

# AstraZeneca PLC

## FOURTH QUARTER AND FULL YEAR RESULTS 2008

London, 29 January 2009

**Sales for the full year increased by 3 percent at CER; Core operating profit increased by 9 percent at CER.**

-Core operating margin improved to 34.7 percent of sales on operational efficiencies.

**Sales in Emerging Markets reached \$4,273 million for the full year, a 16 percent increase at CER.**

**Core EPS for the full year increased by 8 percent at constant exchange rates (CER) to \$5.10, in line with the Company's guidance.**

**Growth in Reported EPS for the full year, 2 percent at CER, was lower than Core EPS growth rate.**

-Reflects higher intangible impairments and a full year of MedImmune amortisation compared with 2007.

**New initiatives extend the scope of restructuring programme to sustain long-term competitiveness.**

-When fully implemented, annual benefits anticipated to reach \$2.5 billion, up from \$1.4 billion.

**Continued progress on the pipeline; up to four new compounds planned for regulatory filing in 2009.**

**Dividend increased by 10 percent to \$2.05 for the full year.**

**Net debt reduced by \$1.9 billion on strong cash performance and investment discipline.**

-No share repurchases will take place in 2009 in order to maintain the flexibility to invest in the business.

### Financial Summary

<u>Group</u>	<b>4<sup>th</sup> Quarter 2008 \$m</b>	<b>4<sup>th</sup> Quarter 2007 \$m</b>	<b>Actual %</b>	<b>CER %</b>	<b>Full Year 2008 \$m</b>	<b>Full Year 2007 \$m</b>	<b>Actual %</b>	<b>CER %</b>
Sales	8,193	8,170	-	+4	31,601	29,559	+7	+3
<b>Reported</b>								
Operating Profit	1,892	1,929	-2	-9	9,144	8,094	+13	+4
Profit before Tax	1,816	1,837	-1	-10	8,681	7,983	+9	-1
Earnings per Share	\$0.86	\$0.86	-	-9	\$4.20	\$3.74	+12	+2
<b>Core*</b>								
Operating Profit	2,685	2,430	+11	+5	10,958	9,411	+16	+9
Profit before Tax	2,609	2,338	+12	+5	10,495	9,300	+13	+4
Earnings per Share	\$1.25	\$1.10	+13	+6	\$5.10	\$4.38	+16	+8

\* Core financial measures are supplemental non-GAAP measures which management believe useful to understanding the Company's performance; it is upon these measures that financial guidance for 2009 is based. See page 9 for a definition of Core financial measures and pages 9 and 10 for a reconciliation of Core to Reported financial measures.

**David Brennan, Chief Executive Officer, said:** "AstraZeneca has delivered a robust performance in an increasingly challenging market environment. I am particularly pleased with our continued success in globalising our business, as shown by our strong performance in Emerging Markets. We are also making good headway in further improving the efficiency of our organisation. The expansion in the scope of our restructuring efforts is another important step towards sustaining our long-term competitiveness."

Business Highlights All narrative in this section refers to growth rates at constant exchange rates (CER) unless otherwise indicated

#### Fourth Quarter

Sales in the fourth quarter increased by 4 percent at CER, but were unchanged on an as reported basis as a result of the negative impact of exchange rate movements. Sales in the US were up 3 percent, as the adverse impact from generic competition for *Toprol-XL* is now annualised. Sales in the Rest of World were up 5 percent. Sales in Established Markets were up 3 percent. Sales growth in Emerging Markets remained strong, with sales up 13 percent in the quarter to \$1,023 million.

There were a number of intangible asset impairment charges taken in the fourth quarter, some of which affected Core operating profit, others which are excluded from Core profit and only affect reported operating profit. Included within Core operating profit are intangible asset impairments charges totalling \$184 million, the largest of which is a \$115 million charge for impairment of intangible assets relating to *Pulmicort Respules* following the at risk generic launch by Teva and the subsequent settlement of patent litigation. There were a total of \$150 million of intangible asset impairments charged to reported operating profit which are excluded from operating profit on a Core basis. These intangible assets, arising from the acquisition of MedImmune, relate to revised forecasts for future royalties related to HPV vaccines (\$90 million) and other items (\$60 million) principally related to the return of rights to the heat shock protein 90 (Hsp90) drug candidates IPI-504 (MEDI-561) and IPI-493 to Infinity Pharmaceuticals.

Core operating profit in the fourth quarter was up 5 percent to \$2,685 million, chiefly as a result of sales growth and higher other income, partially offset by the impairment relating to *Pulmicort Respules* and other provisions within cost of goods sold. Reported operating profit decreased by 9 percent to \$1,892 million as a result of higher restructuring costs and intangible asset impairments taken in this quarter compared to the fourth quarter 2007.

Core earnings per share in the fourth quarter were \$1.25 compared with \$1.10 in the fourth quarter 2007, a 6 percent increase at CER. It is estimated that there was 7 cents of currency benefit to Core EPS in the fourth quarter. Core earnings per share benefited from lower net interest expense, the result of a fair value gain relating to certain long-term bonds in issue, and a lower number of shares outstanding. Reported earnings per share in the fourth quarter were \$0.86, a 9 percent decrease, as a result of higher restructuring and intangible asset impairment charges.

