

FY 08 Results SJL Analyst Script

Thank you, David, and good afternoon to everyone.

I will cover four topics.

First, I will summarise our financial results for 2008, and demonstrate that we have broadly met or exceeded the performance targets that we had set for ourselves, and communicated to you.

Next, I will describe the principal drivers of this strong financial performance, focusing in particular on our progress in driving the top line growth of our key brands and markets, and in improving profit margins through operational efficiencies and restructuring.

I will then review our strong performance in generating cash, and how we have allocated our cash between business investment to drive future growth and returns, debt repayment and distributions to our shareholders.

Finally, I will describe our business performance priorities and the financial targets that we have set for ourselves for 2009.

Slide: Summary Core P&L 2008:

AstraZeneca has delivered a strong set of financial results for 2008, against the backdrop of a volatile and challenging external environment. We have performed well against the targets that we set for ourselves during the course of the year.

The business delivered sales of \$31.6 billion, representing constant currency growth of 3 percent, in line with our guidance of low to mid single digit growth.

We improved our operating margins by 160 basis points in constant currency terms. Our efficiency and restructuring programmes have helped to deliver improvements in gross margin, to reduce our R&D expenditures despite increased biologics investment, and to deliver underlying SGA efficiencies to offset the addition of MedImmune and increased investment in Emerging Markets.

Improved operating margins translated into Core operating profit growth well ahead of sales growth, at 9 percent in constant currency terms, taking Core operating profit up to \$10.9 billion.

Net finance expense was \$463 million, some \$352 million higher than 2007, which only had net debt for 7 months of the year following the MedImmune acquisition.

Included in the net finance expense for 2008 is a net fair value gain of \$130 million relating to two long-term bonds. The full details of the accounting treatment are in the press release, but simply put the gain has been driven by the widening of credit spreads seen during the year.

Core EPS increased by 8 percent in constant currency to \$5.10. Core earnings benefited from about 7 cents of currency gains in the fourth quarter, compared to the Q4 07 rates embedded in our guidance. Taking account of this, we delivered Core EPS for 2008 at the top end of our guidance range of \$4.90-5.05.

Slide: Core to Reported EPS

To move from Core to our Reported EPS, we adjust for four categories of costs.

First, we deduct restructuring charges of 43 cents, which is 3 cents lower than 2007 but around 11 cents higher than our guidance for 2008 due to the expansion in scope of our restructuring programme. I will describe the benefits and costs of the expanded programme later in my presentation.

Next, we deduct the amortisation of the intangible assets acquired with MedImmune, amounting to 21 cents for 2008, compared with 12 cents for the seven months of amortisation incurred in 2007.

Third, we deduct intangible asset impairments associated with corporate acquisitions, which amounted to 19 cents for the year. Our Core earnings exclude the amortisation of significant intangibles arising from corporate acquisitions, most notably MedImmune. Consistent with this, our Core earnings also exclude any impairment of these intangibles. The 19 cents comprises 12 cents from the Ethyol impairment taken in the first quarter 2008, and a further 7 cents in the fourth quarter.

The fourth quarter impairments of 7 cents in earnings, or \$150 million in operating profit, include, \$60 million in reported R&D expense, principally related to the return of the worldwide rights to the Hsp90 drug candidates to Infinity, and \$90 million charge to reported other income, relating to revised forecasts for the royalty stream from HPV vaccines sold by Merck and Glaxo.

Finally, we deduct the amortisation expense related to intangible assets arising from the Merck exit arrangements, which were 7 cents for the year, up by 1 cent over 2007 as a result of the payments made to Merck in March 2008.

Deducting these costs from Core earnings, the business delivered Reported earnings per share of \$4.20, up 2 percent in constant currency terms.

I will now turn to the first key driver of earnings growth, namely our progress in sustaining our top line sales growth for the year. For avoidance of doubt, when I refer to sales growth rates, they will all be on a constant currency basis.

Slide: Regional Sales Full Year 08

Sales in North America were up 2 percent. In the US, sales were up 1 percent, as the inclusion of a full year of MedImmune sales and modest growth in the rest of the US business more than offset the \$674 million of Toprol-XL sales lost to generic erosion. Also within North American, our Canadian affiliate delivered a strong performance of 8 percent top line growth.

