AstraZeneca PLC

FIRST QUARTER RESULTS 2011

London, 28 April 2011

Revenue for the first quarter was $8,292 million, down 4 percent at constant exchange rates (CER).

-Revenue performance reflects the loss of more than $550 million of revenue from generic competition as well as the impact from government price interventions.

-Emerging Markets revenue increased by 13 percent at CER.

Core operating profit declined by 5 percent at CER to $3,678 million.

-Core operating profit included a $131 million benefit to Core gross margin from the settlement of patent disputes between MedImmune and PDL Biopharma, Inc.

Core EPS increased by 10 percent at CER to $2.23.

-Core EPS in the first quarter 2011 benefited by $0.39 as a result of agreements reached between the UK and US governments over certain tax matters. The effective tax rate for the quarter was 11.3 percent on a reported basis (12.3 percent on a Core basis). The Company expects the full year effective tax rate on a reported basis to be around 21 percent.

Reported EPS increased by 10 percent at CER to $2.08.

Net cash distributions to shareholders in the first quarter increased by 57 percent to $3,857 million through dividend payments of $2,646 million and net share repurchases of $1,211 million.

Core EPS target for the full year increased to the range of $6.95 to $7.25.

Financial Summary

Group	1st Quarter 2011 $m	1st Quarter 2010 $m	Actual %	CER %
Revenue	8,292	8,576	-3	-4
Reported				
Operating Profit	3,401	3,643	-7	-7
Profit before Tax	3,288	3,519	-7	-6
Earnings per Share	$2.08	$1.91	+9	+10
Core*				
Operating Profit	3,678	3,857	-5	-5
Profit before Tax	3,565	3,733	-5	-4
Earnings per Share	$2.23	$2.03	+10	+10

* *Core financial measures are supplemental non-GAAP measures which management believe enhance understanding of the Company's performance; it is upon these measures that financial guidance for 2011 is based.* *See page 9 for a definition of Core financial measures and a reconciliation of Core to Reported financial measures.*

David Brennan, Chief Executive Officer, said: "Our first quarter revenue performance reflects the anticipated generic competition in the US and Western Europe, which we partially mitigated by our continued double digit growth in Emerging Markets. We remain focused on driving operating performance in order to invest in the development of innovative new products while providing attractive cash returns to shareholders."

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

Revenue in the first quarter was down 4 percent at CER, and declined by 3 percent on an actual basis as a result of the positive impact of exchange rate movements. Revenue was down 11 percent in the US, reflecting more than $400 million in sales erosion to generic competition in addition to the pricing impact from US healthcare reform measures. Revenue in the Rest of World (ROW) was up 1 percent, largely driven by a 13 percent increase in Emerging Markets. Revenue in Western Europe was down 7 percent, chiefly on generic competition and lower realised prices. Revenue in Established ROW was up 4 percent.

Compared with the 4 percent decline in revenue, Core gross margin declined by just 1 percent, which included a $131 million benefit from the settlement of patent disputes between MedImmune and PDL BioPharma, Inc. The benefit includes $92.5 million in payments to be made by PDL to MedImmune (the first $65 million was paid on 15 February 2011, the balance to be paid in 2012) combined with the release of a $38.5 million provision in respect of accrued royalties not paid to PDL for the period from December 2009 to the end of 2010. Expenditures in Core SG&A were up 1 percent; efficiency savings in the quarter were more than offset by planned investments in Emerging Markets and new product launches in addition to the excise fee imposed by the enactment of US healthcare reform measures which amounted to 2 percent of SG&A expense. Core Pre-R&D operating profit was down 2 percent to $4,750 million, as a result of the increase in SG&A and lower other income compared with the first quarter last year.

Core Research and Development investment increased by 7 percent in the first quarter, on higher spend on late stage development projects and higher intangible impairments. Core operating profit, therefore, declined by 5 percent to $3,678 million. Reported operating profit was down 7 percent, more than the 5 percent decline in Core operating profit, largely the result of higher restructuring costs in the first quarter this year.

Core earnings per share in the first quarter were up 10 percent to $2.23. Core EPS benefited from the lower number of shares outstanding resulting from the share repurchase programme. Core earnings per share in the quarter also benefited by $0.39 from net adjustments to tax provisions as a consequence of the previously disclosed agreements reached between the UK and US government's tax authorities regarding transfer pricing and a related valuation matter arising on integration of the Company's US businesses following the global AstraZeneca merger in 1999. As a result, the effective tax rate on a reported basis in the first quarter was 11.3 percent (12.3 percent on a Core basis). Core earnings per share in the first quarter 2010 benefited by $0.13 from net adjustments to tax provisions related to a settlement with the UK tax authorities and developments in other transfer pricing matters.

