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Q3 11 Analyst Script Final

Thank you Karl, and good afternoon everyone.

AstraZeneca delivered a third quarter revenue and Core earnings performance that was in line with our expectations, against the backdrop of generic competition and government interventions in price.

We continue to invest where we see opportunities to create value, both in research and development and in sales and marketing, but we are also actively re-shaping the cost base to improve competitiveness for the long-term.

This balanced approach continues to drive strong operating cash flow, and has supported increased cash returns to shareholders, with dividends and share repurchases up substantially over last year.

On today's call, I will focus on 5 topics, with an emphasis on the quarter rather than the year to date:

First, I'll summarise the headline numbers.

Then, I'll cover the revenue performance by region and by our key brands.

Third, I will turn to the Core operating performance …with an emphasis on the key drivers of operating profit and margin.

I'll briefly touch on cash performance.

And finally, I will close with our thoughts on guidance for the full year.

Headline Results: Third Quarter

So, on to the headlines.

Total Company revenue was $8.2 billion in the quarter, a 2 percent decline in constant currency terms.

Crestor, Seroquel XR and Symbicort all posted good sales growth in the quarter.

As anticipated, we continue to face revenue headwinds from government interventions on price, and from generic competition.

We lost more than $350 million in revenue in the quarter from generic competition—chiefly Arimidex and Merrem globally, and for Nexium in Europe. But that is a bit better than the run rate for the first half, because we are now more than 12 months past the onset of generic Arimidex in the US.

I'll discuss the regional and brand revenue performances shortly, but let's continue with the headline numbers.

Core operating profit in the quarter was down 2 percent in constant currency to $3.2 billion, in line with the decline in revenue.

Core earnings per share in the quarter were $1.71 compared with $1.50 last year. That is a 12 percent increase in constant currency terms, with the leverage between Core operating profit and core earnings resulting from a lower tax rate, lower number of shares outstanding as a consequence of the repurchase programme and lower net finance expense.

The 140 percent increase in Reported earnings per share reflects, of course, the gain on the sale of Astra Tech that was completed in August. This amounted to $1.08 per share, and was excluded from Core earnings. You will note that the profit on the Astra Tech sale was a non-taxable event, and this is reflected in the delta between reported and core tax rates. Legal provisions were also higher in the third quarter last year, which also benefits the growth rate in Reported EPS this quarter.

So those are the headlines for the third quarter. I am not going to dwell on the nine months figures, they are in the press release. In brief, revenue was down 3 percent at CER...Core operating profit was down 6 percent and Core EPS was up 6 percent for the year to date.

Q3 Revenue performance

Returning to the third quarter revenue performance, and when I refer to growth rates, they will be on a constant currency basis.

Revenue in the US was unchanged compared with the third quarter last year, and that is after absorbing 3.5 percent of negative impact from US healthcare reform.

Revenue in Western Europe was down 15 percent in the quarter, and that is an acceleration from the first half run rate, but it is largely due to further volume penetration from generics, particularly for Nexium---realised price declines remain at the mid-single digit level that we saw in the first half---of course, downward pressures on price will likely continue as the economies continue to struggle.

Revenue in Established Rest of World was up 7 percent on a good performance in Japan, where launch stocking for Nexium and continued strong growth for Crestor and Symbicort led to a 10 percent increase in revenue.

Revenue in Emerging Markets grew by 7 percent in the quarter. That is down from the 10 percent growth rate in the second quarter. There has been some slowdown across the markets. The fundamental drivers of industry growth in these markets will be in place for many years to come, but they are not immune from the near term impact of current economic conditions across the globe. In addition, we have a couple of company specific factors at play in our third quarter results. In Brazil, we have lost exclusivity for Crestor and Seroquel IR...so our business in Brazil is down 17 percent in the quarter. We have also seen a delay in some government tender orders in the Middle East, but that is a timing difference more than anything else...that volume should come through in the fourth quarter.

Revenue in China was up 13 percent in the quarter. We have seen the growth in the overall market slow somewhat. Our portfolio has also seen an impact from lower prices, and some delays in the rate at which the RDL approvals that we have achieved on a national level are being implemented in the regional listings.