#### Full Year

Sales for the full year increased by 3 percent at CER, or 7 percent on an as reported basis. Sales in the US 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 sales of *Toprol-XL* lost to generic competition. Sales in the Rest of World were up 5 percent. Sales in Established Markets were up 2 percent, including a 1 percent increase in sales in Western Europe. Sales in Emerging Markets were up 16 percent.

Core operating profit increased by 9 percent to \$10,958 million as increased sales, improvements in gross margin and R&D efficiencies more than offset a modest increase in SG&A expense. Reported operating profit increased by 4 percent to \$9,144 million.

Core earnings per share for the full year were \$5.10, an increase of 8 percent. The increase in reported earnings per share was 2 percent, to \$4.20, with the lower growth rate versus Core EPS largely attributable to intangible asset impairment charges and a full year of MedImmune amortisation, which are excluded from Core EPS.

#### Research and Development Update

Strengthening the pipeline remains a key priority for the Company. The AstraZeneca pipeline now includes 144 projects, including 98 projects in the clinical phase of development. There are 10 projects currently in late stage development, either in Phase III or under regulatory review. Of particular note, the Phase II pipeline is now more than fifty percent larger than it was at this time last year. Across the portfolio, 44 projects have successfully progressed to their next phase (including 17 molecules entering first human testing); 32 compounds have been added from Discovery research; 10 compounds have been withdrawn.

Four important projects (including two new molecules) are awaiting registration at this time:

- MedImmune announced on 28 November 2008 the receipt of a Complete Response Letter (CRL) from the US FDA seeking additional information in connection with the Biologics License Application (BLA) for motavizumab for the prevention of serious respiratory syncytial virus disease. MedImmune is confident that it can respond to the outstanding questions and, based upon the Company's current understanding, does not foresee a need to conduct further trials, but will be submitting data from our already completed study in full term infants with congenital heart defects. MedImmune will continue discussions with the FDA reviewers and, subject to this dialogue, now expects to respond in the second half of 2009.
- Reviews of the regulatory submissions for ONGLYZA™ (saxagliptin), the new diabetes compound developed in collaboration with Bristol-Myers Squibb, are progressing in the US and in Europe.
- Regulatory review continues for the Marketing Authorization Application submitted to the European Medicines Agency seeking approval for *Iressa* as a treatment for locally advanced or metastatic non-small cell lung cancer in patients who have been pre-treated with platinum-containing chemotherapy.
- On 24 December 2008, AstraZeneca announced that it received a CRL from the US FDA in conjunction with the supplemental New Drug Application for *Seroquel XR* for the treatment of Major Depressive Disorder (MDD). AstraZeneca will continue discussions with the FDA and will provide a response to the agency in due course. The MDD submission in Europe is also under regulatory review, as are the applications for Generalised Anxiety Disorder in the US and in Europe.

Up to four regulatory filings for new chemical entities are planned for 2009, including: *Zactima* for the treatment of pre-treated advanced non-small cell lung cancer in combination with chemotherapy; PN400, the combination of enteric coated naproxen and immediate release esomeprazole for the treatment of arthritic pain in patients at risk of developing gastric ulcers; *Brilinta* (formerly known as AZD6140), the oral antiplatelet agent in development for the treatment of patients with acute coronary syndrome; and the fixed dose combination product containing *Crestor* and Abbott's Trilipix, for the management of mixed dyslipidaemia.

On 11 December 2008, the Company announced that it returned worldwide rights to Infinity Pharmaceuticals for the development and commercialisation of Infinity's heat shock protein 90 (Hsp90) drug candidates IPI-504 (MEDI-561) and IPI-493. MEDI-561 was in Phase III development for the treatment of patients with refractory gastrointestinal stromal tumours (GIST), a rare tumour of the gastrointestinal tract.

The first regulatory submissions for *Crestor* based on the JUPITER trial results are planned starting in the second quarter of 2009.

A programme of work aimed at resolving the stability issues related to AZD0837 tablets remains underway, however the Company now estimates that the Phase III trial programme in atrial fibrillation will not start until the second half of 2009. Until then, AZD0837 will be reclassified as a Phase II project on the Company's pipeline table.

In late November 2008, the Company received the FDA Complete Response Letter regarding our *Nexium* I.V. supplemental New Drug Application for Peptic Ulcer Bleed. The application has not received the FDA's approval in its present form. The Company is reviewing their comments and will respond in due course. The EU submission is still being reviewed by the European regulatory authorities.