Reported earnings per share in the first quarter were up 10 percent to $2.08, in line with the increase in Core EPS.

Research and Development Update

A comprehensive update of the AstraZeneca R&D pipeline was presented in conjunction with the Full Year 2010 results and the pipeline table remains available on the Company's website, www.astrazeneca.com, under information for investors.

Developments since the last update include:

Brilinta/Brilique

On 4 February 2011, AstraZeneca announced that the US Food and Drug Administration (FDA) acknowledged receipt of the Company's reply to the Complete Response Letter (CRL) for the ticagrelor New Drug Application (NDA). Accordingly, the agency has accepted AstraZeneca's resubmission of the ticagrelor NDA, categorised it as a Class 2 resubmission to the CRL, and set a new Prescription Drug User Fee Act (PDUFA) date of 20 July 2011.

The FDA issued the CRL on 16 December 2010. On 21 January 2011, AstraZeneca announced it had submitted the requested supplementary analyses as part of its CRL response.

AstraZeneca remains confident in the NDA submission for ticagrelor and will continue working with the FDA to progress towards completing the review of the NDA for ticagrelor.

Brilinta/Brilique has now been approved in 32 countries, and is under regulatory review in a further 31 countries.

Vandetanib

On 6 April 2011, AstraZeneca announced that the US FDA approved the orphan drug vandetanib for the treatment of medullary thyroid cancer that cannot be removed by surgery or that has spread to other parts of the body.

Vandetanib is a kinase inhibitor indicated for the treatment of symptomatic or progressive medullary thyroid cancer in patients with unresectable (non-operable) locally advanced or metastatic disease. The use of vandetanib in patients with indolent, asymptomatic or slowly progressing disease should be carefully considered because of the treatment-related risks.

A Risk Evaluation and Mitigation Strategy (REMS) is required for vandetanib due to the risks of QT prolongation, Torsades de pointes and sudden death. Only prescribers who are certified through the vandetanib REMS Program, a restricted distribution programme, will be able to prescribe vandetanib.

Vandetanib is the only medicine to receive FDA approval specifically for use in patients with advanced medullary thyroid cancer and is the first treatment that AstraZeneca has developed and brought to market under orphan drug designation in the US.

Zibotentan

On 7 February 2011, AstraZeneca announced that the Phase III ENTHUSE Study 15, studying zibotentan monotherapy in patients with non-metastatic castrate resistant prostate cancer (CRPC), will be stopped following the results of an early efficacy review by the Independent Data Monitoring Committee (IDMC). The decision was made after this review indicated that zibotentan monotherapy was unlikely to meet its primary efficacy endpoints (progression free survival and overall survival) and therefore unlikely to benefit patients with non-metastatic CRPC.

Study 15 is part of the Phase III clinical trial programme, ENTHUSE, which was developed to evaluate the efficacy and safety of zibotentan in extending survival in men with CRPC. The discontinuation of Study 15 concludes the zibotentan monotherapy programme in CRPC. The full data from Study 15 will be published in due course.

ENTHUSE Study 33 is a trial using zibotentan in combination with standard chemotherapy in a more advanced metastatic CRPC setting. This trial will continue and full results are expected in the second half of 2011.

Dapagliflozin

On 8 March 2011, AstraZeneca and Bristol-Myers Squibb Company announced that the US FDA has accepted for review an NDA for dapagliflozin, an investigational compound for the treatment of adults with type 2 diabetes mellitus. A Marketing Authorisation Application (MAA) for dapagliflozin has also been validated by the European Medicines Agency (EMA). The NDA and MAA submissions for dapagliflozin were filed in December 2010. The PDUFA goal date for the FDA is 28 October 2011.

The US and European submissions included data of up to two years in duration from a global development programme involving approximately 6,000 individuals in 40 clinical studies. In accordance with FDA guidelines, the US application also includes data assessing the cardiovascular safety of dapagliflozin in adults with type 2 diabetes.

If approved, dapagliflozin would potentially be the first in a class of novel agents for diabetes that inhibit sodium-glucose cotransporter-2 (SGLT2), a specific target located in the kidney. Through this mechanism, dapagliflozin is designed to help control glycaemia independently of insulin pathways, leading to the excretion of excess glucose and associated calories in the urine.

