

## 2 ASTRAZENECA AND OUR YEAR IN BRIEF

ASTRAZENECA IS ONE OF THE WORLD'S LEADING PHARMACEUTICAL COMPANIES WITH A BROAD RANGE OF MEDICINES DESIGNED TO FIGHT DISEASE IN IMPORTANT AREAS OF HEALTHCARE. BACKED BY STRONG SCIENCE AND WIDE-RANGING COMMERCIAL SKILLS,

WE ARE COMMITTED TO THE SUSTAINABLE DEVELOPMENT OF OUR BUSINESS AND THE DELIVERY OF A FLOW OF NEW MEDICINES THAT BRING BENEFIT FOR PATIENTS AND CREATE ENDURING VALUE FOR OUR SHAREHOLDERS AND SOCIETY.

### FINANCIAL HIGHLIGHTS

#### SALES \$M

		GROWTH
08	31,601	+3%
07	29,559	+7%
06	26,475	+11%

#### OPERATING PROFIT \$M

		GROWTH
Core 08	10,958	+9%
Reported 08	9,144	+4%
Reported 07	8,094	-4%
Reported 06	8,216	+28%

#### CORE EARNINGS PER ORDINARY SHARE \$

		GROWTH
08	5.10	+8%
07	4.38	+10%
06	3.92	+33%

#### DISTRIBUTIONS TO SHAREHOLDERS: DIVIDENDS AND SHARE RE-PURCHASES \$M

● DIVIDENDS ○ SHARE RE-PURCHASES

08	2,739	610
07	2,641	4,170
06	2,220	4,147

#### DIVIDEND FOR 2008

	\$	Pence	SEK	Payment date
First interim dividend	0.55	27.8	3.34	15 September 2008
Second interim dividend	1.50	104.8	12.02	16 March 2009
Total	2.05	132.6	15.36	

#### PRODUCT PERFORMANCE SUMMARY \$M

##### NEXIUM -2%

08	5,200
07	5,216
06	5,182

##### SEROQUEL +9%

08	4,452
07	4,027
06	3,416

##### CRESTOR +26%

08	3,597
07	2,796
06	2,028

##### PULMICORT +0%

08	1,495
07	1,454
06	1,292

##### ATACAND +10%

08	1,471
07	1,287
06	1,110

##### CASODEX -12%

08	1,258
07	1,335
06	1,206

##### LOSEC/PRILOSEC -14%

08	1,055
07	1,143
06	1,371

##### MERREM +13%

08	897
07	773
06	604

##### SELOKEN/TOPROL-XL -46%

08	807
07	1,438
06	1,795

**REPORTED BASIC EARNINGS  
PER ORDINARY SHARE \$**

		GROWTH
08	4.20	+2%
07	3.74	-5%
06	3.86	+34%

**NET CASH FLOW  
FROM OPERATING ACTIVITIES \$M**

08	8,742
07	7,510
06	7,693

**SYMBICORT +22%**

08	2,004
07	1,575
06	1,184

**SYNAGIS<sup>1</sup> n/m**

08	1,230
07	618

**FLUMIST<sup>1</sup> n/m**

08	104
07	53

**ARIMIDEX +4%**

08	1,857
07	1,730
06	1,508

**ZOLADEX -3%**

08	1,138
07	1,104
06	1,008

**2008 IN BRIEF**

- > Sales up 3% to \$31,601 million.
- > *Crestor* sales up 26% to \$3,597 million; *Symbicort* up 22% to \$2,004 million; *Seroquel* up 9% to \$4,452 million; and *Arimidex* up 4% to \$1,857 million. *Nexium* sales down 2% to \$5,200 million.
- > Our product portfolio now includes 11 medicines with annual sales of more than \$1 billion each.
- > Sales in Emerging Markets reached \$4,273 million for the full year, up 16%.
- > Investment in R&D in line with 2007 at \$5.2 billion.
- > Core operating profit up 9% to \$10,958 million.
- > Core operating margin improved to 34.7% of sales on operational efficiencies in all functional areas.
- > Core EPS for the full year increased by 8% to \$5.10.
- > Reported EPS for the full year increased by 2%, reflecting higher intangible asset impairments and a full year of MedImmune amortisation compared with 2007.
- > Dividend up 10% to \$2.05 for the full year.
- > Cash distributions to shareholders totalled \$3,349 million (dividends \$2,739 million; share re-purchases \$610 million).
- > Net debt reduced by \$1.9 billion on strong cash performance and investment discipline.
- > Eight significant regulatory life-cycle management submissions; two product submissions. Phase III pipeline volume remains constant. Phase II pipeline increased by over 50%. Nominated 32 FGLPs and exceeded our target for progressing these into man.
- > New initiatives extend the scope of restructuring programme to sustain long-term competitiveness.
- > 35 significant business development transactions including extensions of existing agreements.
- > Summary Judgment Motion granted to AstraZeneca in the patent infringement actions commenced against two generic drug manufacturers in the US following abbreviated new drug applications relating to *Seroquel*.
- > Settlement of US *Nexium* patent litigation with enforceability of disputed *Nexium* patents conceded. Other patent litigation continuing in the US against generic manufacturers following abbreviated new drug applications relating to *Nexium*.
- > New Code of Conduct launched in over 40 languages and all employees trained.