In January 2009, the US Food and Drug Administration (FDA) granted an additional six-month period of market exclusivity to *Seroquel* for its licensed indications, based on studies the Company conducted in adolescents with schizophrenia and children and adolescents with bipolar mania. The *Seroquel* patent expires on 26 September 2011. The allowed six-month paediatric exclusivity period, which takes effect upon expiration of the patent, will extend the exclusivity of *Seroquel* to 26 March 2012. As previously disclosed, *Seroquel* US Prescribing Information is being updated to include additional safety information for children and adolescents. *Seroquel* is not currently indicated anywhere in the world for the paediatric population.

A comprehensive update of the AstraZeneca R&D pipeline is presented in conjunction with this Full Year 2008 results announcement, and is available on the Company's website, [www.astrazeneca.com](http://www.astrazeneca.com), under information for investors.

### Enhancing Productivity

In the fourth quarter, a further \$516 million in restructuring and synergy costs was charged to the accounts, bringing the total costs for the full year to \$881 million (of which \$219 million are non-cash items). This annual total reflects an extension in the scope of the previously announced \$1,975 million programme which commenced in 2007. New initiatives include further rationalisation of the global supply chain, additional restructuring of the sales and marketing organisation and business infrastructure. When fully implemented, these and other new business reshaping activities, combined with revised estimates for the original 2007 programme (7,600 job reductions), will result in the overall programme delivering a reduction of approximately 15,000 positions by 2013. All reductions in positions are subject to consultations with works councils, trade unions and other employee representatives and in accordance with local labour laws.

As a result of the expanded scope of these business reshaping programmes, total programme charges for restructuring and synergies are now estimated to reach \$2,950 million (up from \$1,975 million). The Company anticipates that most of the remaining \$1.1 billion will be charged by 2010. When fully implemented, programme benefits are now estimated to reach \$2.5 billion per annum (up from \$1.4 billion); with \$2.1 billion in savings expected before the end of 2010, and the balance to be realised by 2013.

### Future Prospects

The Company has set its financial targets for 2009 in anticipation of the normal range of risks and opportunities typical for the pharmaceutical sector together with the turmoil in the financial markets and the broader economy. Management believes that successful execution of its business plan, underpinned by the underlying financial and operating strength of the Company, will result in achievement of a resilient financial performance even in this challenging business climate.

For 2009 the Company expects revenues to be in line with 2008 levels in constant currency terms with the exact outcome dependent, in part, on the extent of the impact of global economic conditions experienced over the course of the year.

The Company aims to grow Core earnings per share on a constant currency basis. Core EPS guidance has been based on January 2009 average exchange rates for our principal currencies. The target for Core EPS is in the range of \$5.15 to \$5.45. Actual performance within this range is dependent on the extent of the impact of the downside pressures from the global economy.

This target takes no account of the likelihood that average exchange rates for 2009 may differ materially from the January 2009 average rates upon which our earnings guidance is based. An estimate of the sales and earnings sensitivity to movements of our major currencies versus the US dollar is provided in conjunction with this results announcement, and can be found on the AstraZeneca web site.

This target Core EPS also takes account of the fact that no share repurchases will be undertaken in 2009.

## Sales

All narrative in this section refers to growth rates at constant exchange rates (CER) unless otherwise indicated

### Gastrointestinal

	Fourth Quarter		CER %	Full Year		CER %
	2008 \$m	2007 \$m		2008 \$m	2007 \$m	
<i>Nexium</i>	1,324	1,303	+6	5,200	5,216	-2
<i> Losec/Prilosec</i>	264	298	-11	1,055	1,143	-14
Total	1,611	1,625	+3	6,344	6,443	-4

- In the US, *Nexium* sales in the fourth quarter were \$832 million, up 2 percent compared with the fourth quarter last year. Dispensed retail tablet volume grew by 2.5 percent. 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 selling prices broadly flat.
- Nexium* sales in the US for the full year were down 8 percent to \$3,101 million. Dispensed retail tablet volume for the full year increased by 2 percent. *Nexium* was the only major PPI brand to increase volume in 2008. On average over the course of the full year, realised selling prices declined by around 11 percent.
- Nexium* sales in other markets in the fourth quarter were up 12 percent to \$492 million. There was continued strong growth in Emerging Markets, where sales were up 20 percent. Sales in Western Europe were up 8 percent despite a significant decrease in Germany.
- Nexium* sales in other markets were up 9 percent for the full year to \$2,099 million.
- Prilosec* sales in the US were down 43 percent in the fourth quarter and 25 percent for the full year as a result of the introduction of generic competition for the 40mg dosage form in the second half of 2008.
- Sales of *Losec* in the Rest of World were down 3 percent in the fourth quarter and 11 percent for the full year. *Losec* sales increased in China (up 19 percent) and in Japan (up 5 percent) for the full year.