NKTR-118

On 15 March 2011, AstraZeneca announced enrolment of the first patient in the Phase III clinical programme for NKTR-118, an oral peripherally-acting mu-opioid receptor antagonist being investigated for the treatment of opioid induced constipation (OIC). The Phase III clinical programme is designed to investigate the safety and efficacy of NKTR-118 as a medicine to relieve opioid induced constipation, a common side effect of prescription opioids when used for chronic pain management. NKTR-118 is part of the exclusive worldwide license agreement announced on 21 September 2009, between AstraZeneca and Nektar Therapeutics.

The Phase III clinical programme will consist of two 12-week, randomised, placebo-controlled efficacy studies (with approximately 630 randomised patients each) and an open-label, randomised, long-term safety study with a “usual care” comparator arm. The 12-week efficacy studies will compare response rate among placebo and

two different doses of NKTR-118 with primary endpoint at 4 weeks. There is a three month safety extension following one of the two 12-week studies.

The first regulatory filings based on the programme are planned for 2013.

TC-5214

On 7 February 2011, AstraZeneca and Targacept, Inc. announced the enrolment of the first patient in the Phase IIb clinical trial of TC-5214, a nicotinic channel blocker, as a “switch” monotherapy treatment for patients with major depressive disorder (MDD) who do not respond adequately to initial antidepressant therapy. This study is in addition to the companies’ Phase III RENAISSANCE programme for TC-5214 as an adjunctive treatment for MDD. The RENAISSANCE programme is designed to support an NDA filing in the US planned for the second half of 2012 and an MAA filing in Europe planned for 2015. AstraZeneca and Targacept are co-developing TC-5214.

Enhancing Productivity

In the first quarter, $143 million in restructuring costs were incurred in relation to previously announced business reshaping programmes.

All programmes remain on track for costs incurred and benefits achieved.

Future Prospects

Revenue performance in the first quarter was in line with our expectations, and reflected the expected impact from generic competition in the US and Western Europe, as well as the effects from government price interventions. The Company continues to anticipate that revenue for the full year could range from flat to a low-single digit decline compared with 2010 on a constant currency basis. Core Pre-R&D operating margin is still expected to be towards the top of the planning range of 48 to 54 percent of revenue, although Core Pre-R&D operating margin was well above the top of the range in the first quarter due primarily to the favourable impact on Core gross margin from the PDL patent settlement. In addition to the previously announced $0.45 per share increase in the full year Core earnings per share target related to the tax settlements, the Company is now increasing its target range by a further $0.05 per share, to recognise the benefit from the PDL settlement. As a result, the company’s target for full year Core earnings per share is now in the range of $6.95 to $7.25.

This Core EPS guidance has been based on January 2011 average exchange rates for our principal currencies, and actual first quarter results were broadly in line with this currency assumption. The target takes no account of the likelihood that average exchange rates for the remainder of 2011 may differ materially from the 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 was provided in conjunction with the Full Year 2010 results announcement, and can be found on the AstraZeneca website.

Revenue

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

Gastrointestinal

	First Quarter		CER %
	2011 $m	2010 $m	
Nexium	1,161	1,239	-6
Losec/ Prilosec	235	249	-10
Total	1,435	1,520	-6

- In the US, *Nexium* sales in the first quarter were $600 million, down 8 percent compared with the first quarter last year. Dispensed retail tablet volume declined by 3 percent. Average realised selling prices were around 2 percent lower than last year.

- *Nexium* sales in other markets down 4 percent to $561 million. Sales in Emerging Markets increased by 20 percent, including good growth in China. Sales in Western Europe were down 18 percent as a result of generic competition.

- *Prilosec* sales in the US were down 28 percent to $13 million.

- *Losec* sales in other markets were down 9 percent to $222 million. Sales in Emerging Markets were down 6 percent. Sales in Japan were down 6 percent as a result of lower realised prices.

Cardiovascular

	First Quarter		CER %
	2011 $m	2010 $m	
Crestor	1,478	1,300	+12
Atacand	355	373	-5
Seloken / Toprol-XL	245	367	-34
Plendil	68	66	-
Zestril	33	42	-21
ONGLYZA™	35	4	n/m
Brilinta/Brilique	1	-	n/m
Total	2,339	2,287	+1

- In the US, *Crestor* sales in the first quarter were $682 million, a 17 percent increase over last year. *Crestor* total prescriptions increased by 9.3 percent, 3 times the 3.1 percent growth in the US statin market. *Crestor* share of total prescriptions in the US was 12 percent in March 2011, down 10 basis points in the quarter.

