested equity	
LIABILITIES	
Borrowings	14
Deferred tax liabilities	7
Provisions	12
Total non-current liabilities	
Borrowings	15

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)
		Deferred income	13
		Income tax payable	
		Payables to related parties	3
		Trade and other payables	
		Provisions	12
		Total current liabilities	
		Total liabilities	
		Total invested equity and liabilities	

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

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS Group

UNAUDITED CONDENSED COMBINED INTERIM STATEMENTS
(Amounts in millions of euros)

Profit for the period	
Adjustments to reconcile earnings to cash generated from operating activities:	
Depreciation and amortization	89
Gains on divestments	
Share of profits of associates	(1)
Changes in deferred taxes (non-cash recognized in income)	(2)
Provisions expense (non-cash recognized in income)	5
Interest expense funded by Akzo Nobel	
Corporate overhead costs funded by Akzo Nobel	
Insurance expense funded by Akzo Nobel	
Share-based payment costs funded by Akzo Nobel	3
Other	2
Operating cash flows before changes in working capital and provisions	
(Increase) in trade and other receivables	(32)
(Increase)/decrease in inventories	(20)
(Increase)/decrease in other non-current assets	2
Increase/(decrease) in trade and other payables and provisions	(5)
Increase/(decrease) income tax payable and receivable, net	77
Cash generated from operating activities	
Purchase of intangible assets	(27)
Purchase of property, plant and equipment	(94)
Proceeds from sale of interests	
Investments in associates and repayments of loans by associates	
Net cash used in investing activities	
Dividends paid to Akzo Nobel	
Share premium repayment	(350)
Cash transfers (to)/from Akzo Nobel, net	(24)
Bank overdrafts	
Increase in borrowings	30
Net cash from financing activities	
Net decrease in cash and cash equivalents	

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)
		Effect of exchange rate changes on cash and cash equivalents	
		Net decrease in cash and cash equivalents	
		Cash and cash equivalents at January 1	
		Cash and cash equivalents at June 30	

The accompanying notes are an integral part of these unau
condensed combined interim financial statements.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS Group

UNAUDITED CONDENSED COMBINED INTERIM STA
OF CHANGES IN INVESTED EQUITY
(Amounts in millions of euros)

	Owners Net Investment	Cumula Translat Reserv
Balance as of January 1, 2006	2,139	46
Changes in exchange rates in respect of foreign operations		(26)
Net income/(expense) recognized directly in equity		(26)
Profit for the period	193	
Total income/(expenses)	193	(26)
Contributions attributed to:		
Share-based payment costs funded by Akzo Nobel	2	
Interest expense funded by Akzo Nobel	15	
Corporate overhead costs funded by Akzo Nobel	14	
Insurance expense funded by Akzo Nobel	14	
Tax transfers from Akzo Nobel, net	50	
Employee benefits and other non-cash transfers, net	(3)	
Cash transfers to Akzo Nobel, net	(225)	
Balance as of June 30, 2006	2,199	20
Balance as of January 1, 2007	2,313	(2)
Changes in exchange rates in respect of foreign operations		(3)
Net income/(expense) recognized directly in equity		(3)
Profit for the period	223	
Total income/(expenses)	223	(3)
Share premium repayment	(350)	
Contributions attributed to:		
Share-based payment costs funded by Akzo Nobel	3	
Employee benefits and other non-cash transfers, net	(2)	
Cash transfers to Akzo Nobel, net	1	
Non-cash transfers to Akzo Nobel, net	(760)	
Balance as of June 30, 2007	1,428	(5)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The accompanying notes are an integral part of these unau
condensed combined interim financial statements.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FIN
(All amounts in millions of euros unless otherwise sta

Note 1 Business and Basis of Presentation

Business

In these combined interim financial statements, the human healthcare business and animal healthcare Nobel) are together referred to as the healthcare activities and references to the OBS Group o subsidiaries of Akzo Nobel that undertook the human and animal healthcare activities during the rele statements.

The OBS Group is headquartered in Oss, The Netherlands.

The human healthcare business, Organon, specializes in the discovery, development, manufacturing products. Its core therapeutic areas of expertise are contraception, fertility, hormone therapy, mental Organon business includes Nobilon, a biotechnology company dedicated to exploring opportunities i

The animal healthcare business, Intervet, offers a full range of veterinary vaccines and pharmaceutic poultry, pigs, cattle, sheep, goats, horses, cats, dogs and fish.

Following the announcement by Akzo Nobel that it intends to separate its healthcare activities from t incorporated Organon BioSciences N.V. (OBS N.V.) on September 1, 2006 as a public company incorporated under the laws of The Netherlands with an authorized share capital of EUR 225 thousan thousand.

On September 30, 2006 Akzo Nobel contributed to OBS N.V., through a contribution in kind, the sh BioSciences International B.V. and Organon BioSciences Nederland B.V., in exchange for 24,955,0 value of EUR 1.00 (one euro) per share. As per the date of this contribution, OBS N.V. had an autho issued share capital of EUR 25 million.

On March 12, 2007, Schering-Plough Corporation (Schering-Plough) announced that its board of will acquire OBS N.V. from Akzo Nobel.

These combined financial statements were authorized on July 30, 2007 by the Board of Directors of

Basis of Presentation

These combined financial statements reflect all of the assets, liabilities, revenues, expenses, and cash entities forming part of the OBS Group are as follows:

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Legal Entity	
Organon BioSciences N.V.	Th
Organon BioSciences Nederland B.V.(*)	Th
Organon BioSciences International B.V. (**)	Th
Intervet International B.V	Th
Intervet Inc.	U
Intervet International GmbH	G
Intervet UK Ltd	U

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

Legal Entity	
Laboratories Intervet S.A.	Sp
Hydrochemie GmbH	Ge
Intervet Australia Pty Ltd	Au
Intervet Deutschland GmbH	Ge
Intervet Innovation GmbH	Ge
Intervet do Brasil Veterinaria Ltda(***)	Br
Intervet Mexico S.A. de CV	Me
Intervet S.A.	Fra
Intervet Productions S.A.	Fra
Intervet Pharma R&D S.A.	Fra
Intervet (Italia) S.r.l	Ita
Intervet UK Production Ltd	UK
Intervet Holding B.V	Th
Intervet Nederland B.V	Th
Intervet KK	Jap
Nobilon International B.V	Th
N.V. Organon	Th
Organon (Ireland) Ltd. (****)	Ire
Organon International Inc.	US
Organon USA Inc.	US
Organon S.A.	Fra
Nippon Organon KK	Jap
Organon GmbH	Ge
Organon Laboratories Ltd.	UK
Organon Espanola S.A.	Sp
Organon Italia S.p.A.	Ita
Organon do Brasil Indústria e Comercio Ltda	Br
Organon Ilaclari A.S	Tu
Organon Holding B.V	Th
Organon Nederland B.V	Th
Organon Canada Ltd.	Ca
Multilan AG	Sw
Diosynth RTP Inc.	US

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(*) Formerly Akzo Nobel Pharma B.V.

(**) Formerly Akzo Nobel Pharma International B.V.

(***) Represent the Intervet division of Akzo Nobel Ltda, the combined financial statements expenses and cash flows of this legal entity that pertain directly to healthcare activities. entity was incorporated in a separate entity (Intervet do Brasil Veterinaria Ltda), which remaining business of Akzo Nobel Ltda is not related to healthcare activities and are no

(****) Including Organon Ireland Swiss Branch

These combined financial statements exclude the assets, liabilities, revenues, expenses and cash flow thereof) not relating to the healthcare activities.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

During the six months ended June 30, 2006, the OBS Group divested Crina S.A., one of the remainin
portfolio. These combined interim financial statements reflect the revenues, expenses, and cash flow

The OBS Group has historically operated as an integrated part of Akzo Nobel and within the Akzo N
interim financial statements have been prepared on a carve-out basis from the consolidated financ
financial position and performance of the OBS Group as if the OBS Group has existed, as of and dur
2006, and as if International Accounting Standard (IAS) 27, *Consolidated and Separate Financia*
combined financial statements included herein may not necessarily be indicative of the OBS Group
flows had the OBS Group operated as a separate entity during the periods presented or for future per

As described above, these combined interim financial statements reflect the assets, liabilities, revenu
Under the carve-out basis of preparation, these combined interim financial statements as of and fo
allocations for various expenses, including corporate administrative expenses, as well as an allocatio
maintained by Akzo Nobel, but not recorded in the accounts of the OBS Group. These include, amo
expense, certain deferred and current income tax assets and liabilities, liabilities for certain compens
various allocation methodologies for corporate expenses, insurance, interest expense, share based pa
expenses are discussed in Notes 3, 3, 6, 11, and 12, respectively. Management of the OBS Group co
a reasonable basis, but may not necessarily be indicative of the costs that could have been incurred i
basis. After January 1, 2007, some of the finance and supporting corporate activities are no longer be
those expenses relating to issues maintained at Akzo Nobel are included in the combined financial st
June 30, 2007.

Through December 2006, Akzo Nobel used a centralized approach to manage cash and to finance th
debt and cash and cash equivalents maintained at Akzo Nobel are not included in the combined inter
combined statement of income for the six months ended June 30, 2006 includes an allocation of Akz
Note 6. The OBS Group s financing requirements are represented by cash transactions with Akzo N
combined balance sheet at December 31, 2006.