Sales in the Established Rest of World Markets were up 2 percent. Sales in Western Europe increased 1 percent, as volume grew slightly ahead of price declines. Given the significant restructuring in our European sales and marketing operations, we are now generating a similar level of sales with significantly lowered costs. Sales in Japan were up 4 percent, with Crestor the biggest driver. Australia also grew strongly, on the back of Crestor and Nexium.

Sales in Emerging Markets were up 16 percent to more than \$4.2 billion. Our increased investment in our Emerging Markets business is driving strong top-line performance, and it is driving contribution growth ahead of sales growth.

Slide: Key Product Highlights Full Year 08

Our five key brands delivered sales growth of 9 percent for the year, equivalent to \$1.3 billion in constant currency terms, with Crestor, Seroquel and Symbicort delivering most of this growth.

Slide: Nexium

Globally, **Nexium** sales were down 2 percent to \$5.2 billion.

Sales in the US were down 8 percent to \$3.1 billion. Dispensed retail tablet volume increased by 2 percent. Nexium was the only major PPI brand to deliver volume growth-- a truly robust performance. As expected, the significant adverse price variance that was a feature of the performance in the first three quarters of the year normalised in the fourth quarter, with realised prices broadly flat in Q4. On average, over the entirety of 2008, average realised prices were down around 11 percent.

Nexium sales in the Rest of World were up 9 percent to \$2.1 billion. There was continued strong growth in Emerging Markets, where sales were up 26 percent. Western Europe saw a 2 percent increase, despite a significant decrease in Germany as a result of a material reduction in the reference price for PPI's, which we have chosen not to follow.

Looking forward, in the US we know, based on contracting for 2009 that average prices will decline, but probably not in double digits. Volume should be stable through the first half of the year. The unknown factors in the second half are whether the market sees multi-source generic pantoprazole or the launch of generic lansoprazole, both of which could add to downward pressure.

We will also be seeing the full year affect in 2009 of the German market changes.

Slide: Seroquel

Seroquel sales were up 9 percent to nearly \$4.5 billion dollars.

In the US, sales were up 5 percent, to \$3.0 billion. Total prescriptions for the year were up 6.5 percent, which is ahead of the market growth in the US antipsychotic market of around 5 percent. Around 37 percent of the increase in Seroquel prescriptions is attributable to Seroquel XR. Seroquel share in the US is a market leading 31.6 percent in the antipsychotic market in December 2008.

Seroquel sales in the Rest of World grew by 17 percent to \$1.4 billion, with value and volume growth well ahead of the market in all regions.

John Patterson will cover the extensive lifecycle management programme for Seroquel and Seroquel XR that are important drivers of future growth.

Slide: Crestor

Crestor sales were nearly \$3.6 billion, a 26 percent increase over last year.

Sales in the US were up 18 percent to nearly \$1.7 billion. Fuelled by the promotion of the atherosclerosis claim, Crestor prescriptions increased by 10.8 percent, well ahead of the statin market, which grew by 4.4 percent. Crestor was the only major branded statin to increase market share in 2008. Crestor share of total prescriptions reached 9.9 percent in December, up 125 basis points.

Importantly, in the dynamic market, we gained more than 2.5 points in share of new patient starts, to over 12.5 percent in the weekly data at the end of December, and we have been experiencing net gains in the “switch to” market all year. Towards the end of the year, we even saw positive net switches versus simvastatin.

We enter 2009 with our strongest position ever in managed care access for Crestor in the US, and this has been achieved with pricing stability.

Turning to the Rest of the World, Crestor also performed very strongly with sales up 34 percent to \$1.9 billion. There were strong performances across the board. Sales in Western Europe were up 16 percent. Canada was up 30 percent. Crestor sales in Japan were up 93 percent, where we have just overtaken Lipitor to become the number 1 statin in dynamic market share, with Crestor garnering 26.4 percent of the new and switch patients. Australia also turned in an outstanding performance, with sales more than double 2007. And Crestor sales in Emerging Markets increased by 41 percent.

Crestor’s position will be further strengthened on the back of the JUPITER trial results, but keep in mind that we will start the process of regulatory submissions based on Jupiter in the second quarter of 2009, so promotional use won’t start until sometime next year.

Slide: Arimidex

Globally, **Arimidex** sales for the year were up 4 percent to \$1.8 billion, although the decline of 1 percent in the fourth quarter is a reflection of the maturity of the brand, and indeed the aromatase inhibitors as a class, as there is less and less headroom for the market to move away from tamoxifen. We are also seeing the effect of patients reaching the end of their 5-year treatment regime on Arimidex.

