

## Condensed Consolidated Income Statement

For the <b>nine months</b> ended 30 September	2008 \$m	2007 \$m
<b>Sales</b>	23,408	21,389
Cost of sales	(4,486)	(4,598)
Distribution costs	(220)	(181)
Research and development	(3,824)	(3,730)
Selling, general and administrative costs	(8,057)	(7,309)
Other operating income and expense	431	594
<b>Operating profit</b>	7,252	6,165
Finance income	637	703
Finance expense	(1,024)	(722)
<b>Profit before tax</b>	6,865	6,146
Taxation	(1,994)	(1,794)
<b>Profit for the period</b>	4,871	4,352
<b>Attributable to:</b>		
Equity holders of the Company	4,853	4,329
Minority interests	18	23
	4,871	4,352
Basic earnings per \$0.25 Ordinary Share	\$3.34	\$2.88
Diluted earnings per \$0.25 Ordinary Share	\$3.33	\$2.87
Weighted average number of Ordinary Shares in issue (millions)	1,455	1,505
Diluted average number of Ordinary Shares in issue (millions)	1,456	1,510
Dividends declared and paid in the period	2,767	2,658

## Condensed Consolidated Income Statement

For the <b>quarter</b> ended 30 September	2008 \$m	2007 \$m
<b>Sales</b>	7,775	7,150
Cost of sales	(1,529)	(1,444)
Distribution costs	(79)	(59)
Research and development	(1,291)	(1,335)
Selling, general and administrative costs	(2,486)	(2,487)
Other operating income and expense	132	197
<b>Operating profit</b>	2,522	2,022
Finance income	235	217
Finance expense	(314)	(351)
<b>Profit before tax</b>	2,443	1,888
Taxation	(705)	(537)
<b>Profit for the period</b>	1,738	1,351
<b>Attributable to:</b>		
Equity holders of the Company	1,730	1,343
Minority interests	8	8
	1,738	1,351
Basic earnings per \$0.25 Ordinary Share	\$1.20	\$0.91
Diluted earnings per \$0.25 Ordinary Share	\$1.19	\$0.90
Weighted average number of Ordinary Shares in issue (millions)	1,452	1,486
Diluted average number of Ordinary Shares in issue (millions)	1,455	1,489

## Condensed Consolidated Balance Sheet

	As at 30 Sep 2008 \$m	As at 31 Dec 2007 \$m	As at 30 Sep 2007 \$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7,830	8,298	8,316
Goodwill	9,870	9,884	9,713
Intangible assets	13,223	11,467	11,682
Other investments	179	182	217
Deferred tax assets	1,374	1,044	1,331
	<b>32,476</b>	<b>30,875</b>	<b>31,259</b>
<b>Current assets</b>			
Inventories	2,083	2,119	2,558
Trade and other receivables	7,181	6,668	6,492
Other investments	82	177	102
Income tax receivable	2,710	2,251	2,111
Cash and cash equivalents	3,541	5,867	3,428
	<b>15,597</b>	<b>17,082</b>	<b>14,691</b>
<b>Total assets</b>	<b>48,073</b>	<b>47,957</b>	<b>45,950</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest bearing loans and borrowings	(2,546)	(4,280)	(5,403)
Trade and other payables	(6,939)	(6,968)	(6,632)
Provisions	(359)	(387)	(100)
Income tax payable	(4,536)	(3,552)	(3,393)
	<b>(14,380)</b>	<b>(15,187)</b>	<b>(15,528)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	(10,826)	(10,876)	(8,994)
Deferred tax liabilities	(3,864)	(4,119)	(4,224)
Retirement benefit obligations	(2,018)	(1,998)	(1,630)
Provisions	(567)	(633)	(606)
Other payables	(186)	(229)	(226)
	<b>(17,461)</b>	<b>(17,855)</b>	<b>(15,680)</b>
<b>Total liabilities</b>	<b>(31,841)</b>	<b>(33,042)</b>	<b>(31,208)</b>
<b>Net assets</b>	<b>16,232</b>	<b>14,915</b>	<b>14,742</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	362	364	369
Share premium account	2,005	1,888	1,832
Other reserves	1,915	1,902	1,903
Retained earnings	11,823	10,624	10,510
	<b>16,105</b>	<b>14,778</b>	<b>14,614</b>
<b>Minority equity interests</b>	<b>127</b>	<b>137</b>	<b>128</b>
<b>Total equity</b>	<b>16,232</b>	<b>14,915</b>	<b>14,742</b>