The invested equity balance in these combined interim financial statements of the OBS Group consti
OBS Group and represents the excess of total assets over total liabilities until December 31, 2006. In
allocations from Akzo Nobel and the funding of the OBS Group s operations through the in-house b
to and from related parties with Akzo Nobel, and the OBS Group s cumulative net income, includin
February 28, 2007, Akzo Nobel no longer provided financing support for the OBS Group s operatio
result, there are no cash transactions with Akzo Nobel reflected in invested equity in the combined b
equity does not constitute any contract that evidences a residual interest in the assets after deducting
Financial Statements: Disclosure and Presentation.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

Prior to January 1, 2007 certain OBS Group companies were located in countries where they were in entities within the respective entity s tax jurisdiction. The current tax payable or receivable of these amount to be paid to or to be received from the country tax leading holding company of Akzo Nobel financial statements it is assumed that only the current period is outstanding.

The combined statements of cash flows have been prepared under the indirect method in accordance *Statements*. The combined statement of cash flows exclude currency translation differences, which ar liabilities of non-Euro companies to euros at period-end exchange rates (except for those arising on c adjusted for non-cash transactions.

Akzo Nobel and the OBS Group have identified certain issues and areas that in preparation of and fo agreeable arrangements between them. These issues and areas have been included in a separation agr 2007. Note 20 provides further explanation on the separation agreement.

As a result of the foregoing, among other things, the combined financial statements included herein r OBS Group s financial position, results of operations, or cash flows had the OBS Group operated or or for future periods. Further, the combined financial statements do not reflect the financial impact o Akzo Nobel on a stand alone basis.

The combined interim financial statements of the OBS Group have been prepared in accordance with combined financial statements as of and for the six months ended June 30, 2007 and 2006 are unaudi management, the unaudited combined interim financial statements reflect all normal recurring adjust combined financial position, the combined results of operations and the combined cash flows of the C presented. Certain information and footnote disclosures normally included in financial statements pre Financial Reporting Standards as adopted by the European Union (IFRS) have been condensed or not differ from IFRS as provided by the International Accounting Standards Board (IASB). Altho are adequate to make the information presented not misleading, these unaudited combined financial s the audited combined interim financial statements and the notes thereto for the years ended Decembe

The OBS Group s business is not significantly impacted by seasonality. However, the results of ope and 2006 should not be taken as indicative of the results of operations that may be expected for the fu

These combined interim financial statements are presented in euro, which is the functional currency c are in millions of euros except headcount or unless otherwise stated. IFRS as applied by the OBS Gro accounting principles generally accepted in the United States of America (US GAAP). The effects Note 21.

Note 2 Significant Accounting Policies

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The accounting policies applied by the OBS Group in the preparation of the accompanying combined
those applied by the OBS Group in its

F-72

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

combined financial statements as of and for the year ended December 31, 2006. The OBS Group has standards for the six months ended June 30, 2007.

Foreign currency translation

The main exchange rates against euros used in the preparation of the combined balance sheets and th

	Combined Balance Shee June 30, 2007	De
USD	1.345	
GBP	0.672	
CHF	1.657	

Note 3 Related Parties

The combined interim financial statements include transactions with related parties. The OBS Group its subsidiaries. Furthermore, Akzo Nobel provided corporate services for the combined financial sta believes that product transfers between OBS Group and Akzo Nobel Group were made at arm s leng and the OBS Group entered into a EUR 1.150 billion loan. Under the loan agreement, the maturity da loan bears an interest rate of 6-months EURIBOR + 0.15% that accrues on the amount owed, from M inclusive). The entire principal amount of the loan not yet repaid to Akzo Nobel shall be due for imm or formality being required should, amongst other matters any other indebtedness of the OBS Group maturity by reason of any default by the OBS Group in the due performance or observance of any ob indebtedness is not material in the context of the loan agreement. The loan is included in payables to of June 30, 2007.

In the six month period ended June 30 2007, the OBS Group made several cash loans to Akzo Nobel substantially equivalent to the terms of the aforesaid related party loan. These cash loans are include combined balance sheet as of June 30, 2007.

Sales and purchases of goods and services to and from Akzo Nobel and its subsidiaries were not sign and 2006. At June 30, 2007 and December 31, 2006, the OBS Group had receivables from Akzo Nob EUR 11 million, respectively. These amounts are reflected in receivables from related parties in the c

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

December 31, 2006, the OBS Group had payables to Akzo Nobel and its subsidiaries of EUR 1,163 r
amounts are reflected in payables to related parties in the combined balance sheets.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

In addition, the OBS Group purchases and sells goods and services to and from two other related par
50% equity interest (associates). Such transactions were not significant on an individual or aggregate
and 2006. These transactions were conducted at arm s length with terms comparable to transactions

General and administrative expenses for the six months ended June 30, 2006 include allocated corpo
approximating EUR 14 million. These costs are primarily related to Akzo Nobel s corporate admini
generally allocated based on a combination of the ratio of the OBS Group s annual revenues, gross p
Akzo Nobel s comparable consolidated revenues, gross profit, and property, plant, and equipment. M
been made on a reasonable basis, but may not necessarily be indicative of the costs had the OBS Gro
periods presented. In addition, Akzo Nobel has incurred specific costs that are directly related to the
the OBS Group based upon actual costs incurred by Akzo Nobel. For the six months ended June 30,
amounted to nil and EUR 1 million respectively.

Through December 31, 2006, Akzo Nobel incurred certain insurance costs on behalf of the OBS Gro
premiums, costs related to insurance claims and certain administrative (insurance) services. Akzo No
in-house insurer that incurs the risk partially by themselves as well as insuring the risk partially with
months ended June 30, 2006, Akzo Nobel had allocated EUR 14 million to the OBS Group for total i
allocated based on the risk profiles of the OBS Group compared to the risk profiles of other Akzo No
based on the nature and operations of the various subsidiaries that are included in the OBS Group. M
been made on a reasonable basis, but may not necessarily be indicative of the costs had the OBS Gro
January 1, 2007, the OBS Group has its own insurance department which acts as an in-house insurer
insurance companies and Akzo Nobel s in-house insurance department acts as an insurance broker o
fee.

Through December 31, 2006, some of the OBS Group entities formed part of a fiscal unity headed by
instances, the Akzo Nobel tax leading company filed the tax return and settled the taxes with the resp
tax provisions related to the these OBS Group companies were calculated using a method as if these
return. As of January 1, 2007, the OBS is solely responsible for the filing and settlement of its compa
and Separation, for tax settlements of the OBS Group for prior years which have been indemnified by

Through December 31, 2006, Akzo Nobel used a centralized approach to manage cash and to finance
certain debt and cash and cash equivalents maintained at Akzo Nobel were not included in the combi
The OBS Group s funding from Akzo Nobel through in-house banking and cash pooling and loans t
reflected in invested equity in the combined balance sheet at December 31, 2006. As of January 1, 20
support for the OBS Group s operations other than via the related party loan, and therefore there are
equity in the combined balance sheet as of

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

June 30, 2007. All cash and cash equivalents reflected in these combined financial statements at June Group.

The combined statement of income for the six months ended June 30, 2006 includes an allocation of EUR 15 million. The allocation was principally based on the daily average outstanding cash balance cash accounts using a rate applicable to the underlying currency. While interest expense has been all OBS Group; therefore, no allocation of Akzo Nobel s general corporate debt has been made in the c all transactions with Akzo Nobel were settled via invested equity. There were no such interest alloca Akzo Nobel no longer finances the OBS Group s operations other than via the related party loan. Th months ended June 30, 2007 includes EUR 18 million of interest expense related to the aforementio on February 28, 2007.

Prior to January 1, 2007, the OBS Group entered into derivative contracts with Akzo Nobel to mana December 31, 2006 the outstanding contracts with Akzo Nobel to buy currencies had notional value Nobel to sell currencies had notional values of EUR 57 million. As of January 1, 2007, the OBS Gro derivative contracts with third parties.

The OBS Group had various net loan receivables with Akzo Nobel which amounted to EUR 289 mi combined balance sheet at December 31, 2006. These loans had interest at rates ranging from 3.9% t included in invested equity as of June 30, 2007.

In the ordinary course of business, the OBS Group has transactions with various organizations with Management are associated, but no transactions were conducted in 2006 or for the six months ended transactions with members of the Board of Management, any other senior management personnel or loans have been extended to members of the Board of Management, any other senior management pe Certain members of the OBS Group s Board of Management are also members of Akzo Nobel s Bo

Guarantees

Through December 31, 2006, Akzo Nobel was jointly and severally liable for contractual debts of ce these combined financial statements. These debts, provisions, and payables, at December 31, 2006, a in the combined balance sheet as of December 31, 2006. In addition, Akzo Nobel issued guarantees amount of EUR 221 million and EUR 252 million as of June 30, 2007 and December 31, 2006, resp Nobel in relation to the filing exemption for certain Irish companies under section 5(c) of the Compa

As of January 1, 2007, Akzo Nobel established an umbrella facility of EUR 80 million on behalf of t OBS Group. The OBS Group issued guarantees of EUR 71 million to third parties during the six mo

Note 4 Segment Information

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Segment information is presented in respect of the OBS Group s business segments. The primary se
segments of the OBS Group, whereby the business

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

segments are engaged in providing products or services which are subject to risks and rewards which segments. In determining whether products and services are related, aspects such as the nature of the production processes, and the type or class of customers and end users, for the products or services a are Organon and Intervet which also reflects the management structure of the OBS Group. The secon geographical areas in which the OBS Group operates, whereby segment revenue is based on the geog assets are based on the geographical location of the assets.

