

2008 annual general meeting

Thursday 24 april 2008

David Brennan - CEO speech

Slide: title

Thank you Louis and good afternoon everyone. Thank-you for joining us today.

2007 was a very important year for AstraZeneca. In fact, I have described it as transformational. In a very challenging environment we have:

- Significantly strengthened our pipeline
- Built a leading capability in biologics through our acquisition of MedImmune and
- Embarked on a programme to re-shape the business and increase productivity

In the next few minutes, I will summarise our full year and first quarter results; outline our business strategy; and highlight some of the activities contributing to our on-going transformation. Finally, I will share with you how we plan to measure our progress in building a strong platform for future growth, and fulfilling our mission of making a meaningful difference to patient health through great medicines.

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Despite today's challenges, the fundamental demand for healthcare remains strong, underpinning the industry's future growth prospects. Today, an increasing number of people can access the highest standards of healthcare, especially among the elderly who represent a growing proportion of the population in the developed world. In addition, many diseases continue to be under-diagnosed, inadequately treated or without effective therapies.

This demand will be met with existing medicines and new therapies originating from advances in both the understanding of the biology of disease and the application of new technologies.

Our investment in a leading biologics and vaccines company, MedImmune, announced a year ago, ensures that we have a strong position and a broad range of technologies with which to be at the forefront of this development. Combined with our existing investment in Cambridge Antibody Technology now integrated within the "new" MedImmune and AstraZeneca's own activity in biologics. We are already seeing the additional value that MedImmune brings.

In contrast to these fundamental strengths, today's environment is a tough one. The growing demand for healthcare puts pressure on governments and healthcare providers in some of our most established markets. This, in turn, constrains the prices that we can charge for our medicines.

In these circumstances, in order to continue to invest in our pipeline – always our top priority – we need to reduce our costs to maintain profitability.

We are not alone in seeking productivity improvements – many of the major companies in the sector are similarly affected. In fact, we were among the first to act and I am pleased to report that very significant progress has been made to date. We will continue to seek further efficiencies right across the business.

Another challenge for the industry in general, and AstraZeneca in particular, is that of the generic manufacturers. Their challenge to our intellectual property – our patents --results in complex and expensive litigation now, one of the costs of being in the pharmaceutical business.

We believe that both patented and generic products have a role to play in allowing national healthcare systems to achieve maximum benefit from expenditure on pharmaceuticals after the patent rights of the originator have been exhausted.

The settlement with Ranbaxy announced last week is a good example of this. It reaffirms the strength of our intellectual property; provides increased certainty and stability in our business, while providing a clearer backdrop for our investment decisions; and it clears the way for a smooth and predictable transition to generics.

We will face further challenges from generics companies in the coming months and we will vigorously defend our intellectual property.

Slide – full year results

Against this background, as Louis has mentioned, we delivered a strong set of results for 2007, with sales up by 7% to 29.6 billion dollars. Operating profit was 8.1 billion dollars, after reductions for restructuring and synergy costs. Reported earnings per share were \$3.74, which is down from 2006. However, excluding restructuring and synergy costs, earnings per share were \$4.20, Which was above the guidance that we provided for the year. R&D investment increased to more than 5 billion dollars over the full year.

Slide – q1 results highlights

The first quarter performance we have announced this morning puts us on track to achieve our full year financial targets for this year.

We continue to drive the current portfolio to increase revenue and our restructuring and productivity initiatives continue to expand operating margins and deliver profit growth.

As I said, strengthening our pipeline of new products is our top priority. To this end, we made the first of 3 regulatory filings scheduled for this year, with the US filing for a new biologic product -- motavizumab -- in January.

And, of course, we made the allimportant announcement relating to the settlement with Ranbaxy.

Slide – q1 results headlines

Let me give you the headlines from this morning's announcement:

Sales were up 4 percent at constant exchange rates to \$7.7 billion, which is in line with our expectations.

The weaker dollar has had a positive effect on the top line, adding 6 percent to growth so sales on a reported basis are up 10 percent.

Core operating profit was up 12% in constant currency; up 21% as reported and core earnings per share were up 9% at constant currency to \$1.28.

