

ASTRAZENECA IS AN INNOVATION-DRIVEN, INTEGRATED, GLOBAL PHARMACEUTICAL COMPANY. OUR MISSION IS TO MAKE THE MOST MEANINGFUL DIFFERENCE TO PATIENT HEALTH THROUGH GREAT MEDICINES, AND TO CREATE ENDURING VALUE FOR OUR SHAREHOLDERS AND SOCIETY THROUGH INDUSTRY-LEADING R&D PRODUCTIVITY, COMMERCIAL EXCELLENCE AND OPERATIONAL EFFICIENCY.

Our strategy centres on four main priorities: strengthen the pipeline, grow the business, re-shape the business and promote a culture of responsibility and accountability. These priorities are described in this table, together with details of our objectives; the measures we use to assess our progress; the initiatives in place to drive achievement of our objectives; and a summary of our 2008 performance.

STRATEGIC PRIORITY	OBJECTIVES	MEASURES
STRENGTHEN THE PIPELINE		
To be one of the fastest and most productive companies in the industry through continuous improvement in our research and development (R&D), coupled with externalisation to broaden our research base and further strengthen our pipeline of new products.	Achieve a median composite eight-year product development cycle by 2010.	Development cycle times and quality for small molecules and biologics.
	Deliver two new molecular entity (NME) launches on average per year from 2010.	Number of NME launches per year.
	In order to achieve the above objective, ensure that we have 10 or more NMEs in Phase III development by 2010.	Attrition rates. Number of development projects by phase. Number of in-licensing deals, alliances and acquisitions. R&D investment levels.
GROW THE BUSINESS		
To maintain our position among the industry world leaders through a continued focus on driving commercial excellence.	Deliver overall sales growth in line with market growth.	Sales value growth at CER.
	Deliver target sales growth in key markets.	Global sales and prescription share trends for key products and key markets.
	Ensure profitable launch of our own and our in-licensed products.	Number of life-cycle projects delivered. Number of successful launches of new products. Number of commercial collaborations secured.
RE-SHAPE THE BUSINESS		
To create an organisation with the flexibility and financial strength to adapt quickly and effectively within a challenging and rapidly changing business environment.	Maintain gross profit margin.	Gross margin and operating margin.
	Efficiently deliver on R&D investment.	R&D unit cost reduction.
	Achieve upper quartile industry performance in relation to selling, general and administrative (SG&A) costs.	SG&A cost growth rates. Progress of productivity initiatives.
	Deliver procurement savings targets.	Procurement savings.
PROMOTE A CULTURE OF RESPONSIBILITY AND ACCOUNTABILITY		
To create an organisation that is recognised not only for the skills, experience and quality of its people, but also for the integrity with which it conducts its business.	Achieve upper quartile industry ranking for employee engagement.	Employee engagement levels. Number of confirmed breaches of external sales and marketing regulations or codes.
	Ensure that a culture of responsible business, including compliance, is embedded across all of our activities.	Ranking in Dow Jones World and STOXX (European) Sustainability Indexes.
	Ensure that our reputation is favourable and supports our continued success.	Number of animals used in research. Greenhouse gas and Ozone Depletion Potential (ODP) emissions.
		Accidents with serious injury and cases of occupational illness.

INITIATIVES

2008 PERFORMANCE SUMMARY

Improving R&D quality and speed through leading-edge science, effective risk management and decision-making, and overall business efficiency.

Maximising the value of our biologics business and continuing to build a major presence in this fast-growing sector.

Investing in external opportunities to enhance our internal innovation through in-licensing, alliances and acquisitions.

2008 target exceeded for small molecule development cycle times. See page 19.

NME and life-cycle management progressions delivered. See page 19.

Industry top quartile for speed and cost efficiencies achieved in Discovery. See page 18.

Eight significant regulatory packages delivered, broadening the use of *Seroquel*, *Iressa*, *Symbicort* and *FluMist* across several jurisdictions. Two new product submissions delivered.

Overall pipeline volume increased by 5% and in-phase distribution of our projects has improved: FGLP (32); Phase I (34); Phase II (31); Phase III (10); Life-cycle management (23). See pages 22 to 24.

Over 300 Discovery collaborations/partnerships to access new science and technology platforms.

21 in-licensing deals, alliances and collaborations successfully concluded. See page 19.

R&D investment \$5.2 billion.

Active and rigorous development of our brands to maximise patient benefit and commercial potential.

Driving high standards of sales force effectiveness, marketing excellence and customer support.

Building on our leadership positions in existing markets and expanding our presence in important emerging ones.

Securing new external commercial collaborations that further strengthen our platform for future business growth.

Global sales +3% at CER.

Sales by region at CER: North America +2%; US +1%; Established ROW +2%; Emerging ROW +16%. See page 48.

Sales by key product at CER: *Arimidex* +4%; *Crestor* +26%; *Nexium* -2%; *Seroquel* +9%; *Symbicort* +22%. See page 2.

Two US co-promotion agreements secured and 12 disposal transactions to extract value from deprioritised and non-core assets. See page 19.

Continued implementation and expansion of our restructuring programme, including:

- > Reviewing supply and manufacturing assets.
- > Driving R&D efficiency.
- > Driving sales and marketing resource optimisation and customer focus.
- > Implementing restructuring and efficiency programmes in corporate functions.

Core gross margin: 80.4%

Core operating margin: 34.7%

On track to deliver R&D unit cost reduction target of 15% over three years.

Core SG&A cost growth rate: 3%

Restructuring programme continues with benefits now estimated to reach \$2.5 billion per annum (up from \$1.4 billion); with \$2.1 billion in savings expected before 2010, and the balance to be realised by 2013.