The identification of segments is based on the way the business units are currently managed (compos responsibilities) as well as the content of management information used to allocate resources within t are affected predominately by differences in its businesses, Organon and Intervet, and not by the fact countries.

Segment revenues and results include items directly attributable to a segment as well as those that ca

	For the Six Months Ended				
	Revenues from Third Parties		Group Revenues		Ope In
	2007	2006	2007	2006	2007
Organon	1,253	1,308	1,267	1,321	195
Intervet	606	562	606	562	128
	1,859	1,870	1,873	1,883	323
Inter-segment revenues			(14)	(13)	
			1,859	1,870	

Note 5 Other Operating (Expense) Income

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Results on sale of redundant assets
Currency exchange differences
impairment charges
Legal charges
Results on divestments
Other income/(expense)

In 2006, the results on divestments of EUR 6 million relate to the gain on Intervet s divestment of o

Note 6 Financial Expense and Income

Through December 31, 2006, Akzo Nobel used a centralized approach for cash management and to f
2006, cash deposits were remitted to Akzo Nobel on

F-76

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

a regular basis and reflected within invested equity in the combined balance sheet. Similarly, the OB through Akzo Nobel s cash accounts.

As a result, certain debt and cash and cash equivalents maintained by Akzo Nobel were not included December 31, 2006. The OBS Group s financing requirements were represented by cash transaction equity in the combined balance sheet at December 31, 2006.

Through December 31, 2006, interest expense allocations from Akzo Nobel were allocated principall balance funded to the OBS Group through Akzo Nobel s cash accounts using a rate applicable to the to 7.7% for the six months ended June 30, 2006. For the six months ended June 30, 2006 interest exp the OBS Group and is included in the combined interim statement of income.

In addition through December 31, 2006, management had determined that no debt maintained at the entirely to the OBS Group businesses, nor did the OBS Group guarantee or pledge its assets as collat management felt that there was no need to push down debt to the combined financial statements of th Nevertheless, as described above, interest expense had been allocated and reflected in the combined the OBS Group did receive cash advances from Akzo Nobel.

As of February 28, 2007, Akzo Nobel no longer provides financing to the OBS Group other than via longer any loans from/to Akzo Nobel included in invested equity in the combined balance sheet as o financing arrangements with third parties on its own behalf and reflects those as liabilities in the com incurred in conjunction with these borrowings has been reflected in the combined interim statement o for the six months ended June 30, 2007 is related to the aforementioned EUR 1.150 billion loan with

Financial expense and income consist of the following:

For the six months ended June 30,
Financial expenses
Interest expense related parties
Interest expenses other
Financial income
Interest income related parties
Interest income other

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Interest expense is reduced by EUR 1 million and nil for the six months ended June 30, 2007 and 20
capital investment projects under construction.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

Note 7 Taxes

Profit before tax amounted to EUR 303 million and EUR 265 million for the six months ended June
(charges)/benefits are included in the combined interim statement of income as follows:

For the six months ended June 30,
Tax on operating income less financing costs
Tax associates

The classification of current and deferred tax (charges)/benefits in the combined statement of income

For the six months ended June 30,
Current tax:
for the six month period
adjustments for prior periods

Deferred tax:
origination and reversal of temporary differences
tax losses not recognized

The reconciliation of the statutory tax rate in the Netherlands to the effective combined tax rate is as

For the six months ended June 30,

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Statutory tax rate in The Netherlands
Effect of different rates in foreign countries
Adjustments for prior years

In assessing the realizability of the deferred tax assets, management considers whether it is probable
assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the g
periods in which those temporary differences become deductible. Management considers the schedul
future taxable income, and tax planning strategies in making this assessment. The amount of the defe
could change in the near term if future estimates of projected taxable income during the carry-forwar

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off ta
deferred tax assets and liabilities relate to the same tax authority.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

The movement in deferred tax assets and liabilities during the periods are as follows:

	Balance December 31, 2006	Changes in Exchange Rates
Intangible assets	26	
Property, plant and equipment	8	(1)
Inventories	98	
Trade and other receivables	4	
Provisions:		
restructuring	1	
other provisions	85	(1)
Other items	21	
Net operating loss carry-forwards	13	
Net deferred tax asset/liabilities	256	(2)

	Balance December 31, 2005	Changes in Exchange Rates
Intangible assets	61	(3)
Property, plant and equipment	12	(2)
Inventories	86	
Trade and other receivables	8	
Provisions:		
restructuring		
other provisions	128	(2)
Other items	14	(2)
Net operating loss carry-forwards	22	(1)
Net deferred tax asset/liabilities	331	(10)

Classification of the deferred tax assets and liabilities in the combined balance sheets, which is deter

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Deferred tax assets
Deferred tax liabilities

Income tax receivable and payable have been offset in cases where there is a legally enforceable righ
liability and when the intention exists to settle on a net basis or to realize the receivable and payable

Income tax receivable of EUR 26 million and EUR 74 million at June 30, 2007 and December 31, 20
income taxes recoverable in respect of current and prior

F-79

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

periods. As of June 30, 2007 and December 31, 2006, income tax receivable from Akzo Nobel entiti included in the income tax receivable in the combined balance sheets.

Income tax payable of EUR 131 million and EUR 133 million at June 30, 2007 and December 31, 20 payable for current and prior periods to the tax authorities.

Note 8 Inventories, net

For the six months ended June 30, 2007 and 2006, EUR 2 million and EUR 11 million, respectively, statements of income for the write-down of inventories to its net realizable value, while EUR 1 milli write-downs were reversed in the period of sale. There are no inventories subject to retention or title

Additionally, for the six-months ended June 30, 2007 and 2006, the OBS Group recorded an expense of EUR 30 million and EUR 26 million, respectively, related to the impairment of obsolete inventori

Note 9 Trade and Other Receivables, net

Trade receivables are shown net of impairment losses of EUR 12 million and EUR 15 million at June respectively. In the six months ended June 30, 2007 and 2006, the OBS Group recorded net additions EUR 2 million in the combined interim statements of income, respectively.

Note 10 Invested Equity

Prior to January 1, 2007, the invested equity balance in the combined financial statements of the OBS the OBS Group and represent the excess of total assets over total liabilities. Invested equity includes Nobel and the funding of the OBS Group activities through the in-house banking and cash pooling ar Nobel, and the OBS Group s cumulative net income, including income directly recognized in invest no longer provides financing support for the OBS Group s operations other than via the related party transactions with Akzo Nobel nor allocations from Akzo Nobel reflected in the invested equity in the Invested equity does not constitute any contract that evidences a residual interest in the assets after d

Cumulative translation reserves

The cumulative translation reserves comprise all foreign currency differences arising from the transla net investments in foreign subsidiaries.

Assets and liabilities of foreign subsidiaries are translated into euros at exchange rates on the balance translated into euros at rates approximating the foreign exchange rates ruling at the dates of the trans translation into euros of invested equities and of intercompany loans of a permanent nature with resp

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

recorded within invested equity. Upon disposal or liquidation of a foreign entity, these cumulative tra
or expense.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

A description of the amounts recorded in invested equity is as follows:

Share-based payment costs funded by Akzo Nobel

The share-based payment costs funded by Akzo Nobel represent share-based payment expenses, allo
OBS Group employees who participate in the Akzo Nobel share plans. See Note 11.

Interest expense funded by Akzo Nobel

The interest expense funded by Akzo Nobel represents interest charges allocated to the OBS Group b
the OBS Group by Akzo Nobel. See Note 3 and Note 6.

Corporate overhead costs funded by Akzo Nobel

The corporate overhead costs funded by Akzo Nobel represents an allocation of charges to the OBS
corporate administrative costs, on behalf of the business units of the OBS Group. See Note 3.

Insurance expense funded by Akzo Nobel

The insurance expense funded by Akzo Nobel represents insurance expenses incurred by Akzo Nobe
allocated to the OBS Group. See Note 3.

Tax transfers from/(to) Akzo Nobel

The tax transfers from/(to) Akzo Nobel represent intercompany tax payments and settlements, from a
leading holding companies.

Employee benefits and other non-cash transfers

These amounts primarily represent allocations of employee benefit related assets and liabilities in reg
Nobel on behalf of the OBS Group.