Sales in the US were up 9 percent to \$754 million, and were up 1 percent in the Rest of World to \$1.1 billion.

Slide: Symbicort

Worldwide sales for **Symbicort** increased 22 percent, exceeding \$2.0 billion per annum for the first time.

Sales in the US reached \$255 million for the full year, \$90 million in the fourth quarter. The launch continues to go well. Our product trial rate among target specialists is now approaching 90 percent, and more than 30 percent of their new patient starts for fixed combination therapy are going to Symbicort.

More than half of our target primary care physicians have tried Symbicort — that is up from less than 20 percent trial rate at this time last year, so we have made great strides on that performance metric in 2008. Share of new starts for fixed combination therapy in primary care is over 17 percent in the latest week.

Overall, Symbicort share of new prescriptions reached 11.7 percent in the week ending 16 January, with share of patients new to combination therapy at 18.3 percent.

Symbicort sales in the Rest of World were up 9 percent to \$1.7 billion dollars, chiefly as a result of 6 percent sales growth in Western Europe. Sales in Emerging Markets were up 21 percent. Symbicort growth is being fuelled by increased usage in COPD and market share gains in asthma driven by launch rollouts of Symbicort SMART, which has now been approved in 91 markets.

Although not classified as a key brand, the performance of Pulmicort is worth a mention.

Slide: Pulmicort

Worldwide sales of Pulmicort were nearly \$1.5 billion, unchanged at constant currency.

US sales for **Pulmicort** were up 2 percent for the full year, to \$982 million, around 90 percent of that in Pulmicort Respules. In the fourth quarter, however, Pulmicort Respules sales were down 18 percent.

This decline was a result of the “at risk” launch of generic budesonide inhalation suspension, or BIS, by Teva on November 18th. The patent litigation between AstraZeneca and Teva was settled on November 26th. The agreement allows Teva to commence sales of BIS under an exclusive license from us beginning December 15th 2009, the details of which were included in the settlement announcement. The agreement also provided for any product already shipped by Teva to remain in the market to be further distributed and dispensed. As a result, Teva product accounted for nearly 15 percent of total prescriptions for BIS products during the fourth quarter, including a 40 percent share in December 2008.

If we assume that Teva shipped around 3 months supply, which represents a typical at risk launch, there may still be product to displace branded prescriptions in the market in the early part of 2009. We may therefore see a slow start to Pulmicort Respules sales in the first quarter of 2009.

Slide: 5 Key Brands and Rest of Portfolio

So the 5 key brands are still the engine that drives overall sales growth, with \$1.3 billion in constant currency growth. But there is a lot of movement in the product portfolio aside from these 5 products.

A full year's worth of sales contribution from MedImmune's products added a further \$648 million. On the negative side of the ledger, Toprol-XL and Seloken declined by the same order of magnitude, Losec continues to decline, and Casodex now has generic competition. Pulmicort just about held its ground in 2008, although the fourth quarter was down. The remaining base business of \$8.5 billion was flat. The net result from these dynamics was sales growth of 3 percent, or just over \$1.0 billion in constant currency sales growth.

Having described the sales trends, I will now turn to the second key driver of Core earnings growth for 2008 – namely the improvement in Core operating margin.

Slide: Operating Profit and Earnings

I will focus on Core margins and profit, as this is the basis upon which we set our guidance. As always, the press release contains the statutory numbers and a detailed reconciliation to the Core measures. As with sales, when I refer to growth rates, they will all be on a constant currency basis.

For the full year, Core Gross Margin increased to 80.4 percent of sales, an improvement of 80 basis points on constant currency basis. Continued efficiency gains, lower payments to Merck, and favourable mix effects were partially offset by higher royalty payments, an intangible impairment and certain other provisions. The intangible impairment comprises a \$115 million charge to cost of goods sold for the impairment of intangible assets relating to Pulmicort Respules following the at risk launch by Teva and the subsequent settlement of the patent litigation.

Core R&D expenditures were broadly level with last year, at a 1 percent decline in constant currency terms. Productivity initiatives and restructuring benefits, combined with some portfolio changes and lower impairment charges, primarily for inlicensed intangible assets, have offset the impacts of increased investment in our biologics capability and the maturing of the R&D portfolio. Intangible impairments taken through the R&D cost, amounted to \$84 million for 2008, compared with \$120 million in 2007.