Key Brands

Turning now to revenue at the brand level, I will begin with **Crestor**.

Worldwide sales of Crestor increased by 14 percent to $1.7 billion.

In the US, sales were up 20 percent to $753 million. Total prescriptions were up 3 percent, compared with one-half a percent for the total statin market in the US. Crestor's market share of total prescriptions was up, some 40 basis points since May, just ahead of the FDA safety advisory for simvastatin that was issued in early June. Our dynamic share is around 15 percent—and that is a blend of a 12 percent share of new statin starts and a 20 percent share of the switch market.

Crestor sales in the Rest of World were up 9 percent to $906 million...that represents 55 percent of total Crestor revenue. As I mentioned earlier, we now have generics in Brazil, and that impacted Crestor's growth in Emerging Markets, where sales were up 7 percent overall. There was double digit growth in Japan, Canada and Australia—which are in the Established Rest of World region. Sales in Western Europe were up 2 percent in the quarter.

With generic Lipitor now just around the corner, we are often asked how we expect Crestor to perform, particularly in the US.

Well I am not about to break precedent and start giving product specific forecasts, but let me describe how we think the market will evolve.

First, on pricing...

In a highly competitive statin market, where generics already account for nearly 65% of total prescriptions, we have been able to consistently achieve good increases in realised selling prices in the US, reflecting our strong value proposition. However, with the availability of low priced generic atorvastatin, our ability to continue to sustain increases in net prices will come under pressure.

Second, segmenting the market by source of business, currently 94 percent of Crestor usage is for patients on continued therapy. Despite the availability of many low cost options, these patients are on Crestor because their physician felt it was the right treatment choice...in many cases because they failed to achieve goal on other regimens...and we do not believe that there will be significant switching just because another low cost generic is available.

We think the market share pressure will be on the 6 percent of the volume which is dynamic—around 4 percent from new starts and around 2 percent from patient switches from other therapy.

Managed care plan designs already strongly encourage the use of generics by either differentiated co-pays or step-therapy requirements, for newly diagnosed patients, and a lower priced atorvastatin may be more competitive in this segment.

To the degree to which Lipitor has been a source of net switching to Crestor—that is we gain more from Lipitor than they gain from us—there may be a recalibration of that net dynamic on economic grounds.

We continue to believe that Crestor will still maintain a strong position in the switch segment, as many patients who try other less potent statins will continue to fail to reach treatment goal, and Crestor remains the most effective statin, especially for patients at elevated CV risk.

Turning to the **Seroquel** franchise, third quarter sales were up 4 percent to $1.4 billion.

In the US, franchise sales in the third quarter were also up 4 percent to $975 million. Focussing on Seroquel XR, total prescriptions were up 12 percent in the third quarter compared with last year, and well ahead of the 2 percent growth in the atypical antipsychotic market. In the US, Seroquel XR accounted for 17.3 percent of franchise prescriptions and 19 percent of franchise revenue in the third quarter. Seroquel IR prescriptions were down 5 percent, so the total franchise was off 2 percent in total prescriptions in the quarter.

Seroquel franchise sales in the Rest of World were $425 million; that is a 4 percent increase, fuelled by a 33 percent increase in Seroquel XR, which now accounts for 43 percent of franchise sales in these markets.

Symbicort sales were up 9 percent in the quarter, to $755 million.

In the US, sales in the third quarter were up 15 percent to $201 million. Total prescriptions were up 9 percent, compared with a 2.5 percent decline in the US market for fixed combination products. Symbicort share of total prescriptions reached 19.7 percent in September, up 2.1 percentage points over September of last year, despite the launch of a new entrant.

Market share of patients newly starting combination therapy is 26.6 percent.

Symbicort sales in the Rest of World were 7 percent ahead of last year, to $554 million. Sales in Western Europe were up 3 percent. Sales in Established Rest of World increased by 23 percent, reflecting continued strong growth in Japan as well as double digit growth in Canada and Australia. Sales in Emerging Markets were up 9 percent, largely on growth in Emerging European markets.