Cash transfers from/(to) Akzo Nobel

The cash transfers from/(to) Akzo Nobel consist of group contributions from or to Akzo Nobel, capit
movement of funding by Akzo Nobel and intra group movements. As of December 31, 2006, investe
by Akzo Nobel which does not have the characteristics of debt. Also, as of December 31, 2006, inve
loans due from and due to related parties.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Note 11 Share-Based Payments

Akzo Nobel sponsors the following stock options plans and share plans in which certain employees o
share-based payment plans are Akzo Nobel plans, amounts have been recognized through invested e

Stock Option Plans

Akzo Nobel grants options to all members of the Board of Management, senior vice presidents and e
are exercisable after three years. The options granted to senior vice presidents and executives expire
onwards expire after seven years. Options granted to members of the Board of Management from 20
from 2003 onwards expire after seven years. All

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

outstanding options issued from 1999 cannot be exercised during the first three years. One option ent N.V. common share or one American Depository Share (ADS). The exercise price is the Euronext Akzo Nobel share is quoted ex dividend or the opening price for an ADS on NASDAQ/NMS on the dividend. Also, for the options granted since 2005, certain economic value added performance criteri Through June 30, 2005, the option holder could also request that the option be cash settled.

Since 2005, Akzo Nobel grants performance related stock options to executives. Under this plan, exe options, under shareholder approval, whose vesting is conditional on the achievement of financial pe Value Added on Invested Capital (EOI). The percentage of granted, contingent options that vest d three-year period. One option entitles the holder thereof to buy one Akzo Nobel N.V. common share that the option be cash settled.

These option plans could be cash settled through July 1, 2005, and were modified as of this date to be service received in return for share options granted are measured by reference to the fair value of sha Group recognized at each balance sheet the fair value of the options outstanding per that date, taking three-year vesting period. The change in this fair value was recognized in income. Compensation exp been recognized under these plans for the six months ended June 30, 2007 and 2006, respectively.

Performance Share Plan (Executives and Board of Management)

In 2004, Akzo Nobel introduced a conditional performance stock option plan for the Board of Manag Under this plan, members of the Board of Management and executives were granted a conditional nu conditional on the achievement of performance targets, expressed as Total Shareholder Return (TSI of competitors during the relative performance period. The percentage of granted, contingent shares t to those of competitors, achieved during the three-year vesting period. The awards will be satisfied b exceptional cases, by means of a cash payment.

Due to the performance criteria of the share plan, the OBS Group bases compensation expense on the that are expected to vest and revises that estimate, if necessary, if subsequent information indicates th initial estimates. Management expects the conditional shares granted to vest based on available infor EUR 1 million has been recognized during the six months ended June 30, 2007 and 2006, respectivel

During the six months ended June 30, 2007, Akzo Nobel has conditionally decided to settle the outst stock price of Akzo Nobel at the day of the closing of the transaction with Schering-Plough. The sett closing of the transaction with Schering-Plough and will take place in the month after the closing dat sponsor of the plans, and any expenses related to the OBS Group will be accounted for by the OBS C new awards during 2007 to OBS Group employees, however, awards conditional on the closing of th

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-82

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

were granted to OBS Group executives. These awards will be settled in cash, subsequent to the closi

Akzo Nobel has estimated that the total conditional settlement would approximate EUR 9 million, of
based on current factors. No cash payments will be made by Akzo Nobel until the close of the transa
expense of EUR 2 million has been recognized in the combined statement of income for this change

The following is a summary of activity pertaining to the OBS Group employees that participated in t
plans:

	Outstanding
Balance at December 31, 2005	
Options granted	
Options exercised	
Options forfeited	
Balance at June 30, 2006	
Balance at December 31, 2006	
Options exercised	
Options forfeited	
Balance at June 30, 2007	

The following is a summary of activity pertaining to the OBS Group executives and Board of Manag
performance share plan:

	Outstanding
Balance at June 30, 2006	
Balance at June 30, 2007	

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Fair value and assumptions used

The expected value of performance stock options for the Board of Management and executives is bas using certain assumptions. These assumptions were used for these calculations only, and do not nece expectations of future developments. In addition, option valuation models require the input of highly share price volatility. The OBS Group s employee stock options have characteristics significantly di in the subjective assumptions used for the calculation can materially affect the fair value estimate.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

The fair value and the assumptions used for the options granted were as follows, for the six months e

Fair value at measurement date
Share price at measurement date
Exercise price
Expected share price volatility (%)
Expected option life (years)
Expected dividend yield (%)
Risk free interest rate (%)

The expected volatility is based on the historic volatility (calculated based on the weighted average r any expected changes to future volatility due to publicly available information. Share options are gra performance condition. Such conditions are not taken into account in the grant date fair value measur associated with the share option grants.

The grant date fair value of the performance shares is amortized as an expense over the three-year ve based on the Monte Carlo simulation model taking market conditions into account. The value was ca EUR 16.80 for the performance shares conditionally granted during the six months ended June 30, 20

Note 12 Provisions

Provisions consist of the following at June 30, 2007 and December 31, 2006, including current portio

Pensions and other postretirement benefits
Restructuring of activities
Other

Provisions for pensions and other postretirement benefits

The majority of the OBS Group employees participate in Akzo Nobel defined benefit pension plans, postretirement benefit plans which provide benefits to employees and former employees of both the C

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

In these plans, the assets and liabilities that relate to employees (and former employees) of the OBS C
employees (and former employees) of other Akzo Nobel businesses.

The OBS Group has obtained information about each of these Akzo Nobel plans measured in accord
that apply to each of the plans as a whole, and used a reasonable allocation method to determine the C
liabilities and benefit costs under IAS 19. For each of these plans, the defined benefit obligation (at e
contributions, benefit payments, and impact of special events (in each accounting period), relating to
approximate

F-84

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

actuarial techniques which take into account the membership profile of OBS Group participants com in the plan as a whole. Plan assets at each balance sheet date have generally been split in the same pr

Management believes that such allocations have been made on a reasonable basis, but may not neces these pension plans in the future.

Furthermore, some OBS Group employees participate in stand-alone OBS Group pension and other p expenses, assets and liabilities for these plans are accounted for in the OBS Group businesses in acco

The defined benefit pension plans in which the OBS Group s employees participate generally provid employees compensation. The funding policies for the plans are consistent with local requirements under the plans are systematically provided for by depositing funds with trustees or separate foundati sheet provisions. Plan assets principally consist of long-term interest-earning investments, quoted eq

A number of OBS Group s current and former employees participate in Akzo Nobel postretirement Group has accrued for the expected costs of providing such postretirement benefits during the years t services.

Valuations of the obligations under the pension and other postretirement benefit plans are carried out applied are based on yields available on high quality corporate bonds that have currencies and terms terms of the OBS Group s obligations.

During 2006, Akzo Nobel closed their US and Canadian defined benefit pension plans in which OBS participate to further accrual and implemented defined contribution plans for future benefit provision qualification requirements and changed the existing level of benefits in its US postretirement welfare former employees participate. Due to these changes, the OBS Group s provision for pensions and ot EUR 29 million, which was recorded in the combined statements of income during the year ended D

During 2005, Akzo Nobel reached agreement with the unions on a change of its pension plan in The 2005, it changed from a defined benefit plan to a defined contribution plan. In connection with this c nonrefundable contribution of EUR 151 million, prepaid EUR 50 million in July 2005 of loans which premiums, and granted a EUR 100 million subordinated loan in September 2005, that had a fair valu December 31, 2006, Akzo Nobel allocated EUR 4 million and EUR 8 million of the loans, respective employee pension premiums, and EUR 33 million and EUR 33 million, respectively, of the fair valu based on the ratio of the OBS Group s plan liabilities to the total Akzo Nobel Pension Fund liabilitie is reasonable.

At June 30, 2007 and December 31, 2006, the pension and postretirement provisions are EUR 266 m have been recorded as provisions in the combined balance sheets.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

In the United States, the Medicare Prescription Drug Improvement and Modernization Act of 2003 in as well as a federal subsidy to sponsors of postretirement healthcare plans, which both began at Janu recognized as an asset under other financial non-current assets in the combined balance sheets and is December 31, 2006, this value was EUR 9 million and EUR 9 million, respectively.

The net periodic pension costs for the defined benefit pension plans for the six months ended June 30 EUR 21 million, respectively.

Provisions for restructuring of activities

Provisions for restructuring of activities comprise accruals for certain employee benefits and for cost specific activities and closing down of facilities. For all restructurings a detailed formal plan exists, a the plan has been announced. Most restructuring activities relate to relatively smaller restructurings, years from the balance sheet date. However, for certain plans payments of termination benefits to for

Other provisions

Other provisions relate to a great variety of risks and commitments, including provisions for other lo leave and jubilee payments, provisions for environmental costs, provision for returns, allowances and December 31, 2006, the OBS Group has recorded a provision of EUR 11 million for returns and allo see Note 17.

The majority of the cash outflows related to other provisions are expected to be within 1 to 5 years. I rate average of 5% has been used.

Note 13 Deferred Income

In December 2003, the OBS Group received an initial payment of EUR 88 million from Pfizer for th for asenapine. Such payments are to be reported as deferred income and to be recognized as revenue recognition is based on the estimated co-development costs expected to be incurred over the co-deve terminated in May 2007, all amounts have been recognized in income as of June 30, 2007.