# Condensed Consolidated Cash Flow Statement

For the <b>nine months</b> ended 30 September	<b>2008</b> \$m	<b>2007</b> \$m
<b>Cash flows from operating activities</b>		
Profit before taxation	6,865	6,146
Finance income and expense	387	19
Depreciation, amortisation and impairment	1,693	1,304
Increase in working capital	(862)	(1,049)
Other non-cash movements	196	679
Cash generated from operations	8,279	7,099
Interest paid	(536)	(250)
Tax paid	(1,792)	(2,337)
<b>Net cash inflow from operating activities</b>	<b>5,951</b>	<b>4,512</b>
<b>Cash flows from investing activities</b>		
Acquisition of business operations	-	(14,814)
Movement in short term investments and fixed deposits	28	875
Purchase of property, plant and equipment	(750)	(754)
Disposal of property, plant and equipment	28	39
Purchase of intangible assets	(2,796)	(454)
Purchase of non-current asset investments	(33)	(22)
Disposal of non-current asset investments	5	384
Interest received	131	295
Dividends paid by subsidiaries to minority interest	(37)	(9)
<b>Net cash outflow from investing activities</b>	<b>(3,424)</b>	<b>(14,460)</b>
<b>Net cash inflow/(outflow) before financing activities</b>	<b>2,527</b>	<b>(9,948)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	118	162
Repurchase of shares	(603)	(3,294)
Dividends paid	(2,739)	(2,641)
Repayment of loans	-	(1,165)
Issue of loans	787	7,895
Movement in short term borrowings	(2,425)	5,297
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(4,862)</b>	<b>6,254</b>
<b>Net decrease in cash and cash equivalents in the period</b>	<b>(2,335)</b>	<b>(3,694)</b>
Cash and cash equivalents at the beginning of the period	5,727	6,989
Exchange rate effects	(33)	50
<b>Cash and cash equivalents at the end of the period</b>	<b>3,359</b>	<b>3,345</b>
<b>Cash and cash equivalents consists of:</b>		
Cash and cash equivalents	3,541	3,428
Overdrafts	(182)	(83)
	<b>3,359</b>	<b>3,345</b>

## Condensed Consolidated Statement of Recognised Income and Expense

For the <b>nine months</b> ended 30 September	2008 \$m	2007 \$m
Profit for the period	4,871	4,352
Foreign exchange and other adjustments on consolidation	(334)	420
Available for sale losses taken to equity	(1)	(15)
Actuarial (loss)/gain for the period	(150)	336
Tax on items taken directly to reserves	82	(79)
	(403)	662
<b>Total recognised income and expense for the period</b>	<b>4,468</b>	<b>5,014</b>
<b>Attributable to:</b>		
Equity holders of the Company	4,444	4,998
Minority interests	24	16
	4,468	5,014

# Notes to the Interim Financial Statements

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements ("interim financial statements") for the nine months ended 30 September 2008 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Details of the accounting policies applied are those set out in AstraZeneca PLC's Annual Report and Form 20-F Information 2007.

The information contained in Note 4 updates the disclosures concerning legal proceedings and contingent liabilities in the Company's Annual Report and Form 20-F Information 2007.

The interim financial statements do not constitute statutory accounts of the Group within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 237 of the Companies Act 1985.

## 2 NET DEBT

The table below provides an analysis of net debt and a reconciliation of net cash flow to the movement in net debt.

	At 1 Jan 2008 \$m	Cash flow \$m	Non-cash movements \$m	Exchange movements \$m	At 30 Sep 2008 \$m
Loans due after 1 year	(10,876)	(787)	660	177	(10,826)
Current instalments of loans	-	-	(649)	-	(649)
<b>Total loans</b>	<b>(10,876)</b>	<b>(787)</b>	<b>11</b>	<b>177</b>	<b>(11,475)</b>
Other investments - current	177	(28)	(63)	(4)	82
Cash and cash equivalents	5,867	(2,293)	-	(33)	3,541
Overdrafts	(140)	(42)	-	-	(182)
Short term borrowings	(4,140)	2,425	-	-	(1,715)
	1,764	62	(63)	(37)	1,726
<b>Net debt</b>	<b>(9,112)</b>	<b>(725)</b>	<b>(52)</b>	<b>140</b>	<b>(9,749)</b>

Non-cash movements in the period include fair value adjustments under IAS 39.

## 3 RESTRUCTURING AND SYNERGY COSTS

Profit before tax for the nine months ended 30 September 2008 is stated after charging restructuring and synergy costs of \$365 million (\$604 million in the nine months 2007). These have been charged to the income statement as follows:

	3 <sup>rd</sup> Quarter 2008 \$m	3 <sup>rd</sup> Quarter 2007 \$m	9 Months 2008 \$m	9 Months 2007 \$m
Cost of Sales	72	39	128	320
R&D	30	8	116	37
SG&A	15	99	121	247
<b>Total</b>	<b>117</b>	<b>146</b>	<b>365</b>	<b>604</b>

#### 4 LEGAL PROCEEDINGS AND CONTINGENT LIABILITIES

AstraZeneca is involved in various legal proceedings considered typical to its business, including litigation relating to employment matters, product liability, commercial disputes, infringement of intellectual property rights, the validity of certain patents and securities law. The matters discussed below constitute the more significant developments since the publication of the disclosures concerning legal proceedings in the Company's Annual Report and Form 20-F Information 2007 and half year results 2008.

Unless noted otherwise below or in the Annual Report and Form 20-F Information 2007, no provisions have been established in respect of the claims discussed below.

##### **Atacand (candesartan cilexetil)**

As previously disclosed, in July 2008 AstraZeneca received a Paragraph IV Certification from Mylan, Inc. (Mylan) relating to an Abbreviated New Drug Application submitted by Matrix Laboratories, Ltd with respect to all four dose forms of candesartan cilexetil, alleging non-infringement of US Patent No. 5,534,534. Mylan did not challenge the two compound patents listed in the US Food and Drug Administration Orange Book, the latter of which expires in 2012. As a result Mylan cannot market candesartan cilexetil before 4 June 2012. AstraZeneca did not file a complaint for patent infringement.