### Cardiovascular

	Fourth Quarter		CER %	Full Year		CER %
	2008 \$m	2007 \$m		2008 \$m	2007 \$m	
<i>Crestor</i>	987	799	+30	3,597	2,796	+26
<i>Seloken/Toprol-XL</i>	207	209	+2	807	1,438	-46
<i>Atacand</i>	351	353	+9	1,471	1,287	+10
<i>Plendil</i>	67	66	+3	268	271	-7
<i>Zestril</i>	52	67	-16	236	295	-24
Total	1,803	1,656	+15	6,963	6,686	-

- In the US, *Crestor* sales in the fourth quarter were \$490 million, a 27 percent increase over last year. Fuelled by the promotion of the atherosclerosis indication, *Crestor* prescriptions in the fourth quarter increased by 17 percent, more than four times the market growth rate of 4 percent. The other major branded statins experienced a nearly 18 percent decline in total prescriptions in aggregate.
- US sales for *Crestor* for the full year increased by 18 percent to \$1,678 million. *Crestor* total prescription share in the US statin market increased by 125 basis points during the year, to 9.9 percent in December 2008, and was the only branded statin to gain share.
- Crestor* sales in the Rest of World were up 32 percent to \$497 million in the fourth quarter. Sales in Western Europe increased by 16 percent. Emerging Market sales increased by 50 percent. There were also strong performances achieved in Canada (up 29 percent), Japan (up 54 percent) and Australia (up 91 percent).
- Crestor* sales in the Rest of World were up 34 percent for the full year to \$1,919 million.
- US sales of the *Toprol-XL* product range, which includes sales of the authorised generic, were up 2 percent in the fourth quarter to \$88 million, as the onset of full generic competition has been annualised. Generic products accounted for 89 percent of dispensed prescriptions in the fourth quarter.

- *Toprol-XL* sales in the US were down 70 percent for the full year to \$295 million.
- Sales of *Seloken* in other markets in the fourth quarter were up 2 percent to \$119 million, as the 16 percent growth in Emerging Markets more than offset the 18 percent decline in Western Europe. For the full year, *Seloken* sales in the Rest of World were up 1 percent to \$512 million.
- US sales for *Atacand* for the full year increased 1 percent to \$262 million. Sales in other markets were up 12 percent to \$1,209 million, on a 10 percent increase in Established Markets and an 18 percent increase in Emerging Markets.

#### Respiratory and Inflammation

	Fourth Quarter		CER %	Full Year		CER %
	2008	2007		2008	2007	
	\$m	\$m		\$m	\$m	
<i>Symbicort</i>	514	436	+29	2,004	1,575	+22
<i>Pulmicort</i>	397	447	-10	1,495	1,454	-
<i>Rhinocort</i>	78	87	-8	322	354	-12
<i>Accolate</i>	18	19	-5	73	76	-5
<i>Oxis</i>	15	22	-27	71	86	-24
Total	1,059	1,056	+6	4,128	3,711	+7

- *Symbicort* sales in the US were \$90 million in the fourth quarter and reached \$255 million for the full year. Product trial rate among target specialist physicians is now approaching 90 percent; these specialists are starting more than 30 percent of patients new to combination therapy on *Symbicort*. More than half of target primary care physicians have tried *Symbicort*, and their share of new patient starts is just over 17 percent. Overall, *Symbicort* share of new prescriptions for fixed combinations reached 11.7 percent in the week ending 16 January, with market share among patients newly starting combination treatment at 18.3 percent.
- *Symbicort* sales in other markets in the fourth quarter were \$424 million, 13 percent ahead of the fourth quarter last year, chiefly on an 11 percent increase in Western Europe. Sales in Emerging Markets were up 21 percent. The *Symbicort* SMART concept has now been approved in 91 markets.
- US sales for *Pulmicort* were down 15 percent to \$260 million in the fourth quarter. *Pulmicort Respules* sales were down 18 percent as a result of the "at risk" launch of generic budesonide inhalation suspension (BIS) on 18 November. The patent litigation between Teva and AstraZeneca was subsequently settled on 26 November. The agreement allows Teva to commence sales of BIS under an exclusive license from AstraZeneca beginning 15 December 2009. The agreement also provided that any product already shipped by Teva would 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 dispensed during the fourth quarter, including a 40 percent share in December 2008.
- US sales for *Pulmicort* for the full year were \$982 million, a 2 percent increase over 2007. *Pulmicort Respules* accounted for around 90 percent of total *Pulmicort* sales in the US.
- Sales of *Pulmicort* in the Rest of World were down 2 percent for the full year to \$513 million.

#### Oncology

	Fourth Quarter		CER %	Full Year		CER %
	2008	2007		2008	2007	
	\$m	\$m		\$m	\$m	
<i>Arimidex</i>	451	474	-1	1,857	1,730	+4
<i>Casodex</i>	284	370	-24	1,258	1,335	-12
<i>Zoladex</i>	278	307	-6	1,138	1,104	-3
<i>Iressa</i>	73	70	-1	265	238	+3
<i>Faslodex</i>	61	58	+10	249	214	+12
<i>Nolvadex</i>	23	24	-8	85	83	-6
<i>Ethylol</i> *	5	16	-69	28	43	n/m
Total	1,195	1,339	-9	4,954	4,819	-2

\* Sales of this MedImmune product were consolidated in AstraZeneca accounts from 1 June 2007. As a result, the prior year reflects seven months' sales.