Note 14 Borrowings (Non-current)

Debt to credit institutions

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Other borrowings

The weighted average effective interest rate approximated 5.9% for the six months ended June 30, 20

At June 30, 2007 and December 31, 2006, none of the borrowings were secured by means of mortgag

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

Note 15 Borrowings (Current)

Debt to credit institutions
Current portion of borrowings

Note 16 Financial Instruments

Foreign exchange risk management

The OBS Group enters into forward exchange contracts with Akzo Nobel and with third parties to he
financing transactions denominated in currencies other than the functional currency of the subsidiary
currency hedging activities is to protect the OBS Group from the risk that the eventual functional cur
trade or financing transactions are adversely affected by changes in exchange rates. Most forward ex
maturity of less than one year. Where necessary, the forward exchange contracts are rolled over at m
instruments to hedge the translation risk related to equity, intercompany loans of a permanent nature,
derivatives are not used for speculative purposes.

At June 30, 2007 and December 31, 2006, the notional value of outstanding contracts to buy currenc
EUR 21 million, respectively, while contracts to sell currencies totalled EUR 361 million and EUR 5
relate to the U.S. dollar, Australian dollar, Swiss franc, Swedish kronor, Norwegian kronor, Polish zl
having maturities within one year.

Interest risk management

The subordinated loan to the Akzo Nobel Pension Fund is sensitive to changes in interest rates. The C
is EUR 36 million and the expected maturity is subsequent to 2010 with an average interest rate of 3.
value of the loan and estimated fair value is EUR 33 million with an effective interest rate of 5.1%.

Credit risk

The OBS Group has a credit risk management policy in place. The exposure to credit risk is monitore
performed on all customers requiring credit. Generally the OBS Group does not require collateral in

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Investments in cash and cash equivalents are entered into with counterparties which have a high cred
set. Transactions involving derivative financial instruments are with counterparties with sound credit
contractual netting agreements. The OBS Group has no reason to expect non-performance by the cou

Due to the geographical spread of the OBS Group and the diversity of its customers, at the balance sl
significant concentration of credit risks. The maximum exposure to credit risk is represented by the c
including derivative financial instruments, in the combined balance sheet.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

Sensitivity analysis

By managing currency risks, the OBS Group aims to reduce the impact of short-term fluctuations on
longer-term, however, permanent changes in foreign exchange and interest rates would have an impa

At June 30, 2007 the decrease in the OBS Group s profit before tax as a result of a general increase
not be significant. Cash and cash equivalent and short-term borrowings have been included in this as

Fair value of financial instruments

The estimated fair values at June 30, 2007 of non-current borrowings and the subordinated loan to th
carrying values. The fair value of the OBS Group s non-current borrowings was estimated based on
issues or on the current rates offered to the OBS Group for debt with similar maturities.

The fair value of forward exchange contracts is determined using quoted forward exchange rates at th

At June 30, 2007 and December 31, 2006 the OBS Group s forward exchange contracts were recogn

The carrying amounts of cash and cash equivalents, receivables, current borrowings, and other curren
short maturity period of those instruments.

Note 17 Contingent Liabilities and Commitments

Environmental matters

The OBS Group is confronted with costs arising out of environmental laws and regulations, which in
effects on the environment of the disposal or release of certain wastes or substances at various sites. I
such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending

It is the OBS Group s policy to accrue and charge against earnings environmental cleanup costs whe
an amount is reasonably estimable. These accruals are reviewed periodically and adjusted, if necessa
additional information becomes available. Environmental liabilities can change substantially due to t
nature or extent of the contamination, the necessity of employing particular methods of remediation,
parties, or other factors of a similar nature. Cash expenditures often lag behind the period in which ar

The provisions for environmental costs accounted for in accordance with the aforesaid policies aggre
2007 and as of December 31, 2006, respectively. The provision has been discounted using an averag

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The OBS Group has certain asset retirement obligations for which the timing of settlement is conditi
facility. At this time, there are no specific plans for the closure of these related facilities, and the OBS
improvements to the assets as necessary that would extend their lives indefinitely. Furthermore, the s

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

have not been specified by law, regulation or contract. As a result, the OBS Group is unable to estim plan for any of these facilities is initiated in the future, the settlement dates will become determinable an asset retirement obligation will be recorded.

While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonabl provisions for environmental costs which, in management s opinion, based on information currently the OBS Group s financial position and liquidity but could be material to the OBS Group s results c

Antitrust

In 1999, the Brazilian Consumer Authority commenced action against Hoechst Roussel Vet, a veteri Brazilian Consumer Authority demanded the OBS Group to justify the prices charged for FMD vacc February 1, 2001, the Secretariat for Economic Monitoring issued a technical opinion recommending was no proof of the alleged conduct. An economic survey justifying the pricing and documentation w Justice in May 2005. However, no final report and opinion has been published at this time. The maxi could impose on Intervet is 30% of the total gross revenue of the Brazilian subsidiary in the year befo to less than EUR 10 million.

Also in 1999, the Brazilian Antitrust Authority commenced an investigation into Organon s Brazilia companies to investigate alleged collusion on their part against generic manufacturers of pharmaceut decision was issued in October 2005, and each pharmaceutical company, including our subsidiary, w of total gross revenue (free from tax) in the year before the infraction. This amount has not yet been c provision in the amount of approximately EUR 0.8 million.

Litigation

During 2005, the State of Alabama, the State of Mississippi, and 41 counties (now 42 counties) and N separately brought claims against up to approximately 80 pharmaceutical manufacturers, including O predecessor of our United States subsidiary Organon Pharmaceuticals U.S.A Inc. LLC and Organon case of the State of Mississippi, conspiracy to commit such fraud, in violation of state, federal, and/o defendants committed fraud and were unjustly enriched by intentionally setting false and inflated ave products, which is the basis for Medicaid reimbursement. The plaintiffs further allege that such produ physicians and/or pharmacy chain stores in such a way as to capitalize on the difference between the the products and the actual acquisition cost for the products. The allegations against our subsidiary h although Remeron® sales are specifically mentioned in most complaints, in all cases except in Alaba products also. The complaints seek injunctive relief as well as actual, statutory, treble and punitive da

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

All but four of the New York county cases have been consolidated in the U.S. District Court for the I remaining New York cases have been removed to federal district courts in New York and transfer to Massachusetts pending a decision by the Judicial Panel on Multidistrict Litigation. A motion to dism District of Massachusetts was partially granted in April 2007. Thereafter, plaintiffs have filed a First to which defendants, including our subsidiaries, have filed a joint motion to dismiss. A decision on th 2007. A motion to dismiss the Erie County case (one of the cases pending transfer to the U.S. Distric partially granted in September 2006. The Mississippi case has been dismissed. The proceedings in th discovery having commenced on April 13, 2005. The OBS Group does not believe to have been enga vigorously defending these matters.

Certain wholly owned operating subsidiaries of Organon and Intervet were named in the final report United Nations Oil for Food Program for humanitarian support to Iraq. The report states that these c connection with four contracts (with a total value of USD 3.4 million) with the Iraqi Government to p Nobel has been conducting an internal review of this matter and has voluntarily reported on that revi Commission and to the US Department of Justice. The Dutch FIOD/ECD also conducted an investig these investigations have been concluded in May 2007. The OBS Group is currently discussing a pos neither of the said authorities have taken any action against Akzo Nobel or its subsidiaries, this matte subsidiaries to regulatory and/or criminal charges and sanctions.

In January 2006, Akzo Nobel Nederland B.V. and the Akzo Nobel Pension Fund in The Netherlands Retired Akzo Nobel Employees (Vereniging van Gepensioneerden Akzo Nobel) with regard to the cl pension plan (relating to the change from a defined benefit plan to a defined contribution plan), as a c right to indexation became conditional. If the claim were to succeed, then, pursuant to the separation responsible to reimburse Akzo Nobel or any other member of its group for all losses actually incurre to any former employees that, at the time of ceasing their employment with the Akzo Nobel Group, v human healthcare or animal healthcare activities of the Akzo Nobel Group. The claim was recently d appeal can be filed within three months after the court s judgment, which period expires in April 20

In July 2006, drug wholesaler RxUSA brought claims against 16 pharmaceutical manufacturers, incl drug wholesalers, the Healthcare Management Distribution Association and certain individuals, alleg things, monopolization of the wholesale pharmaceutical market in violation of state and federal antitr willfully acquired and sought to maintain a monopoly and exclude competition by secondary whole pharmaceutical manufacturers and other wholesale dealers wrongfully and illegally refused to deal d to acquire products for sale. RxUSA is seeking injunctive relief, attorneys fees and treble damages. OBS Group has filed motions to dismiss these claims and intend to contest them vigorously.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC
(All amounts in millions of euros unless otherwise sta

During 2006 the OBS Group lost key elements of patent protection for Livial® in the United Kingdo purity, crystalline purity and particle size patents have recently been revoked by U.K. courts. The OE of the crystalline purity patent, but not to appeal the decision regarding the chemical purity patent. Pe particle size patent has been denied by the Court in London. The OBS Group s chemical purity pate Office; The OBS Group has appealed the decision to revoke this patent, and this appeal has had a sus particle size patent has also been challenged before the European Patent Office.

A number of the OBS Group subsidiaries are the subject of litigation or product liability claims arisi as a result of which claims could be made against them which, in whole or in part, might not be cove the gross amount of any probable claim that can be reasonably estimated. Insurance receivables are r virtually certain to be recovered.