##### **Atacand HCT (candesartan cilexetil and hydrochlorothiazide)**

AstraZeneca received a Paragraph IV notice dated 22 September 2008 relating to an Abbreviated New Drug Application submitted by Mylan, Inc. (Mylan) for *Atacand* HCT, a combination product containing candesartan cilexetil and hydrochlorothiazide in the 32/12.5 and 16/12.5mg dose forms. The notice alleges that US Patent Nos. 5,534,534, 5,721,263 and 5,958,961 are invalid, unenforceable and/or not infringed. Mylan does not challenge the other two patents listed in the Orange Book, the latter of which expires on 4 June 2012. As a result Mylan cannot market candesartan cilexetil and hydrochlorothiazide before 4 June 2012. AstraZeneca did not file a complaint for patent infringement.

##### **Crestor (rosuvastatin calcium)**

###### *Patent litigation - US*

After its transfer to the Delaware District Court pursuant to the order of the Judicial Panel on Multi-District Litigation, on 16 September 2008, Apotex, Inc. voluntarily dismissed its declaratory judgement lawsuit, which it had originally filed in the Middle District of Florida.

In September 2008, the US District Court, District of Delaware, issued an amended scheduling order covering all of the *Crestor* Abbreviated New Drug Application matters originally filed in the Delaware Court and the Aurobindo protective suit, which has been transferred to the Delaware Court from the District of New Jersey pursuant to the order of the Judicial Panel on Multi-District Litigation. Discovery in all matters now proceeds under a common Delaware District Court scheduling order.

On 6 October 2008, Teva Pharmaceuticals Ltd (Teva) filed a patent infringement action against AstraZeneca alleging that *Crestor* tablets infringe a recently reissued patent owned by Teva that claims stabilised pharmaceutical compositions.

AstraZeneca has full confidence in, and will vigorously defend and enforce, its intellectual property protecting *Crestor*.

###### *Patent litigation - Canada*

In September 2008, AstraZeneca Canada Inc. received a Notice of Allegation from Novopharm Limited (Novopharm) in respect of Canadian Patent Nos. 2,072,945 (the '945 patent) and 2,313,783 (the '783 patent) listed on the Patent Register in Canada for *Crestor*. Novopharm alleges that it filed an Abbreviated New Drug Submission in August 2008 for 5, 10, 20 and 40mg rosuvastatin calcium tablets. Novopharm claims that the '945 patent is invalid and that the '783 patent has not been infringed. AstraZeneca responded by commencing a court application in October 2008 under the Patented Medicines (Notice of Compliance) Regulations, seeking an order prohibiting the Minister of Health from issuing a Notice of Compliance (marketing approval) to Novopharm until after expiry of the patents. Novopharm cannot obtain a Notice of Compliance for its rosuvastatin calcium tablets until the earlier of the disposition of the court application in Novopharm's favour or 24 months from the date on which the court application has been commenced (assuming its regulatory submission is approvable by that date), unless a Prohibition Order is granted.

AstraZeneca has full confidence in, and will vigorously defend and enforce, its intellectual property protecting *Crestor*.

##### **Losec/Prilosec (omeprazole)**

###### *Patent litigation*

As previously disclosed, in May 2007 the US District Court for the Southern District of New York upheld both formulation patents covering *Prilosec*. The Court found that the generic omeprazole formulations of Impax Laboratories Inc. (Impax) and Apotex, Inc. (Apotex) infringed AstraZeneca's patents. The Court also found that the generic products sold by Lek Pharmaceutical and Chemical Company d.d. and Lek Services USA, Inc. (together Lek) and Mylan Pharmaceuticals Inc (Mylan)/Laboratorios Esteve, SA and Esteve Quimica, SA (together Esteve) did not infringe AstraZeneca's patents. AstraZeneca appealed the Mylan/Esteve decision to the US Court of Appeals for the Federal Circuit. Impax and Apotex also appealed. In May 2008, all three appeals were argued before the Federal Circuit. In June 2008, the Federal Circuit upheld the ruling that Mylan/Esteve did not infringe. In September 2008, the Federal Circuit upheld that the generic omeprazole formulations of Impax and Apotex infringed AstraZeneca's patents in suit. AstraZeneca will pursue damages and additional remedies from Impax and Apotex.

AstraZeneca has full confidence in, and will vigorously defend and enforce, its intellectual property protecting *Losec/Prilosec*.

#### *European Commission investigation*

AstraZeneca has been notified that the Oral Hearing in its appeal to the Court of First Instance (against the European Commission's 2005 Decision fining AstraZeneca for abuse of a dominant position regarding omeprazole) will take place on 26 and 27 November 2008 (or as may be adjourned by the Court). Judgement will be handed down in due course.

#### **Nexium (esomeprazole magnesium)**

##### *Sales and marketing practices*

As previously disclosed, AstraZeneca entities have been sued in various state and federal courts in the US in purported representative class actions involving the marketing of *Nexium*. In July 2008, the Arkansas State Court granted AstraZeneca's renewed motion to dismiss the plaintiffs' amended complaint. The plaintiffs filed an appeal.