Reported operating profit was down 5 percent at constant currency. This reflects the impact of 3 principal exclusions from core earnings:

- The amortisation related to MedImmune
- Restructuring and synergy costs
- And an additional one-off item: a charge of \$257 million for impairment of the intangible asset related to ethyol, MedImmune's oncology product. This reflects the launch "at risk" of a generic product by sun pharmaceutical industries ahead of the conclusion of the ongoing patent litigation.

Now let me turn to our strategy and the transformation that is underway across our entire business.

Slide: strategy – the house

Our business strategy is encompassed in the picture that you see here.

The four sections represent four strategic priorities, which together frame what we need to do to ensure that we build a strong, but lean business, and one that is well-placed to take advantage of future opportunities.

In the last 12 months, we have focused on ensuring that everyone at AstraZeneca understands this strategy and is able to play their part in achieving our strategic goals.

Slide: strengthen the pipeline

Looking at our first strategic priority, we have made very significant progress in R&D in the past year and our pipeline today looks significantly different from only a year ago. Our development pipeline has increased from 71 clinical projects in 2006 to 95 clinical projects in 2007, a 50% increase when compared with 2005.

The number of phase III projects in the pipeline has doubled to 10 from 5 and we achieved a record 24 new molecules entering first tests in man compared with 12 in 2006, which was itself a record for us.

In line with our strategy, we have also made progress in gaining access to external innovation that complements our in-house capabilities. In the past 2 years we have completed over 20 agreements with third parties to ensure that we have access to the latest science and technology.

By far the most significant transaction in 2007 was the acceleration of our biologics and vaccines strategy through the acquisition of MedImmune. This move has given AstraZeneca all the elements required to deliver a flow of biologics, including vaccines, to the market. This is in line with our stated objective of being able to offer 25% of all late phase developments as biologics from 2010.

We have also focused on improving productivity in R&D. We have continued to drive down the time taken to bring a new medicine to market. We are now on track to achieve an upper quartile target of 8 years from discovery to commercialisation by 2010. This increased productivity gives us confidence that we can achieve our goal of delivering 2 new medicines to market per year from 2010 – 3 years earlier than planned.

In relation to our large corporate peers this matches the best any company in the industry has done on a sustainable basis.

Slide: grow the business

Our second strategic priority is to drive growth in sales of our products.

A number of factors contribute to this:

Sales of existing medicines; the introduction of new indications providing the opportunity to expand the patient groups who are able to benefit from our medicines;

Expansion of our business into new geographies.

In 2007, we achieved a number of significant milestones:

Slide: build logos

- Seroquel XR, the extended release form of our schizophrenia therapy, was launched in the US.
- It is now also approved for sale in Canada, the Netherlands and 23 other markets, following completion of the EU mutual recognition procedure.
- In the US and EU, Seroquel XR regulatory submissions for bipolar mania and bipolar depression have been made. A major depressive disorder submission was made in the US in February
- And generalised anxiety disorder submissions will follow before the end of the year.
- The atherosclerosis label for our statin, Crestor, has been approved in the US, reflecting its effectiveness in slowing the progression of atherosclerosis in adult patients with elevated cholesterol, as an adjunct to diet.
- Recently, you may have heard that it has also been shown to have unequivocal benefit for patients with normal levels of cholesterol but having a raised level of CRP – a valuable marker of cardiovascular risk. We look forward to analysing the full results of the study and sharing that information with doctors.
- We launched our asthma therapy, Symbicort, in the US

- And our innovative Symbicort maintenance and reliever therapy (known as Symbicort SMART) is proving popular with patients in many European countries. Symbicort SMART combines both maintenance and rapid relief therapies in a single inhaler and gives patients greater control of their variable disease.
- Nexium continues to be the strongest performing branded proton pump inhibitor in the US, although the highly competitive market and the challenge of generic omeprazole and, more recently, generic pantoprazole, are all significant.
- In the emerging markets, Nexium continues to show very strong growth.

Slide: emerging markets – pictures of India and China

The potential to bring great medicine to patients in new markets is very significant. The latest world population figure is estimated to be around 6.6 billion people. Our business to-date has been built primarily in Europe and North America, with a population of roughly 1.3 billion people, so the potential to expand in other markets is exciting. As we reported today, we are beginning to see the benefit of our long-standing investment in the emerging markets of Asia, Eastern Europe and Russia. This segment has grown by 11 percent in the first quarter and by as much as 22 percent in the Asian emerging markets including China.