Core SG&A expenditures were up 3 percent for the full year, with the inclusion of a full year of MedImmune, increased investment in our Emerging Markets and higher legal expenses mitigated by the efficiency gains and benefits from our restructuring programme.

Core other income of \$734 million was broadly flat compared with 2007, as the inclusion of MedImmune's licensing and royalty income streams offset lower levels of one-time gains and royalty income in the rest of the business.

Overall, on a constant currency basis, Core operating margin increased by 160 basis points, driving Core operating profit growth of 9 percent — compared with sales growth of 3 percent.

Slide: Restructuring programme and Efficiency Initiatives

The expansion in our Core operating margin demonstrates the successful delivery of our restructuring programme, and our broader efficiency initiatives.

Since 2006, we have removed just under 8000 positions across AstraZeneca. The headcount reductions have been delivered in our supply chain, established market salesforces, across our management and support functions, and in our R&D organisation.

These efficiencies have allowed us to expand operating margins while increasing investment in driving our future growth. Specifically, we have added 3000 positions through the acquisition and subsequent expansion of MedImmune and added 2300 new positions in Emerging Markets.

Overall, AstraZeneca's net headcount has been reduced by 2300 positions.

Slide: Restructuring and Synergies: Expanded scope

We have announced today the expansion of our restructuring programme to drive further improvements in our long-term competitiveness. The new initiatives include further rationalisation of the global supply chain, additional restructuring of our sales and marketing organisations, and further restructuring of our support functions and business infrastructure.

Total programme charges for restructuring and synergies are now estimated to reach \$2,950 million, up from \$1,975 million. I anticipate that most of the remaining \$1.1 billion will be charged by 2010, phased roughly evenly between 2009 and 2010.

When fully implemented, the programme is expected to result in the reduction of about 15,000 positions. Overall the programme will deliver benefits of an estimated \$2.5 billion per annum, up from \$1.4 billion; with \$2.1 billion in annual savings expected before the end of 2010, and the balance to be realised by 2013. We had planned to deliver 2/3 of the original \$1.4 billion by the end of this year, and we have accomplished that. The remainder of the \$2.1 billion target for 2010 will be delivered evenly over this year and next.

Slide: Cash Flow/Capital Structure/Cash returns to shareholders

Let me now turn to cashflow. This is a dimension of business performance upon which we have placed increased emphasis, and this is reflected in a strong cash performance in 2008.

Cash generated from operating activities increased by over \$1.2 billion to \$8.7 billion. The increase in operating cashflow was driven principally by an increase in EBITDA of \$1.8 billion and reduced working capital outflows.

Turning now to the deployment of cash, we invested \$2.6 billion in the payment to Merck in March of 2008 as part of our phased exit from that venture; and a further \$1.4 billion in capital and intangible assets to drive future business growth and productivity.

We distributed \$3.2 billion to shareholders through net share repurchases of \$0.5 billion and \$2.7 billion in dividends.

The remaining \$1.6 billion of operating cashflow, combined with some of our opening cash balance, was used to repay \$3.3 billion of gross debt.

Overall, net debt was reduced by more than \$1.9 billion to \$7.2 billion at the end of 2008. This is a very strong performance, well ahead of our original plan to reduce net debt to \$7 billion by the end of 2010, and leaves us well placed in these turbulent times. We have just under a billion in debt that falls due in the next 12 months, which we anticipate repaying from current cash balances of nearly \$4.3 billion and the strong cash generation in the business.

Slide: 2009 Performance priorities

Our performance priorities for 2009 are a continuation of our focus in 2008.

We will sustain our investment in life cycle management, and targeted sales and marketing development to drive our key brands and markets

We will deliver further productivity improvements through continued cost efficiencies and disciplines, and through delivery of the expanded restructuring programme.

We will maintain our strong focus on cash management, ensuring that we convert growth in EBITDA into cash, through continued improvement in working capital utilisation and investment discipline.

Finally, and critically, we will continue to invest in R&D to support and build our growing pipeline, and to drive long-term growth and value.

Having described our performance priorities, let me now describe how these translate into the financial targets that we have set for ourselves.

Slide: Guidance for 2009

As David mentioned, we are not immune from the pressures that conditions in the global economy bring to bear. We are recession resistant but not recession proof.