##### *Patent litigation*

As previously disclosed, *Nexium* patent infringement litigations against IVAX Pharmaceuticals, Inc. (now known as Teva Pharmaceutical Industries Limited), its parent Teva Pharmaceuticals USA Limited and affiliated entities (together IVAX) and Dr. Reddy's Laboratories, Ltd and Dr Reddy's Laboratories, Inc. (together Dr Reddy's) are ongoing in the United States District Court, District of New Jersey. In May and June 2008, AstraZeneca received a complaint from IVAX and a complaint from Dr. Reddy's for declaratory judgements of non-infringement and/or invalidity for patents listed in the US Food and Drug Administration (FDA) Orange Book with reference to *Nexium* that were not previously at issue in the ongoing infringement litigations. In August 2008, the Court dismissed the IVAX and Dr. Reddy's declaratory judgement actions as to certain patents and stayed the declaratory judgement actions as to remaining patents at issue. No trial date has been set in the ongoing patent infringement litigations.

In August 2008, AstraZeneca received a notice-letter from IVAX challenging US Patent No. 7,411,070 (the '070 patent). The '070 patent is listed in the FDA Orange Book with reference to *Nexium*. The notice contains certifications of invalidity, unenforceability and/or non-infringement in respect of the '070 patent. In October 2008, AstraZeneca commenced patent infringement litigation asserting the '070 patent against IVAX and Cipla Limited in the United States District Court, District of New Jersey. No trial date has been set.

AstraZeneca has full confidence in, and will vigorously defend and enforce, its intellectual property protecting *Nexium*.

#### **Pulmicort Respules (budesonide inhalation suspension)**

As previously disclosed, in October 2005 AstraZeneca filed a lawsuit in the United States District Court for the District of New Jersey against IVAX Pharmaceuticals, Inc. (now known as Teva Pharmaceutical Industries Limited) (IVAX) for infringement of AstraZeneca's patents covering *Pulmicort Respules*. On 30 June 2008, IVAX filed a motion for summary judgement of no infringement. A hearing on IVAX's motion was held on 23 September 2008 and the Court denied the motion on the same date.

On 29 October 2008, AstraZeneca filed a Motion for a Preliminary Injunction seeking to prevent IVAX launching its purported generic version of AstraZeneca's *Pulmicort Respules*, which would be deemed to be "at-risk" were it to gain the approval of the US Food and Drug Administration (FDA), until the ongoing patent infringement case between the parties had been decided. The trial of this case is scheduled to begin on 12 January 2009. While the FDA has not yet granted approval to IVAX for its purported generic product, AstraZeneca is seeking assurance that, in the event of an approval, the Court will be in a position to render a decision to prevent an "at-risk" launch of the IVAX product.

AstraZeneca continues to have full confidence in, and will vigorously defend and enforce, its intellectual property protecting *Pulmicort Respules*.

#### **Seroquel and Seroquel XR (quetiapine fumarate)**

##### *Patent litigation*

As previously disclosed, AstraZeneca received Paragraph IV Certification notice-letters from both Sandoz Inc. (Sandoz) and Teva Pharmaceuticals USA Inc. (Teva) relating to Abbreviated New Drug Applications (ANDA) for approvals to market generic quetiapine fumarate tablets. AstraZeneca previously brought patent infringement actions in US District Court, District of New Jersey in response to those filings and the consolidated lawsuit resulted in a summary judgement in AstraZeneca's favour in July 2008. Teva and Sandoz appealed the Court's summary judgement. On 22 September 2008, Sandoz filed its opening brief in the US Court of Appeals for the Federal Circuit in the ANDA patent infringement action against Sandoz and Teva. Likewise, on 6 October 2008, Teva filed its opening brief.

In September 2008, AstraZeneca received a Paragraph IV Certification notice-letter from Accord Healthcare Inc. (Accord) advising that it had submitted an ANDA seeking approval to market generic versions of 200, 300 and 400mg *Seroquel XR* tablets before expiration of AstraZeneca's patent covering the *Seroquel XR* formulation. Accord is a subsidiary of Intas Pharmaceutical Limited (Intas). Also in September 2008, AstraZeneca filed a lawsuit in US District Court, District of New Jersey, against Accord, Intas and related entities, alleging infringement of AstraZeneca's US Patent No. 5,948,437, which covers the *Seroquel XR* formulation. The matter is proceeding.

In October 2008, AstraZeneca received a third Paragraph IV Certification notice-letter from Handa Pharmaceuticals (Handa) advising that it had submitted an ANDA seeking approval to market a generic version of a 50mg *Seroquel XR* tablet before expiration of AstraZeneca's patents covering the product. On 28 October 2008, AstraZeneca filed a lawsuit in US District Court, District of New Jersey against Handa alleging infringement of AstraZeneca's patents covering the active ingredient and formulation of *Seroquel XR* tablets.

AstraZeneca has full confidence in, and will vigorously defend and enforce, its intellectual property protecting *Seroquel*

and *Seroquel XR*.

#### *Product liability*

As previously disclosed, AstraZeneca Pharmaceuticals LP, either alone or in conjunction with one or more affiliates, has been sued in numerous individual personal injury actions involving *Seroquel*. In most of these cases, the nature of the plaintiffs' alleged injuries is not clear from the complaint and, in most cases, little or no factual information regarding the alleged injury has been provided in the complaint. However, the plaintiffs generally contend that they developed diabetes and/or other related injuries as a result of taking *Seroquel* and/or other atypical antipsychotic medications.

