

RISK

As a research-based pharmaceutical company doing business globally, we are subject to a variety of risks. Set out below is a summary of the principal risks that may affect our business. They are grouped under the headings Industry/Economic Environment Risks; Legal/Regulatory Risks; Business Execution Risks; and Reputation. Any of these risks (together with other risks and uncertainties discussed throughout this report or which are not presently known to us or currently considered material) could have a significant effect on our financial condition, results of operations and/or reputation. These risks have not been listed in any assumed order of priority and should be read in conjunction with the cautionary statements regarding forward-looking statements set out on the inside front cover of this report and below. The Managing Risk section on page 47 contains general information about how we manage risks and summary information about our approach to managing certain specific risks.

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements about AstraZeneca. Although we believe our expectations are based on reasonable assumptions, any forward-looking statements may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. Forward-looking statements are identified in this report by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions. These forward-looking statements are subject to numerous risks and uncertainties. Important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond our control, include, among other things, the risks detailed below:

INDUSTRY/ECONOMIC ENVIRONMENT RISKS

Risk of expiration of patents or marketing exclusivity

Scientific development and technological innovation are crucial if we are to deliver long-term market success. Patent protection and other types of marketing exclusivity are important ways in which we create value from such development and innovation, but all patents and marketing exclusivity will eventually expire. In the pharmaceutical market, a drug or diagnostic or medical device is normally only protected from competition from alternative products, for the same use, during the period of patent protection or marketing exclusivity. Once patent protection or marketing exclusivity has expired, the product is generally open to competition from generic copy products.

Products under patent protection or having marketing exclusivity usually generate significantly higher revenues than those not protected by patents or marketing exclusivity. For example, we anticipate the expiry of certain patents and/or marketing exclusivity relating to *Arimidex* in a number of major markets within the next few years. *Arimidex*, for the treatment of breast cancer, had global sales of \$1,730m in 2007.

Risk of patent litigation and early loss of patents, marketing exclusivity or trademarks

We believe that we have robust patent protection for our products. However, over the last few years there has been a marked increase in intellectual property litigation in the pharmaceutical industry. Increasingly, manufacturers of generic pharmaceutical products, whether based in developing countries, such as those in Asia, or elsewhere in the world, seek to challenge our patents or other types of marketing exclusivity and/or assert that their products do not infringe our patents in order to gain access to the market for their own generic products. Generic drug manufacturers are seeking to market generic versions of many of our more important products, prior to the expiration of our patents and marketing exclusivity periods. For example, we are currently facing challenges from multiple generic manufacturers to certain of our patents for *Nexium*, *Seroquel* and *Crestor*, some of our best-selling products in the US, our largest market. If such challenges are successful and result in the launch of generic products, or if otherwise generic products are launched 'at risk' on the expectation that challenges will be successful, this may have a materially adverse effect on our financial condition and results of operations. US sales for *Nexium* in 2007 were \$3,383m, for *Seroquel* were \$2,863m and for *Crestor* were \$1,424m. As a result of challenges by generic manufacturers, certain of our US patents covering *Toprol-XL* were held to be invalid during 2007 and generic versions of the product are now being sold in the US. Sales of *Toprol-XL* in the US, which were \$1,382m in 2006, were down 30% in 2007 to \$969m. The more significant patent litigation relating to our products is described in Note 27 to the Financial Statements.

In addition to generic manufacturers, the research-based pharmaceutical industry has become more aggressive in recent years in using intellectual property rights offensively as an additional basis for commercial competition between patented products. This has included the use of patent litigation directed at relatively

young products. In the case of litigation both by generic manufacturers and other research-based companies, we expect that the greatest challenges will be focused on the most valuable products.

Parts of our technology, techniques and proprietary compounds and potential new drugs, including those that are in-licensed, may be found to infringe patents owned by or granted to others. This risk may increase as our focus on biologics and vaccines increases, because intellectual property issues related to biological medicines can be extremely complex. If we cannot resolve any intellectual property disputes, we may be liable for damages, be required to obtain costly licences or be stopped from manufacturing, using or selling our products. During the course of our activities, we may become aware of broad patents owned by others relating to some of our intellectual property, and in some instances we may receive notices from the owners of patents claiming that their patents may be infringed by the development, manufacture or sale of some of our products and potential new drugs. In response, we may obtain licences, determine that our products do not infringe the patents or that the patents are not valid, or we may make various modifications that we believe should not infringe the patents and that should permit commercialisation of our products. Defending such claims can be costly, even if we are successful.

We vigorously defend our intellectual property rights, including taking appropriate infringement action in various courts throughout the world. However, there can be no assurance that any of our currently patented products will not be the subject of intellectual property litigation or other disputes involving patent offices, anti-trust authorities or other government or law enforcement agencies in the future, despite our efforts to establish and defend the most robust patent protection. We may not prevail in a patent infringement action; be able to obtain a licence to any third party patent on commercially reasonable terms; successfully develop non-infringing alternatives on a timely basis; or be able to license alternative non-infringing technology, if any exists, on commercially reasonable terms; and patent protection may not be available at all. If we were not successful during the patent protection or data exclusivity periods in maintaining exclusive rights to market one or more of our major products, particularly in the US where we have our highest revenue and margins, our revenue and margins would be significantly adversely affected.