

CHIEF EXECUTIVE OFFICER'S REVIEW



2007 was a transformational year for AstraZeneca and I am very proud of the way that my Senior Executive Team and all our employees are adapting to a challenging external environment and addressing the needs of our business.

Strengthening our pipeline continues to be our highest priority and we have made substantial progress over the past twelve months. We have also successfully delivered against our sales targets, whilst continuing to challenge all aspects of our cost base and drive productivity throughout the organisation.

The acquisition of MedImmune in June gave us a leading position in biologics technology and took us into vaccines for the first time. This was a very significant move for the Group. Increased investment in these approaches to fighting disease was key to our strategy of strengthening our ability to deliver the next generation of valued medicines. MedImmune is a leader in both biologics and vaccines and brings expertise and capabilities that span the pipeline from discovery through commercialisation. It is also a vertically-integrated company that has invested for future growth and gives us significant biologics and vaccines manufacturing capability and capacity. By combining our own biologics projects and those of Cambridge Antibody Technology under MedImmune's leadership, I believe we have created a powerful engine to drive future development.

Our key strategic priorities are:

- > Strengthening our pipeline of new medicines from our own research laboratories and by gaining access to scientific innovation outside AstraZeneca.
- > Delivering the full potential of all our marketed medicines through rigorous life cycle management and excellent customer support.

- > Challenging our cost structure to make room for further investment in R&D and externalisation, whilst increasing access to our medicines.

Promoting a culture of responsibility and accountability is a fourth priority that underpins the other three.

As the industry changes and our business evolves, it is important that we have a workforce and style of leadership that can leverage opportunities and adapt quickly to changing circumstances. I believe that a lean infrastructure, combined with an agile mindset and a responsible approach to business, will be a critical success factor in determining our future.

STRENGTHENING THE PIPELINE

I am pleased to report very significant progress during the year. The number of phase III projects in the pipeline has doubled to 10 from five and it was a record year for our phase I development pipeline with 24 new molecules entering first tests in man, compared with 12 in 2006. Importantly, we are also improving the quality of our early phase pipeline by researching the use of biomarkers, to give us an indication early in the discovery process of any toxicity or other signals that might impede progression of a molecule at a later stage.

It is just as important to gain access to leading science from outside AstraZeneca and our externalisation programme has delivered over 20 major deals in the last two years, as well as the acquisitions of Cambridge Antibody Technology and MedImmune.

We also continue to partner with external organisations that share our commitment to finding novel solutions for important areas of healthcare. During 2007 we formed a number of important new collaborations, including one with Bristol-Myers Squibb Company to co-develop and co-commercialise saxagliptin and dapagliflozin, two products in development for the treatment of Type 2 diabetes.

VALUED MEDICINES

At AstraZeneca, we take great pride in our track record of pharmaceutical innovation which spans seven decades and includes the introduction of many world-leading medicines. The key products in our range continue to make a difference for millions of patients around the world every day.

We remain focused on leveraging the full potential of our range and delivered a growth in sales during 2007 despite pricing challenges in key markets in Europe and the US, where payers and healthcare providers have been wrestling with the dual challenge of a growing demand for healthcare as a result of the ageing population and continued public demand for the benefits that modern medicines provide.

Highlights in 2007 included:

- > *Seroquel XR*, the sustained release form of our schizophrenia therapy, was launched in the US. It was also approved for sale in Canada and The Netherlands and the EU mutual recognition process has been completed, paving the way for launches in other European markets in the coming months. Regulatory submissions for *Seroquel XR* for the treatment of major depressive disorder and generalised anxiety disorder are planned for 2008.
- > The atherosclerosis label for our statin, *Crestor*, has been approved in the US, reflecting its efficacy in slowing the progression of atherosclerosis in adult patients with elevated cholesterol as an adjunct to diet.
- > We launched our asthma therapy, *Symbicort*, in the US and our innovative *Symbicort Maintenance and Reliever Therapy (Symbicort SMART)* is proving popular with patients in many European countries because, by combining both maintenance and rapid relief therapies in a single inhaler, it puts them more in control of their variable disease.
- > *Nexium* continues to be the strongest performing branded proton pump inhibitor in the US, although the highly competitive market and the challenge of generic omeprazole are both significant. In the emerging markets, *Nexium* continues to show very strong growth.
- > *Arimidex* remains the product of choice for post-menopausal breast cancer patients and its sales are firmly in line with market growth.

In the emerging markets of Asia, Eastern Europe and Russia, we have continued to build our business focusing on maximising our sales today whilst investing to broaden access to our medicines in future. During the year, we opened a new Process R&D facility

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in Bangalore, India, to add to the existing R&D facility and we are investing in a new centre for translational medicine in Shanghai, which will focus on researching medicines especially designed to help patients in China.