As of 8 October 2008, AstraZeneca was defending 8,988 served or answered lawsuits involving approximately 14,902 plaintiff groups. To date, approximately 2,225 additional cases have been dismissed by order or agreement and approximately 1,500 of those cases have been dismissed with prejudice. No trial is expected until the first half of 2009. Approximately 22% of the cases that were or are pending in the federal court Multi-District Litigation have been dismissed. Approximately two-thirds of the plaintiffs with currently pending *Seroquel* cases are in state courts (primarily Delaware, New Jersey, New York and Missouri) with the other third pending in the federal court.

#### **Average wholesale price class action litigation**

As previously disclosed, in May 2007 AstraZeneca reached a proposed settlement agreement resolving the Class 1 claims in the Boston, Massachusetts litigation brought on behalf of a putative class of plaintiffs alleged to have overpaid for *Zoladex* as a result of inflated wholesale list prices. In October 2008, the Court issued an order approving the settlement on the condition that the parties agree to apportion a greater percentage of the settlement funds to individual claimants rather than to charities. The Court did not alter the total amount of payments under the settlement. The parties are considering how to respond to the Court's order.

In September 2008, the Boston Court granted, in part, the plaintiffs' motion for certification of multi-state versions of Class 2 and Class 3 relating to *Zoladex*. AstraZeneca believes the decision to be in error and will seek leave for an immediate appeal.

#### **Drug importation anti-trust litigation**

As previously disclosed, in August 2004 Californian retail pharmacy plaintiffs filed an action in the Superior Court of California alleging that AstraZeneca Pharmaceuticals LP and numerous other pharmaceutical manufacturers conspired to prevent American consumers from purchasing prescription drugs from Canada and also conspired to set the price of drugs sold in California at or above the Canadian sales price for those same drugs. In December 2006, the Court granted the defendants' motion for summary judgement and the case was subsequently dismissed. Plaintiffs appealed that decision and the Court of Appeal of the State of California affirmed the lower Court's decision. Plaintiffs have appealed to the Supreme Court of California.

AstraZeneca denies the material allegations in the California action and is vigorously defending this matter.

#### **Employment-wage/hour litigation**

As previously disclosed, AstraZeneca is defending three putative class action lawsuits alleging various violations of state wage and hour laws by challenging the way AstraZeneca has classified its sales representatives as exempt from overtime pay requirements. In *Hummel v. AstraZeneca*, the US District Court for the Southern District of New York granted AstraZeneca's motion for summary judgement and dismissed the case on 9 September 2008. On 6 October 2008, Hummel filed a notice of appeal to the Second Circuit Court of Appeals.

#### **Pain pump litigation**

As previously disclosed, AstraZeneca entities have been named in lawsuits in various US jurisdictions alleging injuries caused by the use of local anaesthetic products with third-party pain pumps. There have now been more than 30 such lawsuits filed, involving approximately 40 plaintiffs, although 14 plaintiffs have voluntarily dismissed, or are in the process of voluntarily dismissing, their cases against the AstraZeneca defendants. AstraZeneca also tendered an additional 5 cases to Abraxis Biosciences, Inc.

It was previously reported that plaintiffs moved to consolidate the federal pain pump cases under the Multi-District Litigation process. The Judicial Panel on Multi-District Litigation denied that motion on 11 August 2008. The cases will accordingly continue as individual lawsuits in the jurisdictions where they were filed.

AstraZeneca intends to vigorously defend these cases.

#### **340B litigation**

As previously disclosed, the County of Santa Clara filed a class action suit against AstraZeneca, along with several other pharmaceutical manufacturers, on behalf of similarly situated California counties and cities that allegedly overpaid for drugs covered by the federal '340B' programme, which entitles certain hospitals and clinics to preferential pricing for their outpatient purchases of drugs. This suit was previously dismissed. In August 2008, the US Court of Appeals for the Ninth Circuit reversed the dismissal, enabling the County to continue its suit at the lower court. Discovery commenced in October 2008 and a trial date has been set for February 2010.

AstraZeneca intends to vigorously defend these claims.

#### **Tax litigation**

As previously disclosed, AstraZeneca and Her Majesty's Revenue & Customs (HMRC) have made a joint referral to the UK Court in respect of transfer pricing for the years 1996 to date. The issue is likely to be resolved by litigation that is now expected to commence in 2010. Management continue to believe that AstraZeneca has adequately provided for its transfer pricing audits, disputes and the joint referral in the UK. Management will continue to keep the provision under review.

## 5 ACCOUNTING IMPACT FROM MERCK ARRANGEMENTS

### Introduction

In 1982, Astra AB set up a joint venture with Merck & Co., Inc. for the purposes of selling, marketing and distributing certain Astra products in the US. In 1998, this joint venture was restructured (the "Restructuring"). Under the agreements relating to the Restructuring (the "Agreements"), a US limited partnership was formed, in which Merck is the limited partner and AstraZeneca is the general partner, and AstraZeneca obtained control of the joint venture's business subject to certain limited partner and other rights held by Merck and its affiliates. These rights provide Merck with safeguards over the activities of the partnership and place limitations on AstraZeneca's commercial freedom to operate. The Agreements provide for:

- Annual contingent payments.
- A payment to Merck in the event of a business combination between Astra and a third party in order for Merck to relinquish certain claims to that third party's products.
- Termination arrangements which, if and when triggered, cause Merck to relinquish its interests in AstraZeneca's products and activities.

Further details are set out in the 2007 Annual Report and Form 20-F Information.

