

### Chairman's remarks

Before proceeding to the formal part of today's meeting, I wanted to take this opportunity to say a few words about your company, its Directors and our strategy.

AstraZeneca's Board is confident that the long-term growth in demand for innovative biopharmaceuticals will remain strong. We believe that there continue to be opportunities to create value for those who invest successfully in pharmaceutical innovation. We further believe that your company has the skills and capabilities to take advantage of these opportunities, and turn them into long-term value.

However, as David Brennan will outline in a few minutes time, both as an industry and as a company, we are going through challenging times. We face intensified pressures on a number of fronts. Despite these, we delivered a good performance in 2011 and were able to increase the dividend by 10 per cent over 2010. We returned more cash to shareholders through net share repurchases totalling \$5.6 billion.

We also took difficult decisions during the year to ensure the future success of the business. We can only take those decisions with confidence as the result of informed and healthy debate at our Board meetings. I therefore wish to pay thanks to all my fellow Directors who have each contributed to those discussions.

Part of the strength of any Board comes from the mix of skills and experience around the table. That mix needs to be refreshed and renewed. Which is why I am pleased to be able to introduce to you three new non-executive directors whom we are proposing to you for election today. They bring with them a wealth of business and other experience.

I will ask them kindly to stand as I introduce them –

Geneviève Berger is a scientist, Chief Research & Development Officer at Unilever and a member of the Unilever Leadership Executive. She holds three doctorates – in physics, human biology and medicine.

Graham Chipchase is Chief Executive of the global consumer packaging company, Rexam and was previously Group Finance Director there. He is a fellow of the Institute of Chartered Accountants.

Leif Johansson is Chairman of Ericsson, the global telecommunications company, having previously been Chief Executive of Volvo. Before that he was Chief Executive of Electrolux and was a non-executive director of

pharmaceutical company Bristol-Myers Squibb from 1998 until September last year.

As you will know from the Notice of today's meeting, it is the Board's intention that Leif is appointed Non-Executive Chairman of the Board. When he does so, I intend to retire from the Board, both as Chairman and as a Director.

Leif is an outstanding businessman and has a first-class track record leading multinational companies, as well as having previous experience of our industry. We are fortunate that he has allowed his name to go forward for your approval and I cannot recommend him to you too highly.

It is my privilege to have been a director of AstraZeneca for eight years and to have been its Chairman for seven. One of my longest-serving Board colleagues has been Michele Hooper who stands down from the Board at the close of this meeting. She does so after nearly nine years' service. On behalf of the whole Board I want to express our gratitude for your distinguished contribution to our work and your dedicated service as Chairman of the Audit Committee and as senior independent Director. Michele, thank you.

Many of you will already know that this morning we announced that your Chief Executive, David Brennan has decided to retire. He will stand down as Chief Executive Officer and from the Board on 1<sup>st</sup> June. David has led AstraZeneca's business with skill, integrity and courage during a period of enormous change for the pharmaceutical industry and for the company. Now, after more than six years at the top, David has decided to step down and allow a new leader to take the reins. We fully understand and respect his decision to retire and thank him for his leadership of the company.

Following David's decision, the Board has asked Simon Lowth to act as interim Chief Executive Officer until a permanent successor is in place. Simon is well known to you as he has been the Chief Financial Officer of your company since November 2007. I know we can count on Simon's leadership, supported by a strong and experienced Senior Executive Team, to maintain focus and momentum as the Board seeks a smooth transition to a new chief executive over the coming months.

We also announced today that Leif will succeed me as non-executive Chairman on 1<sup>st</sup> June – three months earlier than previously planned. This will enable Leif to lead the selection process for David's successor, including both internal and external candidates.

It is now my pleasure to ask David to outline in a little more detail the nature of the challenges we face and describe what we are doing to make the most of our opportunities.

Thank you.

## **Chief Executive's remarks**

Louis, thank you. I would like to add my own welcome to you, our shareholders, who have joined us in person today.

## **Our Vision**

AstraZeneca is a focused, innovation-driven, integrated, global, biopharmaceutical business. We believe that successful execution of our strategy will deliver innovative medicines that can earn attractive returns for shareholders.