In Japan, the world's second largest pharmaceutical market, we are working with the authorities to increase the range of medicines available to Japanese patients. Mutual recognition of research data generated in other Asian countries means that we are able to progress more quickly with dedicated studies for these markets.

Inevitably, as a successful, research-based pharmaceutical company, this year we have received further challenges to some of our patents, the details of which are set out elsewhere in this report. We will maximise the value of our intellectual property and will vigorously defend our patents in order to protect the many years of research, and the considerable investment, which have delivered the medicines to which those patents relate.

BECOMING LEAN AND AGILE

In 2007, we accelerated our focus on productivity, recognising the pressure on the industry to deliver more with less. In the first quarter we made the first significant announcement of role reductions associated with the implementation of our asset strategy review. As a result of this review, we have changed the manufacturing pattern across our operations and have addressed excess manufacturing capacity in some areas. Our drive is to maximise the efficiency of our supply chain whilst maintaining the highest possible standards of quality and security of supply at every stage.

At the half-year, we announced further job reductions resulting from productivity improvements in other areas of the business. The full implementation of these reductions will take until 2009. However, they reflect important efficiency improvements including: the centralisation of clinical data management to a single approach managed at two locations; re-shaping the sales force in several European countries to be able to better respond to changes in the respective national healthcare systems; the establishment of a single, global contract with IBM for information technology services and support; and the globalisation of functions such as Human Resources and Regulatory Affairs.

Implementing changes that involve the loss of loyal employees is one of the hardest tasks for a Chief Executive Officer and 2007 has been particularly challenging in this respect. Throughout, we have consulted fully with staff representatives and acted in line with local labour laws. We have also provided appropriate support to help individuals to pursue their careers beyond AstraZeneca and have engaged with the communities around our affected sites to mitigate the local impact.

DOING BUSINESS THE RIGHT WAY

As we drive the business forward, maintaining our fundamental commitment to corporate responsibility (CR) remains a top priority. We continuously work to ensure that our high level values are translated into consistent actions and behaviours worldwide that are aligned with, and support the achievement of our strategic business objectives.

In 2007, we further strengthened our CR leadership and governance to make sure that we have appropriate systems in place for identifying the risks and opportunities associated with our CR, together with effective frameworks for managing them and driving compliance with all relevant policies and standards. As part of this, we reviewed and expanded our Code of Conduct to provide clear direction and guidance for all our staff on what is required of them. The new Code is being translated into over 40 languages and will be distributed to all our employees in early 2008. In addition, since the acquisition in June, we are working closely with MedImmune, which has its own long-standing commitment to working responsibly, to make sure that our policies and standards are aligned.

CR targets and measures are included in our business performance management framework and related objectives are being included in personal targets at all levels to support the integration of CR management across the full range of our business activities.

You can read about key aspects of our commitment to doing business the right way, and our performance, throughout this report and further details are provided on our website, astrazeneca.com/responsibility. We are making progress, but in the ever-changing world in which we live, there will always be work to do to ensure that AstraZeneca is not only valued as a source of great medicines, but also trusted for the way in which we do business worldwide.

SENIOR EXECUTIVE TEAM CHANGES

There were several important changes to my Senior Executive Team during 2007. Following the departure of Jon Symonds at the end of July after a decade of outstanding service, we welcomed Simon Lowth as our new Chief Financial Officer at the beginning of November. During the year, Lynn Tetrault also joined the team as Executive Vice-President, Human Resources and Corporate Affairs, following the retirement of Tony Bloxham. The responsibilities of Tony Zook, President and Chief Executive Officer, North America were extended to include Global Marketing following the departure of Martin Nicklasson to pursue his career outside AstraZeneca. David Mott, President and Chief Executive Officer of MedImmune, also joined the team following the completion of the acquisition of MedImmune in June.

LOOKING AHEAD

We will continue our drive to broaden access to our existing medicines, improving adherence by refining the dosage and delivery mechanisms and providing support to physicians and carers. While building our business in mature markets, we will also develop the promising foundations we have in emerging markets. Driving productivity and cost reduction will continue to be a priority whilst still maintaining the levels of strategic investment in R&D needed to push the boundaries of medical science for the benefit of patients around the world.

Whilst we cannot predict with precision what the next decade will look like for our business, we do know that the environment in which we operate will continue to present new challenges and opportunities. I am confident that AstraZeneca has the strategy, skills and resources that will enable us to anticipate, and adapt quickly and effectively to the changes that our business faces. Above all, our single-minded determination to succeed will ensure that we will continue to stay focused on our mission to deliver great medicines and a business performance that creates enduring value for our shareholders.



DAVID R BRENNAN
Chief Executive Officer