### *Payment made on 17 March 2008*

On 17 March, under the termination arrangements included in the Agreements, AstraZeneca made a net cash payment to Merck of approximately \$2.63 billion. This payment resulted in AstraZeneca acquiring Merck's interests in certain AstraZeneca products including *Pulmicort*, *Rhinocort*, *Symbicort* and *Toprol-XL*. Consequently AstraZeneca no longer has to pay contingent payments on these products to Merck and has obtained the ability to fully exploit these products and to fully exploit other opportunities in the Respiratory therapy area that AstraZeneca was previously prevented from doing by Merck's interests in these products. Intangible assets aggregating to \$994 million have been recognised in respect of these acquired product rights and these are being amortised over various periods giving rise to an annual expense of approximately \$60 million per annum. Approximately \$50 million of this amortisation relates to relief from contingent payments, and will be charged to Cost of Goods Sold (COGS), with the balance related to the Respiratory therapy area, which will be charged to SG&A. For the purposes of calculating Core financial measures, the Company will exclude only the amortisation expense related to therapy area intangibles (i.e. that charged to SG&A) from the Core financial measures calculations.

The balance of the net payment made on 17 March represents payments on account for the product rights that will be acquired in the event that the First Option and the Second Option (see below) are exercised by AstraZeneca. Intangible assets aggregating to \$1,656 million have been recognised. These balances are not subject to amortisation until each of the options is exercised and the related product rights are acquired. Should it become probable that the First Option will not be exercised, all the payments on account will be expensed immediately. If after the First Option has been exercised it becomes probable that the Second Option will not be exercised, the payments on account for the product rights to be acquired under the Second Option will be expensed immediately.

### *Further optional payments*

AstraZeneca has the right in 2010 to acquire Merck's interests in all the products still covered by the Agreements other than *Prilosec* and *Nexium* for \$647 million ("the First Option"). These products comprise marketed products (*Entocort*, *Atacand*, *Plendil*, *Lexxel*) and products still in development (including AZD6140, AZD3355, AZD0328 and AZD2327). If the First Option is exercised, AstraZeneca will no longer have to pay contingent payments on these products to Merck and will obtain the ability to fully exploit these products and to fully exploit other opportunities in the Cardiovascular and Neuroscience therapy areas that AstraZeneca was previously prevented from doing by Merck's interests in these products. If the First Option is exercised, this will give rise to an additional amortisation expense in the range of \$15 to \$50 million per annum charged to COGS, the precise amount dependent upon the launch status of the covered pipeline compounds, and an additional charge to SG&A of around \$60 million.

Provided that the First Option is exercised, AstraZeneca may exercise a further option ("the Second Option") two years later (or in 2017, or if combined annual sales of the two products fall below a minimum amount) which will end the contingent payments in respect of *Nexium* and *Prilosec* and effectively end AstraZeneca's relationship with and obligations to Merck (other than some residual manufacturing arrangements). The exercise price for the Second Option is the net present value of the future annual contingent payments on *Prilosec* and *Nexium* as determined at the time of exercise. If the Second Option is exercised then amortisation related to the ability to exploit opportunities in the Gastrointestinal therapy area will commence, in the amount of \$15 million per annum (charged to SG&A), as well as an as yet indeterminable amount of amortisation related to relief from contingent payments.

The intangible assets relating to purchased product rights and the intangible assets relating to payments on account will be subject to impairment testing and would be partially or wholly impaired if a product is withdrawn or if activity in any of the affected therapy areas is significantly curtailed.

## 6 NINE MONTHS TERRITORIAL SALES ANALYSIS

	9 Months 2008 \$m	9 Months 2007 \$m	% Growth	
			Actual	Constant Currency
US	9,726	9,701	-	-
Canada	979	814	20	9
North America	10,705	10,515	2	1
Western Europe**	7,445	6,662	12	-
Japan	1,355	1,129	20	6
Other Established ROW	653	506	29	16
Established ROW*	9,453	8,297	14	2
Emerging Europe	924	735	26	10
China	456	313	46	33
Emerging Asia Pacific	618	545	13	12
Other Emerging ROW	1,252	984	27	19
Emerging ROW	3,250	2,577	26	16
Total Sales	23,408	21,389	9	3

\* Established ROW comprises Western Europe (including France, UK, Germany, Italy, Sweden and others), Japan, Australia and New Zealand.

\*\* For the nine months, Western Europe sales growth excluding Synagis would be 10 percent on an actual basis and -2 percent on a constant currency basis.

## 7 THIRD QUARTER TERRITORIAL SALES ANALYSIS

	3 <sup>rd</sup> Quarter 2008 \$m	3 <sup>rd</sup> Quarter 2007 \$m	% Growth	
			Actual	Constant Currency
US	3,199	3,199	-	-
Canada	320	286	12	9
North America	3,519	3,485	1	1
Western Europe**	2,434	2,200	11	-
Japan	459	395	16	5
Other Established ROW	247	196	26	16
Established ROW*	3,140	2,791	13	2
Emerging Europe	315	241	31	15
China	168	112	50	35
Emerging Asia Pacific	204	189	8	10
Other Emerging ROW	429	332	29	20
Emerging ROW	1,116	874	28	18
Total Sales	7,775	7,150	9	3

\* Established ROW comprises Western Europe (including France, UK, Germany, Italy, Sweden and others), Japan, Australia and New Zealand.