## **Industry Outlook**

The drivers for long-term growth in demand are in place. There remains significant unmet medical need. There are growing and ageing populations across the globe, while the desire for better access to healthcare in emerging markets is being enabled by the engine of continued economic growth. And we continue to see advances in science and technology that provide increased opportunities for the discovery and development of new medicines.

However, even as the world pharmaceutical market grew by 4.5% in 2011, research-based pharmaceutical companies have continued to face a challenging marketplace. Industry returns are under pressure from declining R&D productivity and intensifying pricing pressures, particularly in mature markets fighting rising healthcare costs. We face increased competition from generic medicines. In 2011, we estimate that the combined effect of these two factors reduced our revenue by some \$3 billion. In addition, greater regulatory constraints are being placed on the pharmaceutical industry by governments and those who pay for our medicines, and we are increasingly being challenged to prove the value of our drugs.

## **Corporate strategic priorities**

Against this background, our goal is to create sustainable value for shareholders by being one of the best-performing biopharmaceutical companies. If we are to achieve that goal, we need to deliver our medium-term strategic priorities. These are summarised in our four strategic pillars.

## ***Pipeline***

First, we are transforming our R&D organisation. We have streamlined and refocused our product portfolio, introduced a new operating model, and simplified our site footprint. We continue to focus on improving the quantity and quality of R&D output, by building industry-leading capabilities in critical areas and a more outward-looking organisation, which accesses the best science, regardless of its origin.

As part of this transformation, we are pioneering innovative ways of conducting research. In February we announced that we are creating a virtual innovative medicines unit, or iMed, in Neuroscience – a particularly challenging field of medical science - in which a small group of scientists will discover and develop a full pipeline of medicines, working with external partners and collaborators wherever they reside.

I am also pleased to report some encouraging news about our pipeline. After the disappointment regarding TC5214, our neuroscience collaboration with Targacept, we have recently been able to announce our intention to collaborate with Amgen to jointly develop and commercialise five monoclonal antibodies from their clinical inflammation portfolio. Secondly, in Europe last week we had a recommendation for the approval of *Forxiga*, our diabetes treatment developed in collaboration with Bristol-Myers Squibb. And, on Monday of this week, we announced our agreement to acquire Ardea Biosciences, a San Diego, California-based biotechnology company. Ardea's clinically most advanced product candidate, lesinurad, is currently in Phase III development as a potential gout treatment.

### ***Deliver the business***

At a time when many companies are exiting primary care, AstraZeneca is distinctive for combining a broad portfolio of primary and specialty care products with a global reach.

We will continue to build on our leading positions in mature markets and to introduce innovative ways of serving our customers. We will also invest in growth opportunities, including brands such as *Crestor* and *Brilinta*, and markets, such as Japan and China.

In addition, we will pursue further growth in emerging, faster-growing markets by expanding the population we serve. We will supplement our patented innovative products with branded generic products sourced externally and marketed under the AstraZeneca brand.

Across the Group, we are investing in our ability to meet the needs of those who pay for our medicines. In R&D, our new payer evidence group is ensuring that, as we develop our medicines, we gather not only the clinical data required for regulatory approval, but also the health economics and cost/benefit information required by payers. This capability will help us to gain global reimbursement, broad market access and the best pricing for our medicines.

### ***Business shape***

Given the pressures in the external environment, we continue to reshape and simplify the business. We have undertaken significant efforts to restructure to improve long-term competitiveness. When completed, the next phase of restructuring, announced in February, is expected to deliver a further \$1.6 billion in annual benefits by the end of 2014.

Since the end of 2006, the net effect of staff reductions from these programmes, balanced by the recruitment of additional staff in growing markets, has been to reduce our total headcount by some 9,600 to just over 57,000. Our mature markets and R&D organisation have been particularly impacted by this reduction. Changes of this scale involve difficult decisions as they go to the heart of AstraZeneca, our people. Where possible, we seek to redeploy staff or assist with outplacement and, together with my colleagues, we remain committed to managing these changes in the right way, in accordance with local employment laws, our standards and core values.

## **People**

As I said, people are at the heart of AstraZeneca and a talented, motivated and capable workforce is critical to the successful achievement of our strategic ambitions. We are focused on four key people priorities, as we lead through significant change in the business:

- acquiring and retaining key capabilities and talent
- further developing leadership and management capabilities
- improving the strength and diversity of the talent pipeline
- improving employee engagement.