Growth rates expressed above are CER growth rates.

<sup>1</sup> Acquired in June 2007.



During 2008, AstraZeneca maintained its strong focus on delivering benefit to patients and value to shareholders and society through industry-leading R&D productivity, commercial excellence and operational efficiency.

Group sales increased by 3% in 2008 to a total of \$31.6 billion. Operating profit was \$9.1 billion, up 4%. Reported earnings per share for the full year were \$4.20 (\$3.74 in 2007). The Board has recommended an 11% increase in the second interim dividend to \$1.50 (104.8 pence, SEK 12.02) per Ordinary Share. This brings the dividend for the full year to \$2.05 (132.6 pence, SEK 15.36), an increase of 10%. In 2008, cash distributions to shareholders, through a combination of dividends and share re-purchases totalled \$3,349 million. Share re-purchases for the full year amounted to \$610 million. Shareholders also benefited in 2008 from an improvement in the Company share price. The London-listed share price increased by 30% during the course of 2008, as compared to a decline of 31% for the FTSE 100 index.

During the year, we continued to invest in enhancing our R&D capabilities alongside accessing high quality opportunities externally. This investment is guided by our disease area strategy, which reflects both our inherent strengths and the areas of greatest unmet medical need. We now have a strong development portfolio of small molecule and biological products targeted at bringing new therapeutic approaches to important areas of healthcare as quickly and safely as possible. In particular, the improvements we have made to our cycle times mean that we should deliver new medicines to patients even faster.

We continued to drive sales growth despite continuing pricing and intellectual property challenges in our Established Markets. Managing the impact of challenges from generic manufacturers is now a key feature of our business. The Board was pleased to support the Senior Executive Team strategy of settling legal challenges concerning *Nexium* and *Pulmicort Respules*, rather than managing the continued cost and uncertainty associated with a sustained legal defence. Protecting our intellectual property ensures that we can re-invest in the discovery and development of the medicines of the future and we must manage this important asset actively and effectively over the long term.

We continued our investment in fast-growing economies to strengthen our platform for growth in key Emerging Markets, and, alongside the rest of the pharmaceutical industry, we continued to drive efficiencies across our organisation to support sustained shareholder returns.

In conjunction with the Senior Executive Team, during 2008 the Board reviewed the Group's strategy. This review reinforced our commitment to delivering differentiated medicines that make a meaningful difference to patients' lives and to doing so in an efficient, focused, cost-effective and responsible manner. More information about the work and operation of the Board and its Committees is set out in the Business Organisation and Corporate Governance section of this Report.

In February and September 2008 we announced the appointments of Jean-Philippe Courtois and Rudy Markham respectively. Jean-Philippe's considerable experience with Microsoft in global sales and marketing, including Emerging Markets, will be of great benefit to the work of the Board. Rudy's considerable experience of over 35 years at Unilever, latterly in finance, will also be invaluable to the work of the Board and to the Audit Committee.

In November 2008, we announced the retirement of John Patterson who will leave the Company after 34 years of service and will retire from the Board on 31 March 2009. John has made an important and highly valued contribution to the business over the course of his career with AstraZeneca and over the last five years as a member of the Board.

At the end of 2008, Graeme Musker stepped down from his position as Group Secretary and Solicitor, and will retire in early 2009. The Board appointed Adrian Kemp to the position of Company Secretary with effect from 1 January 2009. On behalf of the Board, I would like to thank Graeme for his 30 years' of invaluable service, advice and guidance to the Board and the Company.