\*\* For the third quarter, Western Europe sales growth excluding Synagis would be 11 percent on an actual basis and 0 percent on a constant currency basis.

## 8 NINE MONTHS PRODUCT SALES ANALYSIS

	World				US	
	9 Months 2008 \$m	9 Months 2007 \$m	Actual Growth %	Constant Currency Growth %	9 Months 2008 \$m	Actual Growth %
<b>Gastrointestinal:</b>						
<i>Nexium</i>	3,876	3,913	(1)	(5)	2,269	(12)
<i>Losec/Prilosec</i>	791	845	(6)	(15)	138	(19)
Others	66	60	10	2	23	10
<b>Total Gastrointestinal</b>	<b>4,733</b>	<b>4,818</b>	<b>(2)</b>	<b>(7)</b>	<b>2,430</b>	<b>(12)</b>
<b>Cardiovascular:</b>						
<i>Crestor</i>	2,610	1,997	31	24	1,188	14
<i>Seloken/Toprol-XL</i>	600	1,229	(51)	(55)	207	(77)
<i>Atacand</i>	1,120	934	20	10	198	3
<i>Tenormin</i>	236	224	5	(4)	14	-
<i>Zestril</i>	184	228	(19)	(27)	15	(6)
<i>Plendil</i>	201	205	(2)	(10)	15	(46)
Others	209	212	(1)	(11)	1	(50)
<b>Total Cardiovascular</b>	<b>5,160</b>	<b>5,029</b>	<b>3</b>	<b>(4)</b>	<b>1,638</b>	<b>(25)</b>
<b>Respiratory:</b>						
<i>Symbicort</i>	1,490	1,139	31	19	165	n/m
<i>Pulmicort</i>	1,098	1,007	9	5	722	10
<i>Rhinocort</i>	244	267	(9)	(13)	139	(20)
<i>Oxis</i>	56	64	(13)	(23)	-	-
<i>Accolate</i>	55	57	(4)	(5)	39	(5)
Others	126	121	4	(5)	-	-
<b>Total Respiratory</b>	<b>3,069</b>	<b>2,655</b>	<b>16</b>	<b>8</b>	<b>1,065</b>	<b>18</b>
<b>Oncology:</b>						
<i>Arimidex</i>	1,406	1,256	12	6	577	14
<i>Casodex</i>	974	965	1	(7)	215	(2)
<i>Zoladex</i>	860	797	8	(2)	55	(19)
<i>Iressa</i>	192	168	14	5	5	(29)
<i>Ethyol</i>	23	27	n/m	n/m	23	n/m
Others	304	267	14	6	127	4
<b>Total Oncology</b>	<b>3,759</b>	<b>3,480</b>	<b>8</b>	<b>-</b>	<b>1,002</b>	<b>5</b>
<b>Neuroscience:</b>						
<i>Seroquel</i>	3,292	2,941	12	8	2,184	4
Local anaesthetics	458	398	15	4	26	(19)
<i>Zomig</i>	336	320	5	(2)	138	4
<i>Diprivan</i>	213	189	13	3	29	-
Others	43	43	-	(7)	7	(36)
<b>Total Neuroscience</b>	<b>4,342</b>	<b>3,891</b>	<b>12</b>	<b>6</b>	<b>2,384</b>	<b>4</b>
<b>Infection and Other:</b>						
<i>Synagis</i>	724	138	n/m	n/m	543	n/m
<i>Merrem</i>	680	558	22	14	151	41
<i>FluMist</i>	71	-	n/m	n/m	71	n/m
Other Products	171	203	(16)	(20)	88	(19)
<b>Total Infection and Other</b>	<b>1,646</b>	<b>899</b>	<b>83</b>	<b>n/m</b>	<b>853</b>	<b>n/m</b>
Aptium Oncology	294	300	(2)	(2)	294	(2)
Astra Tech	405	317	28	17	60	46
<b>Total</b>	<b>23,408</b>	<b>21,389</b>	<b>9</b>	<b>3</b>	<b>9,726</b>	<b>-</b>