## **Values**

A commitment to acting responsibly and to the sustainable development of our business provides the framework for applying integrity and high ethical standards across all our activities. Our approach is underpinned by our core values – the principles that define who we are and what is important to us as an organisation; principles that demonstrate integrity, and enhance trust.

At last year's AGM, I was pleased to announce the adoption of a new AstraZeneca Policy on External Interactions that sets the highest standards of behaviour in everything we do. This year I am pleased to report that that the International Federation of Pharmaceutical Manufacturers and Associations, of which I am President, has also adopted a revised code of conduct. I firmly believe this provides a solid foundation to build the reputation, not only of AstraZeneca, but of the sector more generally.

## **First quarter, 2012**

I would now like to turn to our results for the first quarter of 2012. As we had anticipated, the impact from the loss of exclusivity on several brands, together with challenging market conditions, has made for a difficult start to the year in revenue terms.

As you can see, revenue for the first quarter was \$7.3 billion, down 11 per cent in constant currency terms. Loss of exclusivity for several products, chiefly *Seroquel IR*, *Nexium* and *Arimidex*, accounted for 8 per cent of the decline. Revenue was also affected by the disposal of our Astra Tech business last

year, as well as shortfalls in the supply of some products caused by the implementation of a new IT system at our manufacturing plant in Sweden.

On the other hand, we grew revenues for key brands that retain exclusivity. Crestor was up two per cent and we had double-digit growth for Seroquel XR. Onglyza revenue more than doubled.

US revenue in the first quarter was down 12 per cent. Generic competition for *Seroquel IR* began at the end of March and, in line with our normal practice, a returns reserve was taken against the estimated trade inventories of *Seroquel IR*. This amounted to \$223 million, or around 7 percentage points of the decline in US revenues. The negative impact of US healthcare reform on first quarter revenue was \$205 million.

Elsewhere, revenue in Western Europe was down 19 per cent, chiefly as a result of generic competition and lower prices. Revenue in other established markets, such as Japan and Australia, was down 9 percent. Revenue in our emerging markets was up 1 per cent. This is in line with our expectations for the phasing of revenue. While we expect a rebound in the rest of the year, achieving our target of double-digit growth for the full year will be a challenge.

Core earnings per share for the quarter were \$1.81, a 19 per cent decline in constant currency terms compared with the first quarter last year. However, the earnings for 2011 benefited by 46 cents from two one-off gains and, if these gains are excluded, Core earnings per share would have increased by 2 percent compared with last year.

Reported earnings per share for the quarter were \$1.28, which represents a decrease of 39 per cent in constant currency terms compared with 2011. This fall is significantly larger than the decline in Core earnings per share, largely as a result of restructuring costs that were 37 cents per share higher than the first quarter 2011. This number reflects the speed with which we are implementing the latest stage of our restructuring programme.

Looking ahead, delivery of our restructuring plans and continued discipline on operating costs, together with the benefits from a lower tax rate, will only partially mitigate the revenue pressures. As a result we have lowered our Core earnings per share target for the full year to the range of \$5.85 to \$6.15.

## **Conclusion**

As Louis has said, this will be my last AGM before my retirement. I have spent my entire career in the pharmaceutical sector and feel privileged to have led this great company for the last six years.

Our job is about making the most meaningful difference to health through great medicines and I can think of no better reason for coming to work each day. Of course, my journey over the last 36 years has not all been plain sailing and the sector is currently facing challenges as great as any I have come across in my time in the business. Yet we have faced such challenges before and overcome

them to emerge stronger. I remain confident that AstraZeneca will emerge as one of the winners from the current set of challenges. And that confidence starts with Simon Lowth who will take over as interim CEO in June when I retire. It extends to the entire Senior Leadership Team and the employees of AstraZeneca in whom we have the talent to deliver our strategy and improve the health of people around the world.

Finally, may I publicly thank our Chairman. The relationship between Chairman and Chief Executive is a crucial one in an organisation and I am grateful to Louis for all the guidance and support he has shown me in my time as Chief Executive.

Louis, thank you.

And now, before I hand back to the Chairman, I know that John Varley wants to say a few words about Louis on behalf of the whole Board.

