

AstraZeneca 2013 AGM

25 April 2013



Chairman's remarks

Ladies and gentlemen, you elected me as a Director at last year's AGM and it is my privilege to have served as your Chairman since last June.

This is therefore the first opportunity I have had to share some thoughts with you about the first few months of my chairmanship and the background to some of the decisions the Board has taken to ensure the future success of AstraZeneca.

My first point concerns the search for a new Chief Executive and our decision to appoint Pascal Soriot. When I was appointed to the Board I was also appointed as Chairman of the Nomination Committee. This enabled me to lead the important process of selecting David Brennan's successor. The whole Board was closely involved in that process and we were pleased to be in a position to consider a number of very high-calibre candidates, both internal and external. The process culminated in Pascal's appointment, which we announced last August.

Pascal joined us from Roche where he had been serving as Chief Operating Officer of their pharmaceuticals division. Prior to that he had been Chief Executive Officer of Genentech, the biologics company based in San Francisco, where he was credited with leading their successful merger with Roche. He had previously worked in senior management roles in the US, Asia and Europe.

Pascal's appointment was a key one at an important time for AstraZeneca. The Board was sure that Pascal's leadership qualities, combined with his strategic thinking, global outlook and extensive experience in the industry, made him the right person to drive AstraZeneca to success over the coming years.

Pascal, welcome to your first AGM. We look forward to hearing your own reflections on what you have found in the months since joining us.

For my part, I believe we have already begun to see how Pascal's approach and track record of delivering results in innovation-driven businesses is valued, not only by you, our shareholders, but also by AstraZeneca staff.

It is also only right that I acknowledge Simon Lowth's role as Interim Chief Executive Officer in the months before Pascal joined us. On behalf of the whole Board, I would like to record our appreciation for his impressive leadership in this period. Supported by a highly capable and committed executive team, Simon maintained the organisation's focus on key business priorities during a period of significant change.

Simon, thank you.

My second reflection concerns the commitment of your entire Board. It has been an eventful twelve months since we met in April last year. The management changes I have referred to all took place at the same time as AstraZeneca completed a significant number of business development deals. We also undertook our annual strategy update, in which Pascal was fully engaged, as well as our regular programme of meetings and business activity.

The fact that we were able to do all this is a tribute both to the sound corporate governance processes we have in place and to the dedication and hard work of my fellow Directors. I am grateful to all of them for the contribution they made in 2012.

My third point concerns the nature and scale of the challenges we face as a business. We are going to need to harness all our skills, capabilities and experience as we navigate the current harsh climate for the pharmaceutical sector.

The world pharmaceutical market is still growing, it grew by 2.5% in 2012, and underlying demographic trends remain favourable to long-term industry growth. However, many of the drivers of demand and supply in the industry are under pressure.

On the demand side, we face increased competition from generic medicines as some of the world's most successful drugs – including some of our own – come off patent. In addition, in the face of intensifying pricing pressures, securing recognition and reward for innovation, through price reimbursement approval and favourable pricing and sales, is becoming more difficult. This is particularly true in Established Markets, such as the US and Europe, which are facing rising healthcare costs.

On the supply side, the industry faces an ongoing R&D productivity challenge. R&D costs have risen significantly over the past decade, while the probability of success for drug development projects has declined.

As far as AstraZeneca is concerned, our performance in 2012 was defined by significant revenue decline associated with the expected loss of exclusivity for several of our products. We believe these challenging market conditions will persist in 2013, including continued government interventions in relation to the price of our medicines.

It is for all these reasons that the outcome of last year's update of our strategy, which Pascal announced last month, is so important. Our strategy is rooted in a company heritage focused on innovative science to deliver great medicines to patients. Your Board firmly believes that this is the path we need to take if we are to remain competitive and return to growth.

I am also convinced that we must commit to the responsible and sustainable development of our business. And that is why I was pleased that we were once again listed in the Dow Jones Sustainability World Index in 2012 and retained our listing on the elite European Index for the fifth year running.

However, we cannot hope to secure our long-term success if we do not meet our financial targets and deliver you, our owners, an acceptable rate of return. To this end, the Board has confirmed its progressive dividend policy, which is to maintain or grow our dividend per share each year.

In October last year, we also announced the suspension of our share repurchase programme and we have decided that no repurchases will take place in 2013 in order to maintain the flexibility to invest in the business. As we indicated in our strategy update, our focus for our use of cash, having paid the dividend, is to invest in value-adding business development activities. This takes priority over share repurchases at this stage.

Ladies and gentlemen, I would now like to invite Pascal to say a few words about what your company is doing to deliver that long-term success and restore AstraZeneca to growth.

Thank you.

AstraZeneca PLC

2013 Annual General Meeting

Leif Johansson
Chairman



Pascal Soriot

Executive Director and Chief Executive Officer



Simon Lowth

Executive Director and Chief Financial Officer



A busy 2012 for the Board

- ✓ Management changes
- ✓ Business development deals
- ✓ Annual strategy update
- ✓ Regular programme of meetings and activity



Industry challenges

Demand side

- **Patent expiries** and competition from **generics**
- Intensifying **pricing pressures**
- **Reward for innovation** more difficult

Supply side

- **R&D productivity** challenge
 - Rising R&D **costs**
 - **Probability of success** has declined



“2012 financial performance was defined by significant revenue decline associated with the loss of exclusivity for several of our products. For 2013, challenging market conditions will persist.”





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Sustainability Indexes**
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