- In the US, sales of *Arimidex* were down 5 percent in the fourth quarter to \$177 million. Total prescriptions for *Arimidex* declined by 3 percent, slightly more than the 1.5 percent decline in the overall market for hormonal treatments for breast cancer. *Arimidex* sales for the full year in the US were up 9 percent to \$754 million.

- *Arimidex* sales in other markets were up 2 percent in the fourth quarter, and increased by 1 percent for the full year to \$1,103 million.
- *Casodex* sales in the US were down 1 percent in the fourth quarter. Sales for the full year were \$292 million, a 2 percent decrease compared with 2007.
- *Casodex* sales in the Rest of World in the fourth quarter were down 30 percent to \$207 million as a result of generic competition in Western Europe, where sales were down 56 percent. Sales for the full year in the Rest of World were down 15 percent to \$966 million.
- Worldwide sales of *Iressa* increased by 3 percent to \$265 million for the full year, as growth in China and other Emerging Markets more than offset a 3 percent sales decline in Japan.
- *Faslodex* sales for the full year were up 5 percent in the US and increased by 18 percent in other markets.

### Neuroscience

	Fourth Quarter		CER %	Full Year		CER %
	2008 \$m	2007 \$m		2008 \$m	2007 \$m	
<i>Seroquel</i>	1,160	1,086	+10	4,452	4,027	+9
<i>Zomig</i>	112	114	+3	448	434	-1
Total	1,495	1,449	+7	5,837	5,340	+6

- In the US, *Seroquel* sales were up 8 percent to \$831 million in the fourth quarter. Total prescriptions were up 5 percent, in line with the anti-psychotic market growth. Around 44 percent of *Seroquel* prescription growth was attributable to *Seroquel XR*. *Seroquel* remains the market leader in the US anti-psychotic market, with a total prescription share of 31.6 percent in December 2008.
- US sales for *Seroquel* for the full year were \$3,015 million, 5 percent ahead of last year.
- *Seroquel* sales in other markets increased by 14 percent to \$329 million in the fourth quarter. Sales in Western Europe were up 26 percent.
- For the full year, *Seroquel* sales in the Rest of World increased by 17 percent to \$1,437 million, with value and volume growth well ahead of the market in all regions.
- Sales of *Zomig* for the full year were up 6 percent in the US to \$187 million. Sales in the Rest of World were down 5 percent to \$261 million.

### Infection and Other

	Fourth Quarter		CER %	Full Year		CER %
	2008 \$m	2007 \$m		2008 \$m	2007 \$m	
<i>Synagis*</i>	506	480	+5	1,230	618	n/m
<i>Merrem</i>	217	215	+10	897	773	+13
<i>FluMist*</i>	33	53	-38	104	53	+96
Total	805	816	+2	2,451	1,714	n/m

\* Sales of these MedImmune products were consolidated in AstraZeneca accounts from 1 June 2007. As a result, the prior year reflects seven months' sales.

- Worldwide sales of *Synagis* in the fourth quarter were \$506 million, a 5 percent increase, chiefly on the 42 percent increase in sales outside the US. Sales in the US were down 3 percent to \$380 million.
- For the full year, *Synagis* sales were \$1,230 million. Sales in 2007 were \$618 million, but only reflect sales since the acquisition of MedImmune in June 2007.
- *FluMist* sales were \$33 million in the fourth quarter and \$104 million for the full year. In contrast to 2008, all of last year's *FluMist* sales of \$53 million were realised in the fourth quarter as a result of the timing of regulatory approvals for the new formulation and expanded label.

Geographic Sales

	Fourth Quarter		CER %	Full Year		CER %
	2008 \$m	2007 \$m		2008 \$m	2007 \$m	
North America	4,080	3,996	+3	14,785	14,511	+2
US	3,784	3,665	+3	13,510	13,366	+1
Established ROW*	3,090	3,194	+3	12,543	11,491	+2
Emerging ROW	1,023	980	+13	4,273	3,557	+16

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

- In the US, sales were up 1 percent for the full year; the inclusion of a full year of MedImmune sales and growth from *Crestor*, *Symbicort* and *Seroquel* more than offset the generic erosion to *Toprol-XL* and the sales declines in the PPI products *Nexium* and *Prilosec*.
- Sales in the Established Rest of World segment were up 2 percent for the full year. Sales in Western Europe were up 1 percent; aside from the inclusion of a full year of *Synagis* sales, growth for *Crestor*, *Seroquel* and *Symbicort* helped offset the declines in *Casodex* and *Losec*. Sales in Japan were up 4 percent chiefly on the contribution for *Crestor*. *Crestor* and *Nexium* fuelled the 18 percent increase in sales in Australia.
- Sales in Emerging Markets were up 16 percent for the full year, accounting for more than 60 percent of the CER sales growth outside the US. Nearly every franchise showed sales growth in Emerging Markets, with notable performances for *Crestor*, *Nexium*, *Seroquel*, *Symbicort* and *Zoladex*. Sales in China were up 31 percent to \$627 million for the full year.



