

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 SEGMENT INFORMATION

The Group's activities are in one business segment, pharmaceuticals. There are no other significant classes of business, either singularly or in aggregate.

Geographic areas

The tables below show information by geographic area and, for sales and property, plant and equipment, material countries. The figures show the sales, operating profit and profit before tax made by companies located in that area/country, together with segment assets, segment assets acquired, net operating assets and property, plant and equipment owned by the same companies; export sales and the related profit are included in the area/country from which those sales were made.

	2007 \$m	2006 \$m	Sales 2005 \$m
UK			
External	1,981	1,686	1,388
Intra-Group	6,506	6,123	5,037
	8,487	7,809	6,425
Continental Europe			
Belgium	387	344	360
France	1,806	1,641	1,630
Germany	1,164	1,113	1,180
Italy	1,111	1,075	986
Spain	840	723	713
Sweden	985	843	767
Others	2,291	1,929	1,779
Intra-Group	4,123	4,314	3,852
	12,707	11,982	11,267
The Americas			
Canada	1,145	1,031	976
US	13,404	12,381	10,735
Others	872	673	523
Intra-Group	786	351	413
	16,207	14,436	12,647
Asia, Africa & Australasia			
Australia	631	481	502
Japan	1,585	1,433	1,453
China	403	224	198
Others	954	898	760
Intra-Group	56	49	41
	3,629	3,085	2,954
Continuing operations	41,030	37,312	33,293
Intra-Group eliminations	(11,471)	(10,837)	(9,343)
	29,559	26,475	23,950

Export sales from the UK totalled \$7,546m for the year ended 31 December 2007 (2006 \$7,012m, 2005 \$5,716m). In the US, sales to three wholesalers accounted for approximately 82% of US sales (2006 three wholesalers accounted for approximately 80%, 2005 three wholesalers accounted for approximately 80%).

Intra-Group pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 SEGMENT INFORMATION CONTINUED

Profit from	Operating profit			Profit before tax		
	2007 \$m	2006 \$m	2005 \$m	2007 \$m	2006 \$m	2005 \$m
UK	2,060	1,852	1,526	1,828	1,936	1,560
Continental Europe	2,894	3,648	3,073	2,964	3,700	3,095
The Americas	2,734	2,437	1,628	2,781	2,627	1,743
Asia, Africa & Australasia	406	279	275	410	280	269
Continuing operations	8,094	8,216	6,502	7,983	8,543	6,667

	Total assets		
	2007 \$m	2006 \$m	2005 \$m
UK	12,003	13,346	10,694
Continental Europe	7,311	6,937	6,525
The Americas	24,175	6,334	5,686
Asia, Africa & Australasia	2,217	1,950	1,752
Income tax receivable	2,251	1,365	183
Continuing operations	47,957	29,932	24,840

	Assets acquired ¹			Net operating assets ²		
	2007 \$m	2006 \$m	2005 \$m	2007 \$m	2006 \$m	2005 \$m
UK	929	2,282	366	5,043	4,977	3,761
Continental Europe	624	440	380	4,972	4,820	4,703
The Americas	17,858	292	224	19,742	2,081	1,930
Asia, Africa & Australasia	48	50	38	1,510	1,270	1,228
Continuing operations	19,459	3,064	1,008	31,267	13,148	11,622

¹ Included in 'assets acquired' are those assets that are expected to be used during more than one period (property, plant and equipment, goodwill and intangible assets).

² Net operating assets exclude short term investments, cash, short term borrowings, loans, retirement benefit obligations and non-operating receivables and payables.

	Property, plant and equipment		
	2007 \$m	2006 \$m	2005 \$m
UK	2,490	2,508	2,276
Sweden	2,204	2,104	1,897
US	1,915	1,172	1,176
Rest of the world	1,689	1,669	1,636
Continuing operations	8,298	7,453	6,985

Geographic markets

The table below shows turnover in each geographic market in which customers are located.

	2007 \$m	2006 \$m	2005 \$m
UK	1,003	850	757
Continental Europe	9,138	8,053	7,706
The Americas	15,459	14,213	12,327
Asia, Africa & Australasia	3,959	3,359	3,160
Continuing operations	29,559	26,475	23,950