The Board continues to be confident in the strong leadership of David Brennan and his Senior Executive Team and would like to thank them and all AstraZeneca's employees for their hard work and dedication, which underpins the Company's success.

The fundamentals of the world pharmaceutical market remain robust. Although industry growth is slowing, mainly due to ever-greater pressure on costs and increased generic competition, the continued demand for healthcare that underpins the industry's future growth prospects remains strong. The pharmaceutical industry is also arguably less exposed than other sectors to the current global economic downturn, although some impact may result from increased constraints on payers, suppliers and distributors.

Nevertheless, our rapidly changing business environment will continue to be a challenging one. The companies that will be most successful will be those that are able to manage the risks and maximise the opportunities effectively, through timely and efficient investment, appropriate use of intellectual property and constructive stakeholder engagement. I am confident that AstraZeneca is such a company and that, with our clear strategy, strong leadership and intense focus on execution, we will continue to deliver sustainable success, to the benefit of patients, shareholders and society.

**LOUIS SCHWEITZER**  
Chairman

# CHIEF EXECUTIVE OFFICER'S REVIEW



We are committed to delivering on our strategy and to changing the way we work so we are prepared for the future. 2008 was a year of both opportunity and challenge for the Company. I am proud to report that we delivered some significant successes against a tough background of slowing growth rates in Established Markets, ever-greater pressure on costs and increasing challenge from generic manufacturers.

Our strategy is clear. At its simplest, it is to create enduring value for shareholders by delivering medicines that make a meaningful difference to patient health.

Our vision is to be an innovation-driven, research-based pharmaceutical company focused on human health and capable of delivering a consistent flow of innovative and differentiated products to patients in markets around the world. To achieve this we will make sustained investment in an industry-leading, externally networked R&D organisation with expertise in both small molecule and large molecule technologies. We will commercialise our products rapidly and globally at affordable prices through a world class sales and marketing organisation operating in both primary and specialty care markets.

Underpinning our research and commercial operations will be a supply chain and operating infrastructure, through which we are aiming to achieve industry-leading efficiency.

Above all, we will seek to apply an investment discipline to all of our activities that attaches equal weight to delivering patient health and creating shareholder wealth. We will only invest shareholders' funds where we see attractive returns and the opportunity to create enduring shareholder value.

To help the organisation maintain our focus on execution, our strategy targets four main priorities:

## STRENGTHENING OUR PIPELINE

We are discovering and developing effective medicines faster than ever before and the considerable progress we have made in reducing development cycle times and costs has been achieved without compromising on safety and quality.

During 2008, we made eight significant regulatory submissions across several jurisdictions to broaden the use of our marketed products *Seroquel*, *Symbicort*, *Iressa* and *FluMist*, as well as two new product submissions for motavizumab, an improved anti-respiratory syncytial virus monoclonal antibody, and Onglyza™, for treating Type 2 diabetes. We have strengthened our mid-stage pipeline and now have 10 projects in Phase III development. 32 projects entered the pipeline during the year and 44 projects were progressed to their next phase of development. We now have a total of 144 projects within a balanced pipeline of small molecule and biological products. This compares with 137 projects in 2007.

We also continue to pursue high quality external opportunities to enhance further our in-house capabilities and have completed over 40 major deals in the last two years. These deals have increased the quality and size of our pipeline and improved the prospects of consistently launching more new medicines each year as the pipeline matures.

## GROWING THE BUSINESS

Backed by our 70 year track record of innovation, we have a range of medicines on the market that continue to make a difference in important areas of healthcare – and our commitment to delivering the full benefit of these medicines to patients and maximising their commercial potential remains undiminished.

Highlights of the year included the conclusion of a major study of our statin, *Crestor*, in the primary prevention area, which demonstrated significant reduction in major cardiovascular events – 44% compared to placebo in men and women with elevated hsCRP and other risk factors but low/normal cholesterol levels, a level of cardiovascular risk reduction not previously seen in a large placebo controlled statin outcome trial.

*Seroquel XR* has had approvals for acute bipolar depression, acute bipolar mania and as an adjunct therapy to lithium or divalproex for bipolar maintenance treatment in a number of major jurisdictions. These approvals for new indications put *Seroquel XR* on track to deliver its full therapeutic potential.

