

GEOGRAPHICAL REVIEW

2007 IN BRIEF

- > The US delivered strong financial performance in 2007 despite a continually challenging market environment. Our brands demonstrated growth and outpaced our competition in nearly all market segments in which we compete.
- > AstraZeneca maintained its market position as the second largest brand name pharmaceutical company in Canada.
- > The rest of the world delivered a strong year, driven by *Crestor*, *Symbicort*, *Seroquel* and *Arimidex* and high growth in China, Brazil and Mexico.
- > Strong brand performance in Europe continued to offset increasingly effective measures by national governments to contain drug expenditure.
- > In Asia Pacific, our growth was the second highest among the top 10 pharmaceutical companies. In China we continue to rank as the number one multinational pharmaceutical company in the prescription market (HKAPI-Q3 YTD data) and in Australia we climbed to become the second-largest pharmaceutical company.
- > In Japan, AstraZeneca was the second fastest-growing pharmaceutical company amongst the top 15 pharmaceutical companies. This was driven by *Casodex*, *Losec*, *Arimidex*, and strong full-scale launch of *Crestor*.
- > Sales in the Latin America region increased by 23%, driven by Mexico, Brazil, Venezuela, Central America and the Caribbean.

Statements of competitive position, growth rates and sales

As in the rest of this Annual Report and Form 20-F Information, except as otherwise stated, market information in this Geographic Review regarding the position of our business or products relative to its or their competition is based upon published statistical sales data for the 12 months ended 30 September 2007 obtained from IMS Health, a leading supplier of statistical data to the pharmaceutical industry. For the US, dispensed new or total prescription data are taken from the IMS Health National Prescription Audit for the 12 months ended 31 December 2007. Except as otherwise stated, these market share and industry data from IMS Health have been derived by comparing our sales revenue to competitors' and total market sales revenues for that period. Except as otherwise stated, growth rates and sales are given at constant exchange rates.

PERFORMANCE

	2007			2006			2005	2007 compared to 2006		2006 compared to 2005	
	Sales \$m	Growth underlying \$m	exchange effects \$m	Sales \$m	Growth underlying \$m	exchange effects \$m		Growth underlying %	Growth reported %	Growth underlying %	Growth reported %
US	13,366	917	–	12,449	1,678	–	10,771	7	7	16	16
Canada	1,145	54	60	1,031	(11)	66	976	5	11	(1)	6
North America	14,511	971	60	13,480	1,667	66	11,747	7	8	14	15
Western Europe	9,115	282	760	8,073	348	(70)	7,795	3	13	4	4
Japan	1,661	170	(12)	1,503	73	(97)	1,527	11	11	5	(2)
Other Established ROW	715	83	77	555	(3)	(17)	575	15	29	(1)	(3)
Established ROW	11,491	535	825	10,131	418	(184)	9,897	5	13	4	2
Emerging Europe	1,028	102	95	831	170	(9)	670	12	24	25	24
China	437	91	18	328	50	6	272	28	33	18	21
Emerging Asia Pacific	749	62	41	646	87	20	539	10	16	16	20
Other Emerging ROW	1,343	223	61	1,059	221	13	825	21	27	27	28
Emerging ROW	3,557	478	215	2,864	528	30	2,306	17	24	23	24
Total Sales	29,559	1,984	1,100	26,475	2,613	(88)	23,950	7	12	11	11

NORTH AMERICA

US

Product performance, clinical trial data, regulatory submissions and product regulation

Notwithstanding the presence of full generic competition to *Toprol-XL* and the growth in generic omeprazole, sales in the US rose by 7% from \$12,449 million in 2006 to \$13,366 million in 2007. The combined sales of *Nexium*, *Seroquel*, *Crestor* and *Arimidex* were \$8,364 million in 2007, which represented almost 63% of our total US sales. *Symbicort* was launched in the year, with sales of \$50 million. AstraZeneca is currently the fifth largest pharmaceutical company in the US, with our sales representing a 5% share of US prescription pharmaceutical sales. Sales for Aptium Oncology and Astra Tech rose by 7% and 46% to \$402 million and \$60 million, respectively.