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 PRODUCT SALES INFORMATION

	2007 \$m	2006 \$m	2005 \$m
Gastrointestinal:			
<i>Nexium</i>	5,216	5,182	4,633
<i> Losec/Prilosec</i>	1,143	1,371	1,652
Others	84	78	70
Total Gastrointestinal	6,443	6,631	6,355
Cardiovascular:			
<i>Crestor</i>	2,796	2,028	1,268
<i>Seloken/Toprol-XL</i>	1,438	1,795	1,735
<i>Atacand</i>	1,287	1,110	974
<i>Zestril</i>	295	307	332
<i>Plendil</i>	271	275	360
Others	599	603	663
Total Cardiovascular	6,686	6,118	5,332
Respiratory:			
<i>Symbicort</i>	1,575	1,184	1,006
<i>Pulmicort</i>	1,454	1,292	1,162
<i>Rhinocort</i>	354	360	387
<i>Oxis</i>	86	88	91
Others	242	227	227
Total Respiratory	3,711	3,151	2,873
Oncology:			
<i>Arimidex</i>	1,730	1,508	1,181
<i>Casodex</i>	1,335	1,206	1,123
<i>Zoladex</i>	1,104	1,008	1,004
<i>Iressa</i>	238	237	273
<i>Faslodex</i>	214	186	140
<i>Nolvadex</i>	83	89	114
<i>Abraxane®</i>	62	18	–
<i>Ethyol</i>	43	–	–
Others	10	10	10
Total Oncology	4,819	4,262	3,845
Neuroscience:			
<i>Seroquel</i>	4,027	3,416	2,761
Local anaesthetics	557	529	511
<i>Zomig</i>	434	398	352
<i>Diprivan</i>	263	304	369
Others	59	57	66
Total Neuroscience	5,340	4,704	4,059
Infection and Other:			
<i>Merrem</i>	773	604	505
<i>Synagis</i>	618	–	–
<i>FluMist</i>	53	–	–
Other Products	270	271	334
Total Infection and Other	1,714	875	839
Aptium Oncology	402	374	335
Astra Tech	444	360	312
Total	29,559	26,475	23,950

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$m	Plant and equipment \$m	Assets in course of construction \$m	Total property, plant and equipment \$m
Cost				
At 1 January 2005	4,801	9,082	767	14,650
Capital expenditure	13	150	669	832
Transfer of assets into use	257	594	(851)	–
Disposals and other movements	(99)	(820)	(14)	(933)
Exchange adjustments	(482)	(971)	(91)	(1,544)
At 31 December 2005	4,490	8,035	480	13,005
Capital expenditure	23	196	577	796
Additions through business combinations	–	26	–	26
Transfer of assets into use	154	494	(648)	–
Disposals and other movements	(35)	(300)	(3)	(338)
Exchange adjustments	450	912	57	1,419
At 31 December 2006	5,082	9,363	463	14,908
Capital expenditure	53	304	812	1,169
Additions through business combinations	302	122	176	600
Transfer of assets into use	151	470	(621)	–
Disposals and other movements	(23)	(555)	(16)	(594)
Exchange adjustments	254	470	28	752
At 31 December 2007	5,819	10,174	842	16,835
Depreciation				
At 1 January 2005	1,360	5,193	–	6,553
Charge for year	166	799	–	965
Impairment	–	90	–	90
Disposals and other movements	(53)	(794)	–	(847)
Exchange adjustments	(153)	(588)	–	(741)
At 31 December 2005	1,320	4,700	–	6,020
Charge for year	203	747	–	950
Impairment	6	47	–	53
Disposals and other movements	(21)	(277)	–	(298)
Exchange adjustments	148	582	–	730
At 31 December 2006	1,656	5,799	–	7,455
Charge for year	227	849	–	1,076
Impairment	39	65	2	106
Disposals and other movements	(3)	(498)	(1)	(502)
Exchange adjustments	96	306	–	402
At 31 December 2007	2,015	6,521	1	8,537
Net book value				
At 31 December 2005	3,170	3,335	480	6,985
At 31 December 2006	3,426	3,564	463	7,453
At 31 December 2007	3,804	3,653	841	8,298

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairment charges in 2007 are attributable to the productivity initiatives in the global supply chain in Germany and the write-down of business support assets. These costs were recognised in cost of sales and general and administrative expenses in the income statement.

Impairment charges in 2006 are attributable to the write-down of assets in relation to the termination of NXY-059 and the write-down of assets in association with *Toprol-XL*, resulting from the introduction of generic competition in the US. The charges were recognised in cost of sales in the income statement.

Impairment charges in 2005 relate to the write-down of assets associated with capacity reviews at manufacturing sites, primarily in the UK and France. These were recognised in cost of sales in the income statement.