## Operating and Financial Review

All narrative in this section refers to growth rates at constant exchange rates (CER) and on a Core basis unless otherwise indicated. These measures are non-GAAP measures which management believe useful to understanding the Group's performance. The Core financial measure is adjusted to exclude certain items, such as charges and provisions related to restructuring and synergy programmes, amortisation and the impairment of the significant intangibles arising from corporate acquisitions and those related to our current and future exit arrangements with Merck in the US, and other specified items.

### Fourth Quarter

All financial figures, except earnings per share, are in \$ millions. Weighted average shares in millions.

	Reported 2008	Restructuring and Synergy Costs	MedImmune Amortisation	Ethylol and other Impairments	Merck Amortisation	Core 2008	Core 2007	Actual %	CER %
<b>Sales</b>	<b>8,193</b>	-	-	-	-	<b>8,193</b>	<b>8,170</b>	-	<b>4</b>
Cost of Sales	(2,112)	277	-	-	-	(1,835)	(1,726)		
<b>Gross Profit</b>	<b>6,081</b>	<b>277</b>	-	-	-	<b>6,358</b>	<b>6,444</b>	<b>(1)</b>	<b>3</b>
% sales	74.2%					77.6%	78.9%	-1.3	-0.7
Distribution	(71)	-	-	-	-	(71)	(67)	7	18
% sales	0.9%					0.8%	0.8%	-	-0.1
R&D	(1,355)	50	-	60	-	(1,245)	(1,396)	(11)	3
% sales	16.5%					15.2%	17.1%	+1.9	+0.1
SG&A	(2,856)	189	75	-	22	(2,570)	(2,685)	(4)	4
% sales	34.8%					31.4%	32.9%	+1.5	-
Other Income	93	-	30	90	-	213	134	60	70
% sales	1.1%					2.6%	1.6%	+1.0	+1.0
<b>Operating Profit</b>	<b>1,892</b>	<b>516</b>	<b>105</b>	<b>150</b>	<b>22</b>	<b>2,685</b>	<b>2,430</b>	<b>11</b>	<b>5</b>
% sales	23.1%					32.8%	29.7%	+3.1	+0.3
Net Finance Expense	(76)					(76)	(92)		
<b>Profit before Tax</b>	<b>1,816</b>	<b>516</b>	<b>105</b>	<b>150</b>	<b>22</b>	<b>2,609</b>	<b>2,338</b>	<b>12</b>	<b>5</b>
Taxation	(557)	(153)	(31)	(44)	-	(785)	(706)		
<b>Profit after Tax</b>	<b>1,259</b>	<b>363</b>	<b>74</b>	<b>106</b>	<b>22</b>	<b>1,824</b>	<b>1,632</b>	<b>12</b>	<b>5</b>
Minority Interests	(11)					(11)	(9)		
<b>Net Profit</b>	<b>1,248</b>	<b>363</b>	<b>74</b>	<b>106</b>	<b>22</b>	<b>1,813</b>	<b>1,623</b>	<b>12</b>	<b>5</b>
Weighted Average Shares	1,447	1,447	1,447	1,447	1,447	1,447	1,464		
<b>Earnings per Share</b>	<b>0.86</b>	<b>0.25</b>	<b>0.05</b>	<b>0.07</b>	<b>0.02</b>	<b>1.25</b>	<b>1.10</b>	<b>13</b>	<b>6</b>

Sales were unchanged on a reported basis and grew by 4 percent on a constant currency basis. Currency movements resulted in a negative impact of 4 percent.

Core gross margin of 77.6 percent in the fourth quarter was 0.7 percentage points lower than last year in constant currency terms. Intangible asset impairments relating to *Pulmicort Respules* (\$115 million) and other provisions reduced gross margin by 3.0 percentage points. Higher royalty payments accounted for 0.3 percentage points of negative variance compared with last year. These were partially offset by lower payments to Merck (0.6 percentage points) and continued efficiency gains and mix factors (2.0 percentage points).

Core R&D expenditure was \$1,245 million in the fourth quarter, 3 percent higher than last year as a result of higher charges relating to intangible asset impairments, which amounted to \$45 million in the fourth quarter 2008, partially offset by continued delivery of R&D productivity initiatives.

Core SG&A costs of \$2,570 million were 4 percent higher than the fourth quarter of 2007 as a result of continued investment in Emerging Markets and increased marketing investment behind Symbicort and Crestor in the US, partially offset by operational efficiencies.

Core other income of \$213 million was \$79 million higher than the fourth quarter of 2007, chiefly as a result of a number of small one-time gains.

Core operating profit was \$2,685 million, an increase of 5 percent at CER, up 11 percent on an as reported basis. Currency movements increased Core operating profit by 6 percent. In comparison with last year, the dollar was 10 percent stronger against the euro (reducing sales and costs), 21 percent stronger against the Swedish krona (reducing costs), and 30 percent stronger against sterling (reducing costs). On a constant currency basis, Core operating margin increased by 0.3 percentage points to 32.8 percent of sales, chiefly a result of one-time gains in other income partly offset by charges in cost of sales.