For 2009 we expect revenues to be in line with 2008 levels in constant currency terms. Our plans take account of some impact of the global economic conditions on demand for pharmaceuticals in general, and on AstraZeneca's products and markets specifically.

We aim to grow Core earnings per share on a constant currency basis.

With continued efficiency gains mitigating the downward pressure on pricing and the effects from patent expirations, such as Casodex, we anticipate a slight improvement in Core gross margin compared with 2008.

For both R&D and SG&A, the same dynamics seen in 2008 should be in play for 2009. We aim to deliver enhanced efficiencies to provide the headroom to invest in those areas that will drive the business forward in the long run, whilst holding the line on the net expense trend. Overall, we expect to absorb inflationary increases, and hold combined R&D and SG&A expense flat in CER terms. Within R&D, our planning assumptions for 2009 allows for increased levels of intangible asset impairments, perhaps twice the \$84 million in 2008, but clearly it is one of those swing factors that can't be called with precision.

You will have seen the announcements on the termination of the Abraxane agreement and the disposal of our Nordic Over the Counter products portfolio. Assuming competition authority approval of the Nordic disposal, both will be realised in the first quarter. This should lead to some increase in Core other income in 2009, to around \$900 million.

Net finance expense will likely increase in 2009. The benefit from the reduction in net debt will be partially offset by the low yields on cash. The bigger factor is that our planning assumption is that the net Fair Value gain of \$130 million that we experienced in 2008 will largely reverse as credit markets stabilise, in which case net finance expense should be around \$700 million in 2009.

The tax rate should be around 29.5 percent in 2009.

Slide: Currency basis for CORE EPS

Translating this anticipated performance on a constant currency basis into a target Core EPS, given the tremendous volatility in the world currency markets, presents quite a challenge for AstraZeneca, and I imagine, for the analyst community as well.

So it is important to understand the assumptions for currency upon which we are basing our target Core EPS range for 2009.

We have decided to use the average exchange rates that have prevailed in January 2009 as the basis for setting our guidance range. We looked at the fourth quarter 2008 rates, and concluded that with the significant move in rates from November, particularly in sterling, this was not appropriate for providing guidance for the current year.

Based on the January 09 average, the specific rates per US dollar are shown here:

On this basis, the target for Core EPS is in the range of \$5.15 to \$5.45. Actual performance within this range is, of course, dependent on business performance and the extent of the downside pressures from the global economic conditions,

This target takes no account of the likelihood that actual exchange rates for 2009 may differ materially from the January 2009 average rates upon which our guidance is based. As we did in 2008, at our quarterly results announcements we will endeavour to be as transparent as we can in terms of how actual rates are affecting our performance and we will be clear as to how much any guidance change is driven by underlying business performance versus a currency adjustment.

An updated currency sensitivity estimator has been provided to assist you in modelling your own currency assumptions.

Slide: Adjustments to Core EPS

There will of course be the usual adjustments to Core EPS that will bridge to EPS on a Reported basis.

For 2009, restructuring and synergy costs will likely be in the order of 24 cents as we incur the costs of the expanded programme. MedImmune amortisation and Merck amortisation should be around the same level as 2008. The final potential adjustment is for impairments that may arise related to intangible assets associated with corporate acquisitions. All I can say is that we had 19 cents worth in 2008, related to Ethyol and other MedImmune assets, but it is an item that we just can't call ahead of time.

Before I conclude, just a quick word on Distributions to shareholders.

Slide: Shareholder Distribution policy/ 2008 buyback

The Board has today declared a second interim dividend for 2008 of \$1.50 per share, bringing the total dividend for the year to \$2.05 per share, a 10 percent increase over last year.

The Board's dividend policy is unchanged: we will continue to grow the dividend in line with reported earnings before restructuring costs, whilst maintaining two times dividend cover.

We have drawn attention to "core EPS" in giving our earnings guidance, as we think this best reflects the performance of our underlying business. For dividend purposes, however, we will continue to measure growth against reported earnings before restructuring costs, in order to ensure we maintain our target level of dividend cover and reserves.

In the third quarter of 2008 the Board took the decision that no further share repurchases would take place in 2008 in order to maintain the flexibility to invest in the business.

After reviewing 2008 performance, market conditions and business development opportunities, the Board has again determined that there will be no share repurchases in 2009.

So, with that, I will hand over to John Patterson, who will provide an update on the progress of the R&D pipeline during 2008....John.