Alliance revenues for **Onglyza** were $59 million in the third quarter, of which $44 million was in the US.

Total prescriptions for DPP-4 products in the US market were up 22 percent in the quarter.

Our franchise, which includes Onglyza and Kombiglyze XR, has increased its market share of total DPP-4 prescriptions in the US to 15.5 percent in September, including 3.7 percent share for Kombiglyze XR since its launch at the beginning of the year. Share of new starts for the franchise remains well above this, at around 25 percent.

We announced last month that we have received a positive opinion from the EU CHMP for KOMBOGLYZE, which is the twice-daily fixed combination of Onglyza and metformin, so we look forward to finally participating in the combination market sometime next year as we get final approvals and reimbursements in Western Europe.

Turning to **Brilinta**, sales were $13 million in the quarter, of which $11 million was launch stocking in the US.

As we have said all along, ex-factory sales and retail prescriptions are a lagging, not a leading indicator, of launch progress. Our launch plan follows a deliberate sequence of steps---achieve regulatory approval, then negotiating and achieving reimbursement. This is then ollowed by achieving hospital by hospital access through product stocking, formulary approvals and adoption on treatment protocols. Only then do we get the opportunity to drive trial and usage at the prescriber level as new cases of ACS present to hospital.

During the quarter we have had some important achievements on the reimbursement front, including a very positive reimbursement recommendation by NICE in the UK-- which became final just yesterday. We also have received a positive decision on reimbursement in Australia.

Earlier this month, Brilique received a positive initial assessment in Germany, which concluded that Brilique offers “an important additional benefit” in relation to the comparator clopidogrel in NSTEMI and Unstable angina, which represents around 72 percent of the ACS patient population in Germany.

In France, however, we are working up our response to receiving the French Transparency Commission’ preliminary ASMR assessment rating of “5”—a designation of “no medical improvement” demonstrated compared with existing patient management options. We believe this preliminary assessment does not reflect the cardiovascular mortality benefit that was demonstrated in the PLATO trial, and that has been acknowledged in the German and UK assessments.

We are also very pleased with the inclusion of Brilique on the recently revised treatment guidelines for NSTEMI/Unstable Angina patients issued by the European Society of Cardiology, where Brilique has been placed in a first line position ahead of clopidogrel.

In terms of in-market performance, it is very early days in many markets, but we are making good progress. For example:

In Germany, we are making steady progress at hospital stocking and protocol adoption. Brilique is now stocked in around 80 percent of our target hospitals, and has been adopted on protocols in roughly a third.

In the US, since launch in mid August...

We are also making steady progress...with formulary access at our top 400 hospitals at around 20 percent so far.

In terms of managed care reimbursement, we have unrestricted access to around 60 percent of covered lives, including nearly 75 percent in commercial plans. The Medicare Part D process, of course, takes more time to work through.

So, lots of work ahead of us, but good and steady progress on the execution of our launch rollout for Brilinta.

A brief word on a couple of the mature brands in the portfolio.

Worldwide **Nexium** sales were just over $1 billion in the quarter, down 16 percent, with generics in Western Europe increasingly taking a toll, with sales down 50 percent in the quarter.

Sales of **Arimidex** were down 44 percent, to $176 million in the quarter. Sales have largely disappeared in the US market, as generics now account for 96 percent of prescriptions since they were launched more than 12 months ago. Sales in the Rest of World were down 37 percent to $168 million in the quarter.

Operating Profit and Margins

I will now turn to the third quarter P&L. I will focus here on Core margins and profit. The press release does, of course, contain 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.

Core gross margin in the quarter was 80.4 percent of sales. That is up 1.2 percentage points compared with the third quarter last year, which was impacted by the intangible impairment of lesogaberan. For the full year 2010, Core gross margin was 81.2 percent of sales, and for the full year 2011 I still expect Core gross margin will be somewhat higher than last year.