Core earnings per share in the fourth quarter were \$1.25, up 6 percent at CER, as the increase in Core operating profit was supplemented by lower net finance expense and the benefit of a lower number of shares in issue. Core earnings per share on an as reported basis, including a currency benefit of 7 percent, increased by 13 percent.

Reported operating profit was down 9 percent at CER at \$1,892 million, reflecting higher restructuring and synergy costs and the impairment of intangible assets, chiefly as a result of the return of the rights to the Hsp90 drug candidates to Infinity Pharmaceuticals and revised forecasts from future royalties relating to HPV vaccines (\$90 million). Reported earnings per share were \$0.86.

## Full Year

All financial figures in table, except earnings per share, are in \$ millions. Weighted average shares in millions.

	Reported 2008	Restructuring and Synergy Costs	MedImmune Amortisation	<i>Ethyol</i> and other Impairments	Merck Amortisation	Core 2008	Core 2007	Actual %	CER %
<b>Sales</b>	<b>31,601</b>	-	-	-	-	<b>31,601</b>	<b>29,559</b>	<b>7</b>	<b>3</b>
Cost of Sales	(6,598)	405	-	-	-	(6,193)	(6,004)		
<b>Gross Profit</b>	<b>25,003</b>	<b>405</b>	-	-	-	<b>25,408</b>	<b>23,555</b>	<b>8</b>	<b>4</b>
% sales	79.1%					80.4%	79.7%	+0.7	+0.8
Distribution	(291)	-	-	-	-	(291)	(248)	17	16
% sales	0.9%					0.9%	0.9%	-	-0.1
R&D	(5,179)	166	-	60	-	(4,953)	(5,089)	(3)	(1)
% sales	16.4%					15.7%	17.2%	+1.5	+0.8
SG&A	(10,913)	310	307	257	99	(9,940)	(9,535)	4	3
% sales	34.6%					31.4%	32.3%	+0.9	+0.1
Other Income	524	-	120	90	-	734	728	1	3
% sales	1.7%					2.3%	2.5%	-0.2	-
<b>Operating Profit</b>	<b>9,144</b>	<b>881</b>	<b>427</b>	<b>407</b>	<b>99</b>	<b>10,958</b>	<b>9,411</b>	<b>16</b>	<b>9</b>
% sales	28.9%					34.7%	31.8%	+2.9	+1.6
Net Finance Expense	(463)	-	-	-	-	(463)	(111)		
<b>Profit before Tax</b>	<b>8,681</b>	<b>881</b>	<b>427</b>	<b>407</b>	<b>99</b>	<b>10,495</b>	<b>9,300</b>	<b>13</b>	<b>4</b>
Taxation	(2,551)	(259)	(125)	(121)	-	(3,056)	(2,716)		
<b>Profit after Tax</b>	<b>6,130</b>	<b>622</b>	<b>302</b>	<b>286</b>	<b>99</b>	<b>7,439</b>	<b>6,584</b>	<b>13</b>	<b>5</b>
Minority Interests	(29)	-	-	-	-	(29)	(32)		
<b>Net Profit</b>	<b>6,101</b>	<b>622</b>	<b>302</b>	<b>286</b>	<b>99</b>	<b>7,410</b>	<b>6,552</b>	<b>13</b>	<b>5</b>
Weighted Average Shares	1,453	1,453	1,453	1,453	1,453	1,453	1,495		
<b>Earnings per Share</b>	<b>4.20</b>	<b>0.43</b>	<b>0.21</b>	<b>0.19</b>	<b>0.07</b>	<b>5.10</b>	<b>4.38</b>	<b>16</b>	<b>8</b>

Sales increased by 7 percent on a reported basis and by 3 percent on a constant currency basis. Currency movements increased sales by 4 percent.

Core gross margin of 80.4 percent for the full year was 0.8 percentage points higher than last year in constant currency terms. Principal drivers were lower payments to Merck (1.0 percentage points), continued efficiency gains and mix factors (1.2 percentage points), partially offset by higher royalty payments (0.6 percentage points) and intangible asset impairments and other provisions (0.8 percentage points).

Core R&D costs of \$4,953 million were down 1 percent over last year. The inclusion of MedImmune for a full year was offset by improved productivity and efficiency, restructuring benefits, portfolio changes and lower charges relating to intangible asset impairments (\$84 million in 2008) charged to Core R&D expense.

Core SG&A costs of \$9,940 million were 3 percent higher than 2007 due chiefly to the inclusion of MedImmune, increased investment in our Emerging Markets and some higher legal expenses.

Core other income of \$734 million was \$6 million higher than last year with MedImmune's licensing and royalty income streams offset by expected lower one-time gains and royalty income.

Core operating profit of \$10,958 million was up 9 percent at CER or 16 percent on an as reported basis. Currency movements increased Core operating profit by 7 percent. On a constant currency basis, Core operating margin increased by 1.6 percentage points to 34.7 percent of sales as a result of improvements in gross margin, lower R&D costs and SG&A efficiencies.