Recent investments in this segment include a new process R&D facility in Bangalore, India, adding to the existing R&D facility. We are also investing in a new centre for translational medicine in Shanghai, which will initially focus on researching medicines especially designed to help cancer patients in china.

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In Japan, the world's second largest pharmaceutical market, we are working with the authorities to increase the range of medicines available to Japanese patients. The government now supports the mutual recognition of research data generated in other Asian countries, which means that we are able to progress more quickly with dedicated studies for these markets.

Slide: reshape the business

In 2007, we accelerated our focus on productivity, recognising the necessity for the industry to deliver more with less.

As a result of this determination, we have changed the manufacturing pattern across our operations and have addressed excess manufacturing capacity in some areas.

Our drive is to maximise the efficiency of our supply chain, using outsourcing where appropriate, while maintaining the highest possible standards of quality and security at every stage.

During the course of the year, we announced job reductions resulting from productivity improvements in all areas of the business. These changes are critical to ensure that we remain competitive and leverage the advantages of new technology and our global footprint. The full implementation of these reductions will take until 2009.

Implementing changes that involve the loss of loyal employees is tough for both managers and employees.

In every case, we have consulted fully 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 the communities around our affected sites to mitigate the local impact.

Slide: responsible leadership

As we drive the business forward, we believe that the way that we do business is as important as what we do so our commitment to corporate responsibility remains our fourth strategic priority.

In 2007, we further strengthened our CR leadership and governance to make sure that we have appropriate systems in place for identifying the risks and opportunities together with effective frameworks for managing them and driving compliance.

As part of this, we have reviewed our code of conduct to provide clear direction and guidance for all our staff on what is required of them. This newly revised code will be available in over 40 languages and will be distributed to all employees worldwide very soon.

We aim to foster responsible leadership at all levels and have established a common set of leadership capabilities across the company. Our senior leaders are measured against these dimensions in their annual appraisals, and we make judgements about senior appointments with these criteria in mind.

Another dimension of this strategic priority is the part we play in the communities in which we operate increasingly we are focusing our community activities in two areas:

Improving health and quality of life;

Promoting the value of science among young people.

In 2007, we spent more than \$580 million on community sponsorships and charitable donations worldwide, including more than \$500 million on product donations.

We are also playing a role in improving healthcare in the developing world. We believe that a sustainable improvement in these countries can only be achieved through the commitment of all related stakeholders, including governments, non-governmental organisations and the international community, as well as the private sector.

Our approach is two-fold:

Firstly, our dedicated research laboratory in Bangalore is continuing its work to find a new, improved treatment for TB.

Secondly, we partner with NGOs and other organisations working with local communities to strengthen their healthcare infrastructure in a sustainable way.

These include the Red Cross organisations in a number of countries and the African Medical Research Foundation both of which run grass roots programmes to improve healthcare.

Elsewhere, we are working to build capability to manage the impacts of cancer, a growing problem in the developing world.

These 4 dimensions constitute our business strategy.

Every part of the company plays a role in delivering on these priorities and in each case, it is very important that we measure our progress.

This slide shows you some examples of the measures that we are using.

Slide: measurements from 20F

Delivering enduring value to our shareholders is the over-riding goal and this is tracked using earnings per share growth; the level of dividends and share re-purchases; and total shareholder return.

Ladies and gentlemen, I started by saying that 2007 was a transformational year for our company and I hope that I have given you a flavour of the important changes that we are driving through the business. We acted quickly to address the challenges of the changing external environment and it is a credit to my senior leaders, and all employees, that we are already seeing a more lean and agile approach to our business – as well as significant progress towards our goals.

It is clear that 2008 will be no less challenging, but this will not prevent us pursuing our strategic priorities. We will continue our drive to broaden access to our existing medicines in mature markets;

We will also develop the promising foundations we have laid in emerging markets.

Driving productivity and cost reduction will continue to be a priority while maintaining the levels of strategic investment in R&D needed to push the boundaries of medical science for the benefit of patients around the world.

I am confident that AstraZeneca has the strategy, skills and resources that will enable us to anticipate, and adapt quickly and effectively to the changes that our business faces.

Above all, our single-minded determination to succeed will ensure that we stay focused on our mission to deliver great medicines and a business performance that creates enduring value for our shareholders.

Thank-you and now back to our chairman.