In addition, our expertise in regulatory, sales and marketing is also helping to bring to markets outside the US the biological products that MedImmune brought to our range, specifically motavizumab and *FluMist*.

Despite the challenging market conditions, we have continued to drive high performance and market share gains in our Established Markets and increased sales across North America, Europe and Japan. I believe our sales forces are among the best and we continue to evolve our commercial model to ensure that we stay at the forefront of best practice in meeting the needs of our customers.

We continue to deliver strong, profitable growth in our Emerging Markets, while continuing our strategic investment in these markets aimed at ensuring that we are appropriately resourced to deliver the full potential of the business opportunities in these developing economies. One in seven dollars of our sales now comes from Emerging Markets and as our presence in these countries matures, and as their economies strengthen, I am confident that we will be able to increase further business efficiency and deliver improved profitability in the future.

We received further challenges to some of our patents during the year, the details of which are set out elsewhere in this Report. We will continue to vigorously defend our patents 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

We have to be relentless in our pursuit of opportunities to drive further efficiencies across the value chain. As well as the progress delivered in R&D, we have reshaped our manufacturing and packing activities to improve productivity whilst maintaining high standards of quality and security; we have established agreements with third parties who offer specialist outsourced expertise in areas ranging from data management to catering; and put even greater focus on leveraging efficiencies within our global procurement activity.

Our continuing drive to improve efficiency and effectiveness resulted in further planned reductions of our workforce in some areas of our business during 2008 and our work on these initiatives continues. My management teams and I, take these changes very seriously and remain committed to ensuring that we manage these changes in line with our core values. Throughout, we have consulted with staff representatives and acted in line with local labour laws. We have also provided appropriate support to help individuals pursue their careers beyond AstraZeneca and have engaged with communities around the affected sites to mitigate the local impact.

#### **DOING BUSINESS THE RIGHT WAY**

I want AstraZeneca to be valued as a source of great medicines, but also to be trusted for the way in which we do business. Therefore, our strategic focus includes a fourth priority, which underpins and supports achievement of the first three. We must continue to nurture a culture of responsibility and accountability across all aspects of our business activity to ensure that AstraZeneca continues to be welcomed as a trusted member of society.

Our core values are the cornerstone of this culture and in 2007, we reviewed and expanded our Code of Conduct to provide clear direction as to how these high level values are to be translated into consistent actions across all areas of our business. The new Code went into effect in 2008, and it was followed by mandatory training during the year for everyone in the Company.

During the year, 86% of our employees participated in our global employee opinion survey. Results showed that employee engagement scores – defined as the extent to which people are committed to the future success of the Company – were very strong, and we continue to outperform other pharmaceutical companies in this area. The results also indicated that people were seeing increased levels of co-operation between senior leaders, leading to more effective global and cross-functional working. The survey also identified some key areas that continue to require attention, including change management, personal development and leadership communication. I take this feedback very seriously and new targets that address these issues have been included in the Senior Executive Team's performance goals for 2009.

#### **SENIOR EXECUTIVE TEAM (SET) CHANGES**

I am delighted that we have further strengthened the SET through the appointments of Anders Ekblom and Jeff Pott. Anders was appointed to the role of Executive Vice-President, Development with effect from 1 January 2009. Jeff has already taken up his new role as the Group's General Counsel, having spent a number of years as legal counsel within AstraZeneca's US business, most recently with responsibility for managing intellectual property litigation within the US.

During 2008 we announced that, after a long and distinguished career within the Company, John Patterson, Executive Director, Development, will retire at the end of March 2009. John has made an important and lasting contribution to the business over the course of his career with AstraZeneca. Under his leadership, the productivity and efficiency of our product development has improved significantly, and we now have the largest pipeline in our history. Also in 2008, David Mott, formerly President of MedImmune left the Company to pursue other opportunities. The role of President of MedImmune has been taken on by Tony Zook, who has also retained his responsibilities as Chief Executive Officer, North America and Executive Vice-President, Global Marketing.

#### **LOOKING AHEAD**

Despite the very significant and economic challenges being experienced around the world, I am confident the progress that we continue to make in our four priority areas means AstraZeneca is well placed to manage the challenges and opportunities of a rapidly changing business environment. I believe that we have the strategy, the engines for growth and the levels of commitment it takes to continue making a meaningful difference in patient health through great medicines, and creating enduring value for our shareholders and society.



**DAVID R BRENNAN**  
Chief Executive Officer