Core earnings per share in 2008 were \$5.10, an increase of 8 percent at CER, as the increase in Core operating profit and the benefit of a low number of shares outstanding was partially offset by increased net finance expense. Core earnings per share on a reported basis increased 16 percent.

Reported operating profit of \$9,144 million was up 4 percent, against 9 percent on a Core basis. This is in part a result of MedImmune-related intangible asset impairments, including the \$257 million *Ethyol* impairment in the first quarter of 2008, and twelve months of MedImmune-related amortisation (versus a seven month charge incurred in the prior year period), being only partially offset by slightly lower restructuring and synergy costs in 2008.

Reported earnings per share in 2008 were \$4.20, an increase of 2 percent at CER. Including the currency benefit, reported earnings per share increased 12 percent.

### **Finance Income and Expense**

Net finance expense was \$463 million for the year, (\$76 million for quarter four), versus \$111 million in 2007 (\$92 million for quarter four 2007). Key drivers for the full year were the interest payable on additional borrowings alongside reduced interest received on the lower average cash holdings arising as a result of the acquisition of MedImmune.

Net finance expense also included a net fair value gain of \$130 million for the full year (\$82 million in the fourth quarter) relating to two long-term bonds. These bonds are swapped to floating interest rates and accounted for using the fair value option under IFRS. Under this accounting treatment both the bonds and the related interest rate swaps are measured at fair value, with changes in fair value reported in the Income Statement. The fair value of each instrument reflects changes in market interest rates, which broadly offset, but the bonds will also reflect changes in credit spreads. As such, the widening credit spreads seen during the year have reduced the fair value of the bonds, resulting in the net gain noted above. The Company anticipates that this gain will largely reverse as credit markets stabilise.

### **Taxation**

The effective tax rate for the fourth quarter was 30.7 percent (2007 30.6 percent) and 29.4 percent for the year (2007 29.5 percent). The full year tax rate for 2009 is currently anticipated to be around 29.5 percent.

### **Cash Flow**

Cash generated from operating activities was \$8,742 million in the year, compared with \$7,510 million in 2007. The increase of \$1,232 million was principally driven by an increase in operating profit before depreciation, amortisation and impairment costs of \$1,814 million, a decrease in tax payments of \$354 million and lower working capital outflows of \$233 million offset by an increase in interest payments of \$355 million and a decrease in non-cash items of \$814 million which includes movement on provisions.

Net cash outflows from investing activities were \$3,896 million in the year compared with \$14,887 million in 2007. Stripping out acquisitions of \$14,891 million, primarily MedImmune, the increase in cash outflow of \$3,900 million is due primarily to the net payment of \$2,630 million to Merck as part of the partial retirement, a reduction in the inflows from the movement in short term investments and fixed deposits of \$893 million and from the disposal of non-current asset investments of \$389 million, and a decrease in interest received of \$209 million, offset by lower purchases of other intangible assets of \$235 million.

Cash distributions to shareholders were \$3,190 million through dividend payments of \$2,739 million and net share repurchases of \$451 million.

### **Debt and Capital Structure**

As at 31 December 2008, outstanding gross debt (including loans, short-term borrowings and overdrafts) was \$11,848 million (31 December 2007: \$15,156 million). Of this debt, \$993 million is due within one year (31 December 2007: \$4,280 million), which we currently anticipate repaying from current cash balances of \$4,286 million and business cash flows, without the need to refinance. Outstanding net debt of \$7,174 million has decreased by \$1,938 million from 31 December 2007.

## Dividends and Share Repurchases

The Board has recommended an 11 percent increase in the second interim dividend to \$1.50 (104.8 pence, 12.02 SEK) to be paid on 16 March 2009. This brings the full year dividend to \$2.05 (132.6 pence, 15.36 SEK) an increase of 10 percent.

As announced at Q3, the Group's share repurchase programme has been suspended. As a result, during the fourth quarter, only 0.2 million shares were re-purchased for cancellation under an irrevocable instruction issued earlier in the year. The cost associated with the share repurchase programme in the fourth quarter was \$7 million, bringing the total re-purchases for the year to 13.6 million shares at a total cost of \$610 million. In the year, 4.1 million shares were issued in consideration of share option exercises for a total of \$159 million.

The total number of shares in issue at 31 December 2008 was 1,447 million.

The Board has decided that no share repurchases will take place in 2009 in order to maintain the flexibility to invest in the business.

## Calendar

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

David Brennan  
Chief Executive Officer

Media Enquiries:	Neil McCrae/Chris Sampson (London) Earl Whipple (Wilmington) Anne-Charlotte Knutsson (Södertälje)	(020) 7304 5045/5130 (302) 885 8197 (8) 553 213 75
Analyst/Investor Enquiries	Karl Hard/James Mead (London) Jonathan Hunt (London) Ed Seage/Jörgen Winroth (US)	(020) 7304 5322/5084 (020) 7304 5087 (302) 886 4065/(212) 579 0506