Procurement savings on track to achieve target.

Strengthening the effectiveness of leaders and our performance management.

Maintaining/improving levels of employee engagement.

Investing in leadership development to improve accountability and collaboration.

Integrating responsible business considerations into everyday business thinking and decision-making.

Global employee survey shows employee engagement is strong, outperforming many other pharmaceutical companies. See page 28.

15 confirmed breaches of external sales and marketing regulations or codes. See page 28.

Positioned amongst the top 6% of companies in the sector in the Dow Jones World and STOXX (European) Sustainability Indexes.

376,000 animals used in research (preliminary figures). See page 15.

1.22 million tonnes CO₂ equivalents (39 tonnes/\$million sales). See page 15.

22 tonnes ODP emissions (0.71kg/\$million sales). See page 15.

2.28 accidents with serious injury per million hours worked. See page 15.

1.04 cases of occupational illness per million hours worked. See page 15.

MEASURING OUR PERFORMANCE

Each business function is subject to an annual budget and target-setting process that includes developing financial and business forecasts, conducting sensitivity and risk analyses and setting relevant performance measures. Reviews are undertaken in each part of the business in order to monitor and assess progress against business and budget targets, and to assess key risks and mitigating actions. Longer-term, 10-year forecasts are developed as part of our annual strategy review.

Quarterly internal reports provide the Board and Senior Executive Team (SET) members with shared insight into current progress against short-term financial and non-financial objectives and current year milestones for longer-term strategic goals.

Performance is assessed using quantitative, comparative market, operational and financial measures and more qualitative analysis. These measures align with the four main priorities of our strategy and together they provide the framework for consistently monitoring and reporting our progress towards achieving our objectives and ultimately delivering enduring shareholder value.

Specific measures that our Board and SET use when assessing business performance, or that are otherwise judged to be helpful in enabling shareholders to better understand and evaluate our business, are described and illustrated throughout this Report. The key measures in each of our four main priority areas are shown in the table on page 12.

In relation to our overall goal of creating enduring value for shareholders by being one of the best-performing pharmaceutical companies, we track shareholder value using the following financial performance metrics: sales growth, operating profit and margins; core and reported earnings per share growth; net operating cash flow (before debt repayment and shareholder distributions); shareholder distributions through dividends and share re-purchases; and total shareholder returns. We report our performance against those measures either in the Financial Highlights on page 2 or in the Financial Review from page 31 with total shareholder return reported on page 184.

REPORTING OUR PERFORMANCE – FINANCIAL

SALES BY KEY AND BASE PRODUCTS \$M

	● KEY PRODUCTS (ARIMIDEX, CRESTOR, NEXIUM, SEROQUEL AND SYMBICORT)	○ BASE PRODUCTS	TOTAL
08	17,110 (+9%)	14,491 (-2%)	31,601
07	15,344 (+11%)	14,215 (+3%)	29,559
06	13,318 (+23%)	13,157 (+1%)	26,475
05	10,849 (+27%)	13,101 (-1%)	23,950
04	8,426 (+36%)	13,000 (-4%)	21,426

SALES BY REGION \$M

	● NORTH AMERICA	● ESTABLISHED ROW	○ EMERGING ROW	TOTAL
08	14,785	12,543	4,273	31,601
07	14,511	11,491	3,557	29,559
06	13,480	10,131	2,864	26,475

GROSS MARGIN \$M

	\$M	% OF SALES
Core 08	25,408	80.4%
Reported 08	25,003	79.1%
Reported 07	23,140	78.3%
Reported 06	20,916	79.0%

OPERATING PROFIT MARGIN \$M

	\$M	% OF SALES
Core 08	10,958	34.7%
Reported 08	9,144	28.9%
Reported 07	8,094	27.4%
Reported 06	8,216	31.0%

R&D INVESTMENT \$M

	\$M	% OF SALES
Core 08	4,953	15.7%
Reported 08	5,179	16.4%
Reported 07	5,162	17.5%
Reported 06	3,902	14.7%

REPORTING OUR PERFORMANCE – NON-FINANCIAL

ASTRAZENECA EMPLOYEES: ACCIDENTS WITH SERIOUS INJURY (PER MILLION HOURS)^{1,2}

08	2.28
07	2.65
06	2.37

ASTRAZENECA EMPLOYEES: CASES OF OCCUPATIONAL ILLNESS (PER MILLION HOURS)¹

08	1.04
07	0.99
06	0.97

SALES AND MARKETING: NUMBER OF CONFIRMED BREACHES³

08	15
07	32
06	44

NUMBER OF ANIMALS USED IN RESEARCH '000

08	376 ^{4,5}
07	285
06	288

GREENHOUSE GAS EMISSIONS¹

	2008	2007	2006
CO ₂ -equivalents (million tonnes)	1.22	1.29	1.31
Index (tonnes/\$million sales)	39	44	50

Figures are calculated in line with the Greenhouse Gas (GhG) Protocol guidance (ghgprotocol.org)

OZONE DEPLETION POTENTIAL EMISSIONS¹

	2008	2007	2006
CFC11-equivalents (tonnes)	22	36	40
Index (kg/\$million sales)	0.71	1.2	1.5

Source data for calculation of CFC figures is AstraZeneca sales data

¹ Data excludes MedImmune.

² With and without days lost.

³ Of codes or regulations ruled by external bodies.

⁴ Data includes MedImmune, KuDOS and Arrow Therapeutics.

⁵ Preliminary figures. Final data will be available end March 2009 on astrazeneca.com/responsibility.