Nexium continues to lead the branded proton pump inhibitor (PPI) market for new prescriptions, total prescriptions and total capsules dispensed. Generic omeprazole posted strong growth rates in 2007, capturing most of the market growth and causing price and share erosion across the entire branded PPI market. In the face of generic pressure, *Nexium* continued to fare better than its branded competitors. In the second half of 2007, *Nexium* achieved a significant formulary placement with the Department of Defense and enters 2008 with stronger payer coverage than in 2007. In August 2007, the US Food and Drug Administration (FDA) issued an "Early Communication" regarding the results of two small studies. However, in its final assessment, the FDA concluded that *Nexium*

is not likely to be associated with an increased risk of heart problems and recommended that healthcare providers continue to prescribe and patients continue to use omeprazole or esomeprazole in the manner described in the labelling for the two products.

In 2007, *Seroquel* further strengthened its leading position as the number one prescribed atypical anti-psychotic on the market, with sales of \$2,863 million (up 15%, +15% reported). *Seroquel* posted total prescription growth of 10% with an increase of 1.5 million prescriptions, nearly twice the rate of market growth for antipsychotics. The robust clinical development programme for *Seroquel* continues to deliver positive results leading to further differentiation in the market and an enhanced product profile. In May 2007, the FDA granted marketing approval for a sustained-release formulation, *Seroquel XR*, for the treatment of schizophrenia and this product was successfully introduced to the market in August. In November 2007, the FDA approved *Seroquel XR* for the maintenance treatment in schizophrenic patients already benefiting from *Seroquel XR* treatment. In addition to these critical approvals, a supplemental new drug application (sNDA) was submitted to the FDA in July 2007 seeking approval for use of *Seroquel* as adjunct to mood stabilisers for the maintenance of effect in patients with bipolar disorder and two sNDAs were submitted in December 2007 seeking approval for *Seroquel XR* in bipolar depression and *Seroquel XR* in bipolar mania. Submissions are planned for the first half of 2008 supporting indications for *Seroquel XR* in both major depressive disorder and general anxiety disorder.

GEOGRAPHICAL REVIEW CONTINUED

Crestor continued its volume growth in 2007 despite generic pressure, with sales of \$1,424 million. In November 2007, the FDA approved *Crestor* to slow the progression of atherosclerosis in patients with elevated cholesterol. This new indication is an important differentiator from other products in the cholesterol-lowering market. During 2007, *Crestor* prescription share continued to grow with cardiologists, whose patient population comprises a high proportion of patients with two or more risk factors, indicating that cardiologists understand and recognise the clinical benefits of *Crestor*. The entrance of generic simvastatin has had a major impact on the branded statin market, significantly greater than that seen in other therapeutic categories in similar situations in the past. We recognise that there is a place for generics since they play an important role in health care economics, but we believe generics are not the best choice for all patients. As the market continues to evolve, we believe *Crestor* will continue to perform well in the changing environment and we remain committed to ensuring that appropriate patients have access to *Crestor*.

Atacand sales totalled \$259 million on an underlying and reported basis.

In 2007, generic versions of the remaining three strengths of *Toprol-XL* were launched. At the same time as the generic entries, we announced that we had expanded our previously announced supply and distribution agreement with Par Pharmaceutical Companies, Inc.. Par began distribution of an authorised generic version of the 50, 100 and 200mg dosage strengths of metoprolol succinate extended-release tablets in the US. Par had begun distributing a 25mg authorised generic of metoprolol succinate in November 2006. In an appeal to a previously reported patent decision, the Federal Court of Appeals for the Federal Circuit upheld the lower court decision regarding double patenting but reversed the decision relating to unenforceability. We requested reconsideration of this decision, but this was denied.

Arimidex continued to perform well with sales up 13% (+13% reported) to \$694 million for the full year. *Arimidex* continues to be the market leader in total and new prescriptions for hormonal treatments for breast cancer in the US market.

Pulmicort Respules, the only inhaled corticosteroid for the treatment of asthma approved in the US for children as young as 12 months, has experienced strong sales growth of 22% over the previous year. In October 2007, a new 1mg strength was launched to provide physicians with an additional option to control paediatric asthma.

Symbicort pMDI was launched in the US in June 2007 to specialists, and in July 2007 to primary care physicians. For the week ending 18 January 2008, *Symbicort* achieved an overall new prescription (NRx) share of the inhaled corticosteroid/long-acting beta-agonist market of 5.8%. Among allergists, the NRx share was 12.1% of that market. Aided awareness amongst all targeted physicians is high and a broad base of prescribers is being built with more than 30,000 physicians now having used *Symbicort*. More than 10% of patients who are new to combination therapy have been prescribed *Symbicort*.