There are various remaining product liability claims pending against the OBS Group in various Euro by, in most cases, women claiming to have conceived while allegedly using the OBS Group s contra problems in connection with the insertion or removal of Implanon® or to changes in bleeding pattern is named as a co-defendant. Although these cases have all been brought by individual women, only i decided to consolidate the cases. On June 15, 2005, a court in s-Hertogenbosch in The Netherlands pending allocation of responsibility between physicians and Organon, damages should be paid to wo while using Implanon®. The OBS Group appealed this decision in September 2005. Oral pleadings w May 14, 2007. A judgment is expected on August 28, 2007. No final judgments have been rendered. be held liable in connection with these cases are expected to be covered by product liability insuranc

In 1999 an ex-freelance collaborator of Diosynth B.V./Moeders voor Moeders, commenced legal act retirement benefits against Diosynth B.V. (as per January 1, 2007, part of N.V. Organon). Entitlemen employment relationship; Diosynth believes that freelancers working for Moeders voor Moeders do r receive a pension. The legal position in this case may create a precedent for a couple of hundred of e deposition of witnesses in this case will be finalized on October 4, 2007.

Salmon producers in Chile have made claims for damages allegedly incurred because of the use of In were filed in 2005, 2006 and 2007. The claims maintain that administration of Intervet s vaccine ag caused death or injury to part of their salmon populations. No judgments have been rendered. At this that any damages for which the OBS Group may be held liable in connection with these claims woul insurance the OBS Group maintains.

A case from Intervet, Inc. against Merial Ltd. et al., is pending since December 23, 2005 in the Unite Columbia. This lawsuit is a declaratory judgment action seeking a declaration from the court that Un

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

Circovirus Vaccine and Diagnostics Reagents and referred to herein as the 601 patent) is invali
PCV-2 vaccine.

Merial Ltd, and Merial SAS have answered the Complaint by alleging that the 601 patent is valid, e
vaccine. They also have brought a counterclaim for patent infringement against Intervet, Inc. Intervet
is invalid,unenforceable, and not infringed by Intervet, Inc. Discovery is presently ongoing between I
the present schedule for the case, there will be a hearing to determine the meaning of the claims of th
matter likely will not occur until the second or third quarter of 2008.

A second case, Intervet, Inc. v. Merial Ltd. et al., is pending since March 20, 2007, in the United Stat
This lawsuit is a declaratory judgment action seeking a declaration from the court that United States
Multisystemic Wasting Syndrome and Porcine Circovirus from Pigs and referred to herein as the
infringed by Intervet s PCV-2 vaccine. Merial Ltd, and Merial SAS have filed and served a Compla
trial, alleging that the 594 patent is valid, enforceable, and infringed by Intervet s PCV-2 vaccine.

In November 2006, four trade unions together initiated proceedings in The Netherlands against Akzo
Nobel. The trade unions claim that Akzo Nobel Nederland B.V., allegedly as representative of all o
terminated the future payment of an allowance to cover medical insurance costs of retirees in The Ne
who were employed in current or former human healthcare and animal healthcare activities of Akzo

The trade unions allege that the retirees, on the basis of a promise made by Akzo Nobel Nederland B
indefinitely and that there was insufficient cause for termination of the obligation. Akzo Nobel Nede
terminate the arrangements subject to a transitional regime through June 30, 2009. Akzo Nobel Nede
the claim by the trade unions. The proceedings against Akzo Nobel Nederland B.V. are at an early st
financial consequences for the OBS Group if the claim would succeed. Pursuant to the separation agr
all costs incurred by Akzo Nobel or any other member of its group in connection with the allowances
at the time of ceasing their employment with Akzo Nobel, worked primarily in any current or former
activities of Akzo Nobel. The maximum amount that the OBS Group could be required to reimburse
also include the arrangements with individual employees, any future changes in the arrangements, an

On March 23, 2007 the University of Illinois filed a lawsuit against Organon Teknika Corporation fo
agreement which dates back to 1986. The UOI claims USD 14.9 million of underpaid royalties (whic
alleged royalty underpayment), based on an audit on the period January 1, 2002, through December 3
interpretation of what the correct arms length price should be. Organon Teknika is of the opinion

There have been various lawsuits filed against several US entities relating to the use of NuvaRing. W
contain little information about the claimed

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-92

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

injuries. It should be noted that the OBS Group does not yet have medical or other records to corrobo contain any information other than the allegation that the women used NuvaRing and sustained inju thrombogenicity of the product suggest that the claimants intend to allege that they sustained a throm

A number of other claims are pending against the OBS Group, all of which are contested. The OBS C authorities in several jurisdictions. Furthermore, in the context of the divestitures of certain businesse the creation of OBS NV, the relevant Akzo Nobel companies have agreed to indemnify and/or provid successors and assigns) regarding certain representations and warranties or developments. To the ext human pharmaceutical or animal health business activities of Akzo Nobel, the OBS Group agreed un Akzo Nobel in respect of claims arising therefrom.

While the outcome of these claims and disputes cannot be predicted with certainty, the OBS Group b information received, that the final outcome will not materially affect the combined financial positio OBS Group s result of operations or cash flows in any one accounting period.

Other contingent liabilities

At June 30, 2007 and December 31, 2006, guarantees related to contracts with third parties totalled E

A majority of the OBS Group businesses do not file separate tax returns since these entities were incl entities within their respective entity s tax jurisdiction. Certain tax authorities have the right to hold for any and all liabilities outstanding of the group. Management of the OBS Group believes that the c held responsible for tax liabilities incurred by other Akzo Nobel entities.

The OBS Group is a party in several research and development collaborations and licensing agreeme compensation elements that can contain periodic payments, payments related to sales of certain prod payments are expensed in the period they relate to and the payments related to sales of certain produc sales were recognized. Milestone payments are expensed in the period in which the recognition criter

Some of the licenses and collaboration, co-development, co-marketing and other agreements and inst contain change of control provisions that may be triggered by a change in the controlling interest in c of potential impacts related to the Separation of the OBS group.

Pfizer terminated the asenapine license and collaboration agreement on November 27, 2006. The ter when the OBS Group is successful in bringing asenapine to the market, the OBS Group will be oblig expenses (plus 10% interest) for development, marketing and manufacturing, by paying it a royalty a

F-93

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

Commitments

Purchase commitments for property, plant and equipment aggregated EUR 63 million and EUR 69 m
respectively. The OBS Group also has purchase commitments for materials and other supplies incide
of EUR 355 million and EUR 358 million at June 30, 2007 and December 31 2006, respectively.

Long-term liabilities contracted in respect of leasehold, rental, operating leases, research, etc., aggreg
June 30, 2007 and December 31, 2006, respectively. Payments due within one year amounted to EU
2007 and December 31, 2006, respectively; payments between one and five years EUR 152 million a
payments due after more than five years amount to EUR 23 million and EUR 36 million, respectivel

Note 18 Cash Flow Information

The OBS Group has paid cash for income taxes of EUR 57 million and EUR 67 million for the six m
respectively. For periods prior to 2007, some entities of the OBS Group businesses did not file separ
the tax grouping of other Akzo Nobel entities within the respective entity s tax jurisdiction, and OB
paid by other Akzo Nobel entities.

The OBS Group paid cash for interest of EUR 10 million and EUR 4 million during the six months e

The OBS Group s financing requirements are primarily met by cash transfers with Akzo Nobel and
combined statement of cash flows. This represents net cash transfers to and from Akzo Nobel for the
transactions and financing requirements with Akzo Nobel.

Note 19 Accounting Estimates and Judgments

In preparing the financial statements management makes judgments and estimates that affect the rep
and expenses, and related disclosures of contingent liabilities as of the date of the OBS Group s com

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accountin
which the estimate is revised if the revision affects only that period or in the period of the revision a
current and future periods.

In preparing these combined interim financial statements, the significant judgements made by manag
the key sources of estimation uncertainty were the same as those applied to the combined financial s
December 31, 2006. It should be noted that as of June 30, 2007, the OBS Group did not update its ac
postretirement benefits; however, during the six months ended June 30, 2007, the discount rate assu
increased in the various countries by between .25% and .50%. When discount rates increase, pensio
decrease. Based on the increase during the six months ended June 30, 2006, the pension and postreti

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

decreased by approximately EUR 50 million. Future net periodic pension and postretirement costs m

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

change, but that depends on the actual relation between the unrecognized loss and the corridor (10% assets) as well as on the relative change of the discount rate versus the change of the benefit obligatio not immediately impact the pension expense as the gains or losses from the change in the discount ra and recognized over the expected average remaining working lives of the employees in the plan.

Current tax expense for the six months ended June 30, 2007 and 2006 has been calculated using the e applied to the pre-tax income for the six months ended June 30, 2007 and 2006, respectively.

Due to the risks and uncertainties relating to regulatory approval and to internally generated research are considered not to have been met until marketing approval has been obtained from the regulatory

Prior to January 1, 2007, management had also estimated the allocation of various expenses and certa been maintained by Akzo Nobel as disclosed in Note 1 and throughout these combined interim finan

Note 20 Incorporation and Separation

Incorporation

Following the announcement of Akzo Nobel that it intends to separate its healthcare activities from A BioSciences N.V., on September 1, 2006 as a public company with limited liability (naamloze venn Netherlands with an authorized share capital of EUR 225 thousand and an issued share capital of EU Oss, The Netherlands.