	2007 \$m	2006 \$m	2005 \$m
The net book value of land and buildings comprised:			
Freeholds	3,804	3,421	3,164
Short leases	–	5	6
	3,804	3,426	3,170

9 GOODWILL

	2007 \$m	2006 \$m	2005 \$m
Cost			
At 1 January	1,430	1,280	1,325
Additions through business combinations	8,757	116	–
Exchange adjustments	38	34	(45)
At 31 December	10,225	1,430	1,280
Amortisation and impairment losses			
At 1 January	333	327	336
Exchange adjustments	8	6	(9)
At 31 December	341	333	327
Net book value at 31 December	9,884	1,097	953

Significant assets

	Description	Carrying value \$m	Remaining amortisation period
Goodwill in the US	Goodwill	707	Not amortised
Goodwill arising from the acquisition of MedImmune	Goodwill	8,757	Not amortised

For the purposes of impairment testing of goodwill, the Group is regarded as a single cash-generating unit. The cash-generating unit's recoverable amount is based on value in use using projections of the Group's performance over 10 years, a period reflecting the patent-protected lives of our current products. The projections include assumptions about product launches, competition from rival products, pricing policy as well as the possibility of generics entering the market. The 10 year period is covered by internal budgets and forecasts. A risk-adjusted discount rate of 12% has been applied to the projections. Tests on a similar basis are also conducted at geographic-specific levels using proportionate allocations of cross-functional assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 INTANGIBLE ASSETS

	Product, marketing and distribution rights \$m	Other intangibles \$m	Software development costs \$m	Total \$m
Cost				
At 1 January 2005	3,202	477	596	4,275
Additions – separately acquired	43	57	76	176
Exchange adjustments	(442)	(31)	(23)	(496)
At 31 December 2005	2,803	503	649	3,955
Additions – through business combinations	1,260	281	–	1,541
Additions – separately acquired	413	51	121	585
Disposals	(675)	(4)	–	(679)
Exchange adjustments	372	79	16	467
At 31 December 2006	4,173	910	786	5,869
Additions – through business combinations	6,946	1,477	–	8,423
Additions – separately acquired	299	33	178	510
Disposals	(52)	(82)	–	(134)
Exchange adjustments	183	47	12	242
At 31 December 2007	11,549	2,385	976	14,910
Amortisation and impairment losses				
At 1 January 2005	1,507	335	372	2,214
Amortisation for year	214	19	39	272
Exchange adjustments	(288)	3	(5)	(290)
At 31 December 2005	1,433	357	406	2,196
Amortisation for year	250	25	50	325
Disposals	(14)	(4)	–	(18)
Impairment	–	17	–	17
Exchange adjustments	190	48	4	242
At 31 December 2006	1,859	443	460	2,762
Amortisation for year	364	112	78	554
Disposals	(52)	(81)	–	(133)
Impairment	98	22	–	120
Exchange adjustments	104	32	4	140
At 31 December 2007	2,373	528	542	3,443
Net book value				
At 31 December 2005	1,370	146	243	1,759
At 31 December 2006	2,314	467	326	3,107
At 31 December 2007	9,176	1,857	434	11,467

Amortisation and impairment charges

Amortisation charges are recorded in selling, general and administrative costs and research and development costs in the income statement.

The impairment in 2007 was in relation to the termination of a product in development acquired with MedImmune and four collaboration agreements.

The impairment in 2006 was in relation to the termination of NXY-059 and a collaboration agreement.

These costs were included in research and development in the income statement in both years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 INTANGIBLE ASSETS CONTINUED

Significant assets

	Description	Carrying value \$m	Remaining amortisation period
Intangible assets arising from joint venture with Merck ¹	Product, marketing and distribution rights	298	6 and 10 years
Advance payment ¹	Product, marketing and distribution rights	704	11 years
Intangible assets arising from the acquisition of CAT	Product, marketing and distribution rights	585	8 and 13 years ²
Intangible assets arising from the acquisition of KuDOS	Product, marketing and distribution rights	285	Not amortised ²
Intangible assets arising from the acquisition of MedImmune	Product, marketing and distribution rights	5,916	18-24 years
Intangible assets arising from the acquisition of MedImmune	Licensing and contractual income	1,314	2-13 years
Intangible assets arising from the acquisition of MedImmune	Product, marketing and distribution rights	576	Not amortised ²

¹ These assets are associated with the restructuring of the joint venture with Merck & Co., Inc. Further information can be found in Note 27.

² Assets in development are not amortised but are tested annually for impairment.

11 OTHER INVESTMENTS

	2007 \$m	2006 \$m	2005 \$m
Non-current investments			
Loans and receivables at fair value through profit or loss	–	37	100
Equity securities available for sale	182	82	156
	182	119	256
Current investments			
Equity securities held for trading	31	26	16
Fixed deposits	60	559	1,549
Derivative financial instruments	86	72	59
	177	657	1,624

Impairment charges of \$18m in respect of available for sale securities are included in other operating income and expense in the income statement (2006 \$nil, 2005 \$16m included in research and development).

In 2006, the Group completed the acquisition of Cambridge Antibody Technology Group plc, which was previously held as an available for sale investment.

12 INVENTORIES

	2007 \$m	2006 \$m	2005 \$m
Raw materials and consumables	579	541	491
Inventories in process	806	778	957
Finished goods and goods for re-sale	734	931	758
	2,119	2,250	2,206

Inventory write-offs in the year amounted to \$95m (2006 \$137m, 2005 \$147m).