In October 2007, the FDA approved the actuation counter for the *Symbicort pMDI* and we plan to launch this in the US in the second half of 2008. The paediatric and COPD trials for *Symbicort pMDI* are on track to support the sNDA submissions planned in the first half of 2008.

In the US, the passage of the FDA Amendments Act (FDAAA) in September 2007 has a potentially wide-ranging impact on the industry. In addition to re-authorising the Prescription Drug User Fee Act, the Best Pharmaceuticals for Children Act and the Pediatric Research Equity Act, the FDAAA contains a number of provisions that substantially increase the authority and enforcement options of the FDA, including but not limited to expanded authority regarding pharmacovigilance, post-marketing safety surveillance, clinical trial registration and results posting and review of direct-to-consumer advertising.

Medicare Part D prescription drug benefit

The implementation in 2006 of Part D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 increased the overall volume of pharmaceuticals dispensed in the US in 2006. The increase in prescription volume experienced in 2006 was attributed to the start-up of a new programme. In 2007, the Medicare Part D programme maintained high levels of enrolment and beneficiary satisfaction, and achieved prescription volume growth similar to other mature markets. Through our broad

patient access approach to Medicare Part D contracting, our inclusion on Medicare Part D formularies continues to be strong, allowing a large segment of the patient population access to our medicines.

Although Medicare Part D to date has had a limited effect on pricing in the broader US market, it is difficult to predict fully the longer-term effects of this initiative on our business. Pressure on pricing and access is, however, generally increasing in the US, driven, for example, by an increased focus on generic alternatives. Primary drivers of increased generic use are budgetary policies within healthcare systems and providers and changes in pharmaceutical benefit design.

We continue to support My Medicare Matters, the community based outreach and education programme, in partnership with the National Council on Aging (NCOA). In 2007, My Medicare Matters and AstraZeneca received several awards. These included the NCOA Arthur Fleming Award for Public-Private Partnership, given for the first time to a pharmaceutical company, and the Silver Anvil Award, sponsored by the Public Relations Society of America, for a public relations campaign supporting public service partnerships. Activities in 2007 included demonstration grants to nine community-based organisations piloting innovative and effective outreach strategies to low-income-subsidy beneficiaries and enhancements to the award winning MyMedicareMatters.org website, as well as launch of an online community for professionals.

Canada

During 2007, four products contributed combined sales of over \$713 million (*Crestor* \$281 million, *Nexium* \$181 million, *Seroquel* \$149 million, and *Atacand* \$102 million), with *Crestor*, *Seroquel* and *Nexium* among the top 20 prescription products in Canada by sales. Total sales for 2007 were \$1,145 million, which is up an underlying 5% (+11% reported) from the same period last year.

We maintained our market position as the second largest brand name pharmaceutical company in Canada. *Crestor* maintained its number two ranking in the statin market and was the fastest-growing product in both new and total prescription segments (39% and 44% growth respectively). Sales growth was supported by the *Crestor* 'Healthy Changes Support Program', which helps patients to understand better and improve the management of their cholesterol and to develop a healthier lifestyle.

Seroquel remains the leader in new and total prescriptions within the atypical anti-psychotics market. *Atacand* continues to outperform the anti-hypertensive market, with new prescription growth of over 15%, compared with market growth of only 5%.

Several key regulatory approvals were achieved in Canada in 2007. *Seroquel XR* was approved for the management of manifestations of schizophrenia. *Nexium* received several key regulatory approvals including two paediatric indications (ages one to 11 years and 12 to 17 years), an on-demand indication and finally an indication for Zollinger-Ellison syndrome. *Symbicort Turbuhaler* and *Oxeze Turbuhaler* received competitive class-labelling updates to incorporate recent long-acting beta-agonist safety information.

REST OF THE WORLD

Sales in the rest of the world performed strongly, up 8% to \$15,048 million (+16% reported). Key products (*Crestor*, *Symbicort*, *Seroquel* and *Arimidex*) delivered strong performance, up 20% against 2006 (+30% reported). Latin America, Middle East and Africa, and Asia Pacific delivered particularly strong sales, up 18% (+24% reported).

Established rest of the world

Sales in the Established rest of the world area grew by 5% (+13% reported), with good growth from *Symbicort*, *Crestor*, *Seroquel* and oncology products (together with the effect of *Synagis*) offsetting declines in proton pump inhibitors (PPI) products in Western Europe, and growth in Japan from *Crestor* and oncology products.

