

CHAIRMAN'S STATEMENT



Group sales increased by 7% in 2007 to a total of \$29.6 billion. The inclusion of MedImmune for seven months of the year increased sales by 3%. Operating profit was \$8.1 billion, reduced by restructuring and synergy costs of \$966 million and by a \$178 million loss from the inclusion of MedImmune. Excluding restructuring and synergy costs, operating profit for 2007 was up by 8% and R&D investment increased to over \$5 billion for the full year.

Reported earnings per share for the full year were \$3.74, compared with \$3.86 in 2006. Earnings per share excluding restructuring and synergy costs were \$4.20, compared with our guidance of \$3.98 to \$4.13 on the same basis. The Board has recommended a 10% increase in the second interim dividend to \$1.35 (67.7 pence, SEK 8.61) per Ordinary Share. This brings the dividend for the full year to \$1.87 (93.0 pence, SEK 12.10), an increase of 9%. In 2007, cash distributions to shareholders, through a combination of dividends and share re-purchases totalled \$6.8 billion. Share re-purchases for the full year amounted to \$4.2 billion. The Board expects to undertake share re-purchases in the region of \$1 billion in 2008, subject to business needs.

With the debt that we issued following the acquisition of MedImmune, we have now established a balanced portfolio of short-term funding, which we intend to pay down over the next three or four years, as well as medium- to long-term funding, while still maintaining a strong credit rating.

Our drive to strengthen the pipeline has been led by the review conducted in 2006 to determine the areas of disease where we could derive the most value for patients and shareholders. This resulted in a strategy reflecting both our inherent strength in certain fields of research and the areas of greatest unmet medical need. As a result, we are focusing on six disease areas and ensuring that we have access to leading research in each area. Some of this research resides in our own laboratories and some has been sourced from third party researchers.

We have continued our investment in both areas and you can read a review of the progress made in this report.

The acquisition of MedImmune was a major decision, which the Board sees as transformational for the Company. The addition of MedImmune builds on the earlier investment in Cambridge Antibody Technology in the field of biologics and takes AstraZeneca into vaccine technology for the first time. MedImmune brings not only first class biologics and vaccines assets to the Group but also around 3,000 skilled professionals with expertise ranging from discovery through to commercialisation. In developing areas of medical science, these are skills that are scarce and valuable. I am confident that the combined strength of our existing small molecule expertise and the newly acquired expertise in large molecules and vaccines will generate benefits for the Company and its shareholders.

Our key products have continued to deliver benefits to millions of patients every day around the world. We have met our sales targets despite depressed pricing in our traditional heartlands of Europe and the US and challenges to our intellectual property. In the emerging markets, we have continued to build our businesses for the benefit of patients today as well as pursuing opportunities to broaden access to our medicines in the future.

2007 has not been an easy year for the pharmaceutical sector. With pressure on pricing and increased demand for investment, companies have been forced to drive efficiencies right across the business in order to maintain shareholder returns. The Board has been fully supportive of the programme that David Brennan has put in place to improve productivity in every area of the Company. There is no question that this sort of activity poses challenges for a management team and the Board believes that this high level of change has been handled responsibly and in a way that is consistent with the values of the Company.

During 2007, the Board has reviewed key aspects of the Company's strategy and operations including its financial policies, human resources planning, and externalisation projects. In January 2008, the Board concluded its yearly review of its own processes to ensure that it is functioning well and properly representing the interests of shareholders.

At the end of July, I announced the resignation of Jon Symonds as Chief Financial Officer to pursue his career outside AstraZeneca.

Jon had completed 10 years of distinguished service in the Group and his experience and management skills were greatly valued. I am delighted that Simon Lowth joined the Company in November as an Executive Director and the Chief Financial Officer. Simon brings with him a successful track record of business transformation in previous strategic and financial roles at Scottish Power. He has proved to be a valuable addition to David Brennan's leadership team.

There were a number of changes to the composition of the Board during the year. At our AGM in April, we said a warm farewell and thank you to Peter Bonfield and Erna Möller when they stepped down as Non-Executive Directors following 12 years of service. Their individual contributions to the Company over those years were significant and both served on various Board committees. In addition, Peter ably took on the role of AstraZeneca's senior, independent Non-Executive Director for many years. Also in April, Joe Jimenez resigned as a Non-Executive Director following his appointment to an executive position at Novartis and we wish him well.

I was pleased on behalf of the Board to be able to welcome Bo Angelin as a new Non-Executive Director in July. Bo is a distinguished medical scientist and I am sure that he will provide a valuable contribution to the Board's work. It also gives me pleasure to report that Michele Hooper, who has been a member of the Board for over four years now, has agreed to become our new senior, independent Non-Executive Director, in succession to Peter Bonfield.

In 2008, our strategy remains unchanged: we shall continue to meet the needs of patients today, while investing for the benefit of patients of the future. By doing this successfully and responsibly, we will deliver the greatest rewards to shareholders and society as a whole. The business environment will continue to present challenges and the Board will work with David Brennan and his leadership team to ensure that our business continues to adapt as needed, taking advantage of opportunities and investing for sustainable growth.

LOUIS SCHWEITZER
Chairman