On September 30, 2006 Akzo Nobel contributed to OBS N.V., through a contribution in kind, the sha BioSciences International B.V. and Organon BioSciences Nederland B.V., in exchange for 24,955,00 value of EUR 1.00 (one euro) per share. As per the date of this contribution, OBS N.V. had an autho issued share capital of EUR 25 million.

The combined interim financial statements for the six month period ended June 30, 2007, include inv The invested equity as of June 30, 2007 includes certain allocated balances, which legally were not p N.V. on September 30, 2006. Consequently, the shareholders equity in the legal company balance s from the invested equity in the combined interim financial statements as of June 30, 2007. The main allocated to the OBS Group which will not be transferred to the OBS Group.

Separation

In February 2006, Akzo Nobel announced its intention to separate the OBS Group. In March 2007, A received an offer from Schering-Plough to acquire the OBS Group. The works council advice proced Subject thereto, the intended closing is further subject to certain conditions precedent, including the c

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

jurisdictions. The proceeds from the sale of the OBS Group will not be received by the OBS Group b

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

Akzo Nobel and the OBS Group have identified certain issues and areas that, in preparation of and fo agreeable arrangements between them. These issues and areas have been included in a separation agr the OBS Group. The separation agreement was signed on February 28, 2007 and was subsequently a

The amended separation agreement (which becomes effective on the intended closing of the transact others, the separation of liabilities and obligations, health, safety, and environmental indemnities, rel provisions and accruals, claimant s insurance and employee benefit related matters.

The terms of the intended transaction between Akzo Nobel and Schering-Plough, include that, subjec provisions, Akzo Nobel indemnifies Schering-Plough for i) all taxes for which a member of the OBS prior to January 1, 2007 and that are not provided for in the combined financial statements of the OB December 31, 2006 and (ii) taxes for which a member of the OBS Group becomes liable relating to t ending on the closing date of the intended transaction, unless and to the extent the member of the OB underlying income, profit or gain at closing, or such income, profit, gain or event has arisen in the or OBS Group concerned.

The terms of the intended transaction further include that Schering-Plough will indemnify Akzo Nob Akzo Nobel or a member of Akzo Nobel as a consequence of any pre-closing transactions, requested Nobel, which would allow for a direct sale by Akzo Nobel of the shares in one or more members of t

The separation agreement also contains provisions dealing with the retirement benefits of relevant pa arrangements based on an agreed upon division of the rights, obligations, assets and liabilities relatin the relevant (current and former) employees in the (current and former) human healthcare or animal h the other hand, retirement benefits of other participants in Akzo Nobel plans. It should be noted that the approval of relevant third parties, for example pension fund trustees, employee representative bod agreement thus also provides that in the event that the OBS Group and Akzo Nobel have not been ab division, they will use their reasonable best efforts to otherwise achieve such division.

OBS N.V. has undertaken in the separation agreement to procure that, for services rendered on or aft the OBS Group retirement benefit plans are offered retirement benefits which are substantially equiv under applicable law) to their current retirement benefits.

The financial implications of a future split as defined above, for example on assets, liabilities and fut determined yet. However, it is the intention of Akzo Nobel and the OBS Group to limit the financial the split of rights, obligations and assets. Furthermore, the subordinated loan to the Akzo Nobel Pens (EUR 33 million) was allocated in the combined financial statements for the year ending December 3 Akzo Nobel holds the legal title.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

The terms of the intended transaction between, Akzo Nobel and Schering-Plough further include that
at closing of the intended transaction, its claim against the OBS Group under the related party loan o
(ii) all other intra-group indebtedness between the OBS Group on the one hand and the other membe
(including several loans made by the OBS Group to Akzo Nobel in 2007 on terms substantially equi
be paid immediately after closing. Under the loan agreement between Akzo Nobel (as lender) and th
the loan is December 31, 2007 and an interest rate of 6-months EURIBOR + 0.15%, that accrues on
date of payment (both days inclusive). The entire principal amount of the loan not yet repaid to Akzo
without any further notification or formality being required should, amongst others, any other indebt
payable prior to its specified maturity by reason of any default by the OBS Group in the due perform
thereto, unless such indebtedness shall not be material in the context of the loan agreement.

The OBS Group has undertaken to replace the statement of joint and several liability (verklaring va
Akzo Nobel in respect of the members of the OBS Group in The Netherlands under article 2:403 sec
reasonably practicable, but in any event within 6 months after closing of the intended transaction bet

Note 21 Application of Generally Accepted Accounting Principles in the United States of Am

The OBS Group s combined interim financial statements have been prepared in accordance with IF
in certain significant respects from US GAAP. The effects of the application of US GAAP to combi
set out in the table below:

IFRS profit for the period attributable to equity holders of the OBS Group

US GAAP adjustments:

(a) Business combinations

(b) Pensions and other postretirement benefits

(c) Impairment of goodwill

(d) Research and development

(e) Subsequent events

(f) Tax on elimination of intercompany profits

(g) Deferred income taxes

Total US GAAP adjustments

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Net income, as reported under US GAAP

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

The effects of the application of US GAAP on total invested equity, as determined under IFRS, are s

Invested equity, as reported under IFRS
Less: minority interests, as reported under IFRS

Invested equity excluding minority interests, as reported under IFRS

US GAAP adjustments:
(a) Business combinations
(b) Pensions and other postretirement benefits
(c) Impairment of goodwill
(d) Research and development
(e) Subsequent events
(f) Tax on elimination of intercompany profits
(g) Deferred income taxes

Total US GAAP adjustments

Invested equity, as determined under US GAAP

(a) Business combinations

The aggregate adjustment for business combinations presented in the tables above consists of the foll

	For the Six Months Ended June 30,	
	2007	2006
US GAAP adjustments:		

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(1) Acquired in-process research and development
(2) Application of IFRS 1

Total US GAAP adjustments

(1) Acquired in-process research and development

Under IFRS, in-process research and development acquired in connection with a business combinatio *Business Combinations*, and IAS 38, *Intangible Assets.* Under US GAAP, the attributable fair value o acquired in a business combination, and which has no alternative future use, is expensed as of the acc SFAS No. 141, *Business Combinations*, FIN No. 4, *Applicability of FASB Statement No. 2 to Busines Purchase Method*, and/or SFAS No. 2, *Accounting for Research and Development Costs*.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

The adjustment to invested equity included in the tables above reflects impact of immediate write-of development-related assets (EUR 5 million and EUR 5 million as of the six months ended June 30, 2 2006, respectively) for US GAAP purposes. There was no impact for the reversal of amortization exp ended June 30, 2007 and 2006 recorded under IFRS in subsequent periods.

(2) Application of IFRS 1

IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, has been applied by th financial statements. IFRS 1 generally requires retrospective application of all IFRS that are effective certain exemptions and exceptions to this requirement. In particular, IFRS 1 permits companies that the date of their transition to IFRS (for the OBS Group, as of January 1, 2004) to retain the accountin applied prior to the adoption of IFRS.

Specifically, for certain business combinations consummated prior to January 1, 2000, the OBS Grou business combinations directly in invested equity. From January 1, 2000 through the adoption of cha adoption of IFRS, the OBS Group amortized goodwill. Under US GAAP, for all periods presented, g initially subject to periodic amortization (through December 31, 2001) and subsequently periodic (at

Accordingly, this adjustment reflects the reinstatement of goodwill, net of applicable accumulated ar purposes as of each of the balance sheet dates presented.

(b) Pensions and other postretirement benefits

The aggregate adjustment for pensions and postretirement benefits presented in the tables above cons

	For the Six Months Ended June 30, 2007	2006
US GAAP adjustments:		
(1) Definition of defined contribution plan	7	(2)
(2) Application of IFRS 1 and other differences	1	(2)
Total US GAAP adjustments	8	(4)

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

(1) Definition of defined contribution plan

Under IAS 19 (Revised), *Employee Benefits*, an arrangement qualifies as a defined contribution plan
is limited to the amount contributed by it into a separate entity (generally, a fund). This is the case re

F-99

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

assets to pay all employee benefits laid out in the plan agreement relating to employee service in the
focuses on the contributions to be made by the OBS Group to the plan as a whole and does not requi
contributions would be made.

Under US GAAP, SFAS No. 87, *Employers Accounting for Pensions,* states that a defined contribu
benefits in return for services rendered, establishes an individual account for each participant, and sp
the individual s account are to be determined. Moreover, the benefits a participant in a defined contr
amount contributed to the participant s account, the return earned on those contributions, and forfeit
allocated to the remaining participant accounts.

During 2005, Akzo Nobel reached an agreement with the unions on a change of its pension plan in th
OBS Group, so that effective December 31, 2005, it changed from a defined benefit plan to a definec
risks related to the Dutch plan no longer rested with the OBS Group. However, under US GAAP, SF
contribution plan that the plan provides an *individual account* for each participant. The Dutch plan d
participant as it is a collective defined contribution plan. Accordingly for US GAAP, under SFAS No
for as a defined benefit plan.

The adjustment to invested equity included in the table above as of the six months ended June 30, 20
reflects the re-instatement of the US GAAP liability for the pension and other postretirement plans in
to net income included in the tables above for the six months ended June 30, 2007 and 2006 reflects
accordance with SFAS No. 87 over contributions made to the plan during the year.