- *Crestor* sales in the Rest of World were up 8 percent to $796 million. Sales in Western Europe were up 6 percent on double digit volume growth partially offset by price reductions. Sales in Established ROW were up 10 percent. Sales in Japan were down 3 percent reflecting the phasing of shipments to our marketing partner, while sales in Canada were up 19 percent. Sales in Emerging Markets increased by 8 percent, with sales in Emerging Europe down 24 percent chiefly due to the impact of generic rosuvastatin in some markets.

- US sales of the *Toprol-XL* product range, which includes sales of the authorised generic, declined by 57 percent to $101 million. In the first quarter last year, competition from Watson was limited to the 25mg and 50mg dosage strengths.

- Sales of *Seloken* in other markets were up 8 percent on 14 percent growth in Emerging Markets.

- US sales of *Atacand* were down 18 percent in the quarter, to $46 million. Sales in other markets were down 3 percent to $309 million, chiefly related to a 10 percent decline in Western Europe mostly the result of lower realised prices. Sales in Emerging Markets were up 10 percent.

- Alliance revenue from the ONGLYZA™ collaboration with Bristol-Myers Squibb totalled $35 million in the first quarter, of which $26 million was in the US and $9 million in other markets. ONGLYZA™ share of new prescriptions for DPP4 products in the US was 11.8 percent in March 2011. KOMBIGLYZE XR™, the newly launched combination product, added a further 3.4 percent new prescription share to the franchise in the US in March.

- Sales of *Brilinta/Brilique* were $1 million in the quarter, chiefly on initial launch sales in Germany.

Respiratory and Inflammation

	First Quarter		CER %
	2011 $m	2010 $m	
Symbicort	752	701	+8
Pulmicort	248	243	+1
Rhinocort	55	55	-2
Oxis	14	17	-18
Accolate	5	17	-71
Total	1,110	1,068	+4

- *Symbicort* sales in the US were $197 million, a 14 percent increase over the first quarter last year. Total prescriptions for *Symbicort* were up 14 percent compared to a 0.5 percent decline in the market for fixed combination products. *Symbicort* share of new prescriptions for fixed combination products reached 20 percent in March 2011, up 0.5 percentage points since December 2010. Market share of patients newly starting combination therapy is 25.2 percent.

- *Symbicort* sales in other markets in the first quarter were $555 million, 5 percent ahead of last year. Sales in Western Europe were down 5 percent, chiefly on price reductions in Germany. Sales in Established ROW increased by 40 percent as a result of a continued strong performance in Japan since the launch in early 2010. Sales in Emerging Markets were up 26 percent.

- US sales of *Pulmicort* were down 15 percent in the first quarter to $78 million, a result of generic competition from the Teva generic budesonide inhaled suspension (BIS) product. *Pulmicort Respules* share of BIS prescriptions was 15.8 percent in the quarter.

- Sales of *Pulmicort* in the Rest of World were up 11 percent to $170 million, driven by a 37 percent increase in Emerging Markets.

Oncology

	First Quarter		CER %
	2011 $m	2010 $m	
Arimidex	233	511	-55
Zoladex	275	265	+2
Casodex	133	143	-12
Iressa	121	83	+40
Faslodex	123	71	+76
Nolvadex	23	21	+5
Total	912	1,097	-19

- In the US, sales of *Arimidex* were down 92 percent in the first quarter to $19 million, as a result of generic competition which commenced in June of last year.

- *Arimidex* sales in other markets were down 21 percent to $214 million. Sales in Western Europe were down 33 percent, reflecting the loss of exclusivity from February 2011. Sales in Established ROW were down 2 percent.

- *Casodex* sales in the US were $2 million, as the market is now nearly all generic products.

- *Casodex* sales in the Rest of World were down 11 percent to $131 million. Sales in Western Europe were down 23 percent. Sales in Japan were 9 percent below last year. Sales in Emerging Markets were down 7 percent.

- *Iressa* sales in the first quarter were up 40 percent to $121 million, with Western Europe accounting for nearly two-thirds of the increase fuelled by the adoption of testing for EGFR mutation status. Sales in Japan were up 5 percent. Sales in China were up 39 percent.

- The rapid adoption of the new 500mg dosage regimen for *Faslodex* is responsible for the strong growth in the first quarter, where sales in the US doubled, reaching $62 million. Sales in the Rest of World were up 57 percent to $61 million.

Neuroscience

	First Quarter		CER %
	2011 $m	2010 $m	
Seroquel	1,345	1,307	+3
Seroquel IR	1,006	1,051	-5
Seroquel XR	339	256	+33
Zomig	101	106	-5
Vimovo	4	-	n/m
Total	