



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