(2) Application of IFRS 1 and other difference

Under IFRS, the OBS Group accounts for its pension and postretirement benefit plans in accordance
addition, upon transition to IFRS as of January 1, 2004 (and in accordance with IFRS 1, all unrecogn
were recognized immediately in invested equity, with an offset to the pension liability. Accordingly,
OBS Group had no deferred actuarial gains or losses. Subsequently, in accordance with IAS 19 (Rev
whereby actuarial gains and losses are deferred when they initially arise (for those arising after Janua
unrealized actuarial gains or losses exceed 10% of the greater of (i) the present value of the defined b
assets, they are recognized in the income statement through periodic amortization over the expected
participating in the plan. Otherwise, they continue to be deferred until they exceed the corridor de

Under US GAAP, the OBS Group accounts for its pension and postretirement benefit plans in accord
Employers Accounting for Postretirement Benefits Other than Pensions and, from December 31, 20
Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 8
SFAS No. 158, the OBS Group applied a corridor policy also under US GAAP. Following adopti

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-100

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

the OBS Group continues to apply a corridor policy with respect to determination of the income state
full funded status of the plan (defined benefit obligation less plan assets) is now recognized as a liabi
losses recognized directly in invested equity.

In addition to the differences described above (principally related to the recognition of deferred actua
as of January 1, 2004 pursuant to IFRS 1), the OBS Group has also identified differences related to th
Under IFRS, IAS 19 requires that the calculation of the pension obligation, as well as the fair value o
balance sheet date. Under US GAAP, SFAS No. 87, requires that the plan s assets and obligations b
statements or, if used consistently from year to year, as of a date not more than three months prior to
benefit plans utilize a September 30 measurement date for US GAAP purposes and a December 31 m

In the United States, the Medicare Prescription Drug Improvement and Modernization Act of 2003 in
as well as a federal subsidy to sponsors of postretirement healthcare plans, which both began on Janu
IFRS has been recognized as an asset under other financial non-current assets in the combined balanc
US GAAP, this reimbursement right is netted with the postretirement healthcare benefit liability.

In connection with the change in the pension plan in the Netherlands in 2005, the OBS Group was al
loans that are to be redeemed by retaining employee pension premiums, which have been recorded at
US GAAP purposes, these items are included in the pension assets at their nominal value, and accord
been reversed. Any difference between the fair value and the nominal value of the loans has been rev

(c) Impairment of goodwill

Under IFRS, goodwill is required to be tested for impairment at least annually (and, more frequently
the cash generating unit (or group of cash generating units, if that is how goodwill is monitored inter
smallest identifiable group of assets that generates cash inflows from continuing use and that are larg
assets or groups of assets. The goodwill impairment test is a one-step test that compares the recovera
sell or value in use) of the cash generating unit to its carrying amount, with any excess of carrying an
impairment loss. Impairment losses are allocated first to reduce the carrying amount of any goodwill
of units) and then to the other assets of the unit (or group of units) pro rata on the basis of the carryin
units). Impairment losses related to goodwill cannot be reversed.

Under US GAAP, goodwill is required to be tested for impairment at least annually (and, more frequ
event) at the reporting unit level. A reporting unit is an operating segment or one level below an oper
goodwill impairment test is a two-step test that compares the fair value of the reporting unit to its car
unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the car
fair

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

F-101

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

value, the second step of the goodwill impairment test is performed to measure the amount of impair goodwill impairment test compares the implied fair value of reporting unit goodwill, which is determ price allocation as of the impairment testing date, to the carrying amount of that goodwill, with any e value recognized as an impairment loss. Impairment losses related to goodwill cannot be reversed.

The cash generating unit is at a lower level in the operation, than the reporting unit and accordingly u not reflected under US GAAP. The adjustment included in the tables above reflects the reversal for U IFRS purposes that was not recognized for US GAAP purposes due to this differing level at which g generating unit under IFRS vs. reporting unit under US GAAP).

(d) Research and development

Under IFRS, payments made to acquire research and development-related assets outside of a busines products that are still in the research or development stage, are eligible for capitalization under IAS 3 (i) the project meets the definition of an asset, (ii) the project is identifiable and (iii) the fair value of Accordingly, under IFRS, certain up-front payments made in connection with collaboration agreeme over their estimated useful lives.

Under US GAAP, payments to acquire research and development-related assets that have no alternat date in accordance with SFAS No. 2.

The adjustment included in the tables above reflects the immediate write-off of acquired research and acquisition (EUR 25 million and EUR 1 million, respectively, for the six-months ended June 30, 200 purposes offset by the reversal of amortization expense and/or impairments (EUR 5 million and EUR ended June 30, 2007 and 2006) recorded for IFRS purposes in subsequent periods.

(e) Subsequent events

The aggregate adjustment for subsequent events presented in the tables above consists of the followi

	For the Six Months Ended June 30, 2007	2006
US GAAP adjustments:		
(1) Subsequent events other than taxes	(4)	

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)		
		(2) Subsequent events tax-related		18	128
		Total US GAAP adjustments		14	128

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

Under IFRS, the OBS Group has applied IAS 10, *Events after the Balance Sheet Date*, and has adjus identified between the time the parent company financial statements were issued and the date on whi issued.

Under US GAAP, practice with respect to the preparation of carve-out financial statements is to refle the parent company, as the carve-out financial statements are an extraction of the parent company ac correction of an error. The subsequent events for the tax related adjustments primarily relate to tax se transfer pricing.

Under US GAAP, the amounts have been recognized in periods consistent with Akzo Nobel. Accord reflected in the IFRS financial statements have been reversed under US GAAP.

(f) Tax on the elimination of intercompany profits

In accordance with IFRS (IAS 12, *Income Taxes*), the deferred tax effect of the elimination of interco the purchaser s tax rate. Under US GAAP (SFAS 109, *Accounting for Income Taxes*), no deferred ta the tax base in the buyer s jurisdiction and the amount reported in the combined financial statements transfers recognized by the seller are deferred in consolidation, hence eliminating the effects of interc of income.

For the six months ended June 30, 2007, this resulted in an increase in net income of EUR 2 million 2007 of EUR 35 million. For the six months ended June 30, 2006, this resulted in a decrease in net in invested equity at December 31, 2006 of EUR 37 million.

(g) Deferred income taxes

The aggregate adjustment for income taxes presented in the tables above consists of the following ad

	For the Six Months Ended June 30 2007	200
US GAAP adjustments:		
(1) Deferred tax on in-process research and development		
(2) Other deferred income tax impacts	4	(1

Harrah's Historical (Note 1)	Caesars Historical (Note2)		Property Dispositions (Note 3)	
		Total US GAAP adjustments	4	(1

F-103

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

OBS GROUP

NOTES TO THE UNAUDITED CONDENSED COMBINED INTERIM FINANC

(All amounts in millions of euros unless otherwise sta

(1) Deferred income tax on in-process research and development

Under IFRS, a deferred tax asset or liability is recognized for differences in the financial reporting ba research and development, similar to other identifiable intangible assets, irrespective of whether the a has basis for tax purposes. Under US GAAP (EITF 96-7, *Accounting for Deferred Taxes on In-Proce acquired in a Business Combination*) in circumstances where there is no tax basis in the acquired in- taxes are not provided on the initial difference between the amount assigned for financial reporting a development is charged to expense on a gross basis (without tax benefit) at acquisition. In circumstan in-process research and development, upon consummation of the business combination, the in-proces charged to expense, a deferred tax asset is recognized to the extent that realisability is more likely tha

The deferred tax liability recorded under IFRS results in a corresponding increase to goodwill. Altho equity (between IFRS and US GAAP) at the acquisition date, a reclassification adjustment is necessa amount of the deferred tax liability recorded under IFRS in relation to acquired in-process research a liabilities by a corresponding amount (EUR 8 million). The impact on income tax expense of this dif and development is amortized or impaired for IFRS purposes is reversed under US GAAP.

(2) Other deferred income tax impacts

This adjustment reflects the deferred tax effects attributable to the aforementioned pre-tax adjustmen *Uncertainty in Income Taxes*, during the six-months ended June 30, 2007, did not have an impact on

(h) Other presentation differences

Deferred income taxes

Under IFRS, deferred tax assets and liabilities are classified as non-current on the balance sheet base

Under US GAAP, deferred tax assets and liabilities are classified as current or non-current on the bal sheet item to which they relate. Where no related asset or liability exists (e.g. for net operating losses as current or non-current on the balance sheet based on the timing of their expected reversal.

Oss, July 30, 2007
The Board of Management
Toon Wilderbeek

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

Table of Contents

$2,000,000,000

Schering-Plough Corporation

6.00% Senior Notes due 2017

6.55% Senior Notes due 2037

Goldman, Sachs & Co.
BNP PARIBAS
Credit Suisse
JPMorgan

Banc of America Securities LLC
Bear, Stearns & Co. Inc.
Citi
Daiwa Securities America
ING Financial Markets
Morgan Stanley
Santander Investment

ABN AMRO Incorporated
Banca IMI
BBVA Securities
BNY Capital Markets, Inc.
Mizuho Securities USA Inc.

Harrah's Historical (Note 1)	Caesars Historical (Note2)	Property Dispositions (Note 3)

The Williams Capital Group, L.P.
Utendahl Capital Partners L.P.