

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.

GEOGRAPHICAL REVIEW CONTINUED

Other Established rest of the world**Australia**

In Australia, in the second quarter of 2007 we moved from third to second in the market in terms of sales, with the launches of *Crestor* (in December 2006) and *Symbicort SMART* (in January 2007) driving sales to \$638 million for the full year with growth of 17% (+31% reported). On an underlying basis, the four key brands, *Arimidex*, *Seroquel*, *Atacand* and *Nexium*, grew by 14% (+27% reported).

Emerging rest of the world

Sales in emerging markets increased 17% (+24% reported) for the full year, accounting for nearly 45% of total sales growth outside the US market. Sales in Emerging Europe were up 12% (+24% reported). Sales in China increased 28% (+33% reported).

Emerging Europe

Russia and Turkey are the two major countries in Emerging Europe, which delivered the sales growth of 21% (+31% reported) and 14% (25% reported) respectively. The strong growth of Russia was led by the sales of *Merrem*, *Arimidex* and *Symbicort*, whilst in Turkey growth was driven by *Crestor* and *Nexium*.

China

In China, the growth and expansion strategy of the past four years has continued to build our presence and sales (including Hong Kong) exceeded \$400 million for the first time in 2007. We are the largest multinational pharmaceutical company in the prescription market in China, as surveyed by the Hong Kong Association of the Pharmaceutical Industry, with a growth rate for prescription sales of 28% (+33% reported). During 2007, our investments in China increased with further growth in the number of medical representatives, the opening of an innovation discovery research centre in Shanghai and the announcement of several external collaborations, including a new clinical pharmacology unit in Peking University and a translational science laboratory in Guangdong Province People's Hospital.

Emerging Asia Pacific

In the Emerging Asia Pacific region, overall sales were up 10% (+16% reported) to \$749 million in 2007.

Strong growth was seen in India, Indonesia, Malaysia, Singapore and Vietnam, where market dynamics continue to be positive.

In the Philippines and Thailand an uncertain market environment slowed our growth.

Latin America

Our business in Latin America enjoyed strong sales performance of \$947 million, up 23% (29% reported), mainly driven by Mexico, Brazil, Venezuela, Central America and the Caribbean. As a result, our market share grew to 3% in the prescription market, taking us to the number nine position in the rankings of the prescription market.

This is the result of the investment made to develop our key products in fast-growing markets. *Nexium*, *Seroquel*, *Crestor* and *Symbicort* all showed strong performance with overall sales of \$303 million, which is up 48% versus last year (56% reported). *Nexium* is our number one prescription product in Latin America with overall sales of \$144 million (up 49%, 54% reported). *Crestor* is now the number four prescription product with overall sales of \$84 million (up 40%, 47% reported).

Mexico continued to be our largest market in the region, with sales of \$334 million (up 17%, +17% reported). Our share in the prescription market moved up to 4% and we moved up to the number nine position in the rankings.

In Brazil, sales were \$330 million with an underlying growth of 19% (+33% reported). The best-selling brand was *Zoladex* with sales of \$47 million, followed by *Crestor* with sales of \$35 million and *Nexium* with sales of \$31 million. Our share in the prescription market in Brazil maintained 3% and we moved up to the number 10 position in the rankings.

Middle East and Africa

Our business in the region continued to grow strongly with 23% underlying growth (26% on a reported basis), driven primarily by strong sales of the key brands *Nexium*, *Symbicort*, *Crestor* and *Seroquel*. We have continued to make selective investments in infrastructure and people across a number of markets, particularly Algeria and Egypt.