Western Europe

We saw modest growth of 3% (+13% reported) overall in Western Europe, which is the balance of strong growth in Spain (+7%, +17% reported) and the UK (+8%, +18% reported), and government initiatives to contain drug expenditures in an increasing number of countries. The inclusion of *Synagis* sales outside the US in Western Europe benefited underlying growth by 2% (2% reported), as discussed below. We have undertaken a strategic review of the sales and marketing resources required in Europe for the next three years. This review has identified a number of different programmes, which have reduced total headcount by 1,957 positions. The total costs of restructuring is \$210 million, with \$161 million charged in 2007.

Overall our sales in France (\$1,794 million) were maintained at the same level as 2006. We saw good sales growth for our primary care brands *Crestor* (underlying +41%, +54% reported) and *Symbicort* (underlying +6%, +16% reported), each of which gained significant market share from competitors.

In Germany, sales of \$1,233 million were down 3% (+6% reported), mostly due to the roll-over of last year's government interventions. Most affected was *Nexium* (underlying -17%, -9% reported) where price pressure and drive for generic prescription remained high. *Symbicort*, however, for the first time achieved value market leadership (15% underlying growth, +26% reported) with 42% of the market for fixed combination long-acting beta-stimulants and inhaled corticosteroids. *Seroquel* continued to grow well with 13% underlying growth (+24% reported) reaching 20% of the market for atypical anti-psychotics.

In the UK, sales were \$1,004 million (up 8%, +18% reported), driven by *Crestor* (underlying +7%, +18% reported), *Symbicort* (underlying +42%, +55% reported), *Seroquel* (underlying +12%, +22% reported), and *Arimidex* (underlying +15%, +25% reported). Many of our other brands also performed well with *Merrem* (+32%, +46% reported) being of particular note. Competition in the market remained intense but our key brands gained market share in their respective segments. Especially strong were *Seroquel* and *Symbicort* achieving gains of two and one percentage points respectively. The UK Government and pharmaceutical industry have entered into 'terms of reference' discussions concerning potential changes to the pricing and reimbursement scheme. Negotiations are expected to be completed in 2008.

In Italy, *Crestor* and *Symbicort* increased the sales by 16% (+27% reported) and 3% (+13% reported) respectively while speciality care brands also enjoyed healthy rises with *Seroquel* increasing the sales by 6% (+16% reported) with 19% of the market for atypical anti-psychotics and *Arimidex* increasing sales by 8% (+18% reported) with 53% of the market for aromatase inhibitors and tamoxifen. However, overall sales declined by 6% (+2% reported) to \$1,294 million as a result of reference pricing at the regional level on PPIs and measures to control their prescribing by physicians. *Nexium* sales fell by 24% (-17% reported) and *Losec* by 37% (-31% reported).

In Spain, sales of \$868 million were driven by *Nexium* (+46%, +60% reported), *Symbicort* (+17%, +28% reported) and *Seroquel* (+21%, +32% reported), whilst *Arimidex* and *Casodex* maintained a high share of their respective markets.

A summary of government cost-containment measures in Europe and their impact on our business can be found on page 32.

Synagis sales outside of the US are undertaken on our behalf through a subsidiary of Abbott Laboratories based in The Netherlands. Revenue from this arrangement amounted to \$169 million. We estimate that about 40% of the underlying sales arise in Western Europe, about 35% in Japan and over 10% in Canada. Strong growth has been recorded in Latin America in 2007.

Japan

In Japan, our market share ranking has improved from number 13 in 2006 to number 11 in 2007. We were the second fastest-growing pharmaceutical company amongst the top 15 pharmaceutical companies. Strong volume growth from key products offset the biennial government review of drug prices to deliver sales of \$1,661 million, representing underlying growth of 11% (11% reported). The key drivers of this were the oncology portfolio, particularly *Arimidex* (underlying +9%, +9% reported), *Casodex* (underlying +13%, +12% reported) and *Zoladex* (underlying +7%, +6% reported), together with *Losec/Omepral* (underlying +7%, +7% reported) and the successful full-scale launch of *Crestor*.

There has been a positive move towards the acceptance of non-Japanese Asian data as part of the regulatory approval package for Japanese patients. The Ministry of Health, Labour and Welfare (MHLW) has established a study team, with a remit to propose basic policies for the mutual acceptance of clinical data from Korea, China and Japan within the next two to three years. In addition, MHLW guidance issued in September 2007 facilitates earlier participation by Japan in international clinical studies.