## 9 THIRD QUARTER PRODUCT SALES ANALYSIS

	World				US	
	3 <sup>rd</sup> Quarter 2008 \$m	3 <sup>rd</sup> Quarter 2007 \$m	Actual Growth %	Constant Currency Growth %	3 <sup>rd</sup> Quarter 2008 \$m	Actual Growth %
Gastrointestinal:						
<i>Nexium</i>	1,315	1,293	2	(2)	779	(8)
<i>Losec/Prilosec</i>	249	268	(7)	(15)	39	(30)
Others	25	20	25	15	11	38
Total Gastrointestinal	1,589	1,581	1	(4)	829	(9)
Cardiovascular:						
<i>Crestor</i>	922	691	33	28	420	23
<i>Seloken/Toprol-XL</i>	204	328	(38)	(42)	72	(66)
<i>Atacand</i>	386	320	21	12	67	3
<i>Tenormin</i>	79	73	8	(1)	5	25
<i>Zestril</i>	60	72	(17)	(24)	7	133
<i>Plendil</i>	65	66	(2)	(9)	4	(50)
Others	66	71	(7)	(14)	-	(100)
Total Cardiovascular	1,782	1,621	10	4	575	(10)
Respiratory:						
<i>Symbicort</i>	501	371	35	25	64	n/m
<i>Pulmicort</i>	304	286	6	3	196	7
<i>Rhinocort</i>	72	80	(10)	(14)	39	(20)
<i>Oxis</i>	18	18	-	(11)	-	-
<i>Accolate</i>	18	19	(5)	(5)	13	-
Others	38	39	-	(8)	-	-
Total Respiratory	951	813	17	10	312	25
Oncology:						
<i>Arimidex</i>	486	425	14	9	193	16
<i>Casodex</i>	300	324	(7)	(14)	71	(1)
<i>Zoladex</i>	295	273	8	-	20	(13)
<i>Iressa</i>	67	55	22	13	2	-
<i>Ethyol</i>	3	19	(84)	(84)	3	(84)
Others	105	93	13	8	44	5
Total Oncology	1,256	1,189	6	(1)	333	2
Neuroscience:						
<i>Seroquel</i>	1,130	1,055	7	4	749	(1)
Local anaesthetics	149	129	16	5	6	(40)
<i>Zomig</i>	115	107	7	2	48	9
<i>Diprivan</i>	69	64	8	(2)	9	(10)
Others	13	16	(19)	(25)	1	(80)
Total Neuroscience	1,476	1,371	8	3	813	(2)
Infection and Other:						
<i>Synagis</i>	124	122	1	1	55	(2)
<i>Merrem</i>	241	186	30	23	61	65
<i>FluMist</i>	71	-	n/m	n/m	71	n/m
Other Products	58	63	(8)	(13)	32	(18)
Total Infection and Other	494	371	33	28	219	66
Aptium Oncology	98	100	(2)	(2)	98	(2)
Astra Tech	129	104	24	15	20	43
Total	7,775	7,150	9	3	3,199	-

## Shareholder Information

### ANNOUNCEMENTS AND MEETINGS

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Announcement of fourth quarter and full year 2008 results	29 January 2009
Announcement of first quarter 2009 results	30 April 2009
Annual General Meeting	30 April 2009
Announcement of second quarter and half year 2009 results	30 July 2009
Announcement of third quarter and nine months 2009 results	29 October 2009

### DIVIDENDS

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The record date for the first interim dividend payable on 15 September 2008 (in the UK, Sweden and the US) was 8 August 2008. Ordinary shares traded ex-dividend on the London and Stockholm Stock Exchanges from 6 August 2008. ADRs traded ex-dividend on the New York Stock Exchange from the same date.

The record date for the second interim dividend for 2008 payable on 16 March 2009 (in the UK, Sweden and the US) will be 6 February 2009. Ordinary shares will trade ex-dividend on the London and Stockholm Stock Exchanges from 4 February 2009. ADRs will trade ex-dividend on the New York Stock Exchange from the same date.

Future dividends will normally be paid as follows:

First interim	Announced in July and paid in September
Second interim	Announced in January and paid in March

### TRADEMARKS

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Trademarks of the AstraZeneca group of companies appear throughout this document in italics. AstraZeneca, the AstraZeneca logotype and the AstraZeneca symbol are all trademarks of the AstraZeneca group of companies. Trademarks of companies other than AstraZeneca appear with a ® or ™ sign and include: Abraxane®, a registered trademark of Abraxis BioScience, LLC. and ONGLYZA™, a trademark of Bristol-Myers Squibb Company.

### ADDRESSES FOR CORRESPONDENCE

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<b>Registrar and Transfer Office</b>	<b>Depository for ADRs</b>	<b>Registered Office</b>	<b>Swedish Securities Registration Centre</b>
The AstraZeneca Registrar Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA UK	JPMorgan Chase Bank JPMorgan Service Center PO Box 3408 South Hackensack NJ 07606-3408 US	15 Stanhope Gate London W1K 1LN UK	VPC AB PO Box 7822 SE-103 97 Stockholm Sweden
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### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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In order, among other things, to utilise the 'safe harbour' provisions of the US Private Securities Litigation Reform Act 1995, we are providing the following cautionary statement: These interim financial statements contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. Although we believe our expectations are based on reasonable assumptions, any forward-looking statements, by their very nature, involve risks and uncertainties and may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. The forward-looking statements reflect knowledge and information at the date of preparation of these interim financial statements and AstraZeneca undertakes no obligation to update these forward-looking statements. We identify the forward-looking statements by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements. These forward-looking statements are subject to numerous risks and uncertainties. Important factors that could cause actual results to differ materially from those contained in forward-looking statements, certain of which are beyond our control, include, among other things: the risk of expiration or early loss of patents (including patents covering competing products), marketing exclusivity or trademarks; the risk of patent litigation; failure to obtain patent protection; the impact of fluctuations in exchange rates; our debt-funding arrangements; risks relating to owning and operating a biologics and vaccines business; competition; price controls and price reductions; taxation; the risk of substantial product liability claims; the performance of new products; environmental/occupational health and safety liabilities; the development of our business in emerging markets; product counterfeiting; the risk of adverse outcome of litigation and/or government investigations and risk of insufficient insurance coverage; the difficulties of obtaining and maintaining regulatory approvals for new products; the risk of failure to observe continuing regulatory oversight; the risk that R&D will not yield new products that achieve commercial success; the risk that acquisitions and strategic alliances formed as part of our externalisation strategy may be unsuccessful; the risk of reliance on third parties for supplies of materials and services; the risk of failure to manage a crisis; the risk of delay to new product launches; information technology and outsourcing; risks relating to productivity initiatives and reputation.