Core SG&A expense was down 2 percent compared with the third quarter last year. We continue to invest to grow our Emerging Markets business as well as for new product launches. We also have the excise tax from US healthcare reform in Core SG&A. However, we continue to mitigate these increases by operational efficiencies across the Established Markets. I also said last quarter that you would see a different pattern of phasing of SG&A compared to recent years, and that is coming through in the decline in SG&A in the quarter compared to the 5 percent increase in the first half.

For the full year 2011, I expect Core SG&A to be broadly flat in constant currency terms.

Core other income was 5 percent lower than the third quarter last year. This reflects generic competition for Entocort and the subsequent termination of the marketing and distribution arrangement with Prometheus.

I still expect Core other income to be around $700 million for the full year.

That leads to a Core Pre-R&D operating margin of 52.7 percent of revenue. That is up 120 basis points in the quarter, chiefly on the gross margin improvement I mentioned earlier.

Core R&D investment in the quarter was $1.15 billion, a 10 percent increase, on increased spending on late stage clinical trials and investment in biologics, partially mitigated by the benefits from restructuring initiatives. Intangible impairments were also a bit higher compared with last year.

This leads to a Core operating profit of just under $3.2 billion in the quarter, 2 percent lower than last year, in line with the decline in revenues. Core operating margin was 38.7 percent of revenue, down 30 basis points.

Productivity/Restructuring

Turning to our Productivity programme, we have taken restructuring charges of $221 million in the third quarter.

We estimated the total cost for this phase would be $2 billion. We charged $1.2 billion in 2010 and expect most of the remainder to be incurred this year...so the so the fourth quarter restructuring charge will be even higher than the third quarter run rate.

Cash/Capital Structure

Let me now turn to cash flow.

Net cash from operating activities for the nine months was around $2.4 billion lower than last year, which is largely driven by higher tax payments, including those related to the tax settlements announced earlier, and an increase in working capital.

Net cash distributions to shareholders for the nine months increased by 64 percent to over $7.6 billion, through dividend payments of $3.76 billion and net share repurchases of nearly $3.9 billion...and that is against an initial target of $4 billion in net repurchases for the full year.

When we announced the sale of Astra Tech, we said we would deploy those proceeds in share repurchases, and with the sale completed in August we are well placed to achieve the revised $5 billion target for the full year, with repurchases funded by any remaining balance of the Astra Tech proceeds to be completed in 2012.

Future Prospects/Guidance

Finally, turning to guidance.

We knew that market conditions would be difficult this year, with government interventions on price, healthcare reform in the US, and generic competition on some important products.

So, in this context, I think we have done well in executing on our plans. We continue to drive the performance of brands where we maintain exclusivity. We are investing to drive growth in Emerging Markets and behind new product launches, but we are creating the headroom for that investment with relentless focus on productivity and efficiency.

Based on the performance to date, and the outlook for the rest of the year, revenue for the full year still looks to be in line with our original assumptions...a flat to low single-digit decline on a constant currency basis.

I am also pleased that we are in a position to increase our target for Core EPS for the full year by 5 cents which is largely due to favourable movements in actual exchange rates compared to the January 2011 rates upon which our guidance was based.

That benefit amounted to 3 cents in the third quarter, which I am comfortable rounding up to 5 cents, given our solid underlying business performance.

We've also narrowed the range, so the new target for Core EPS for the full year is in the range of $7.20 and $7.40 per share.

I would add the usual health warning that this guidance takes no account of the likelihood that average exchange rates for the remainder of the year may differ materially from the January 2011 average. Our currency sensitivity chart is provided on our web site to help you flex your own estimates on the currency impact to sales and earnings.

I will wrap up my formal remarks here, and turn the call back to the conference operator to begin the question and answer session…

Q&A

Post Q&A

Let me conclude by thanking you for joining us on today's call.

In summary, we have delivered a third quarter performance that is in line with our expectations against a backdrop of difficult market conditions

We continue to invest where we see opportunity to create value, whilst retaining discipline on operating costs and the allocation of capital

We continue to drive strong cash flow and cash returns to shareholders

And we are on track to deliver on a revised target of Core earnings per share in the range of $7.10 to $7.40 per share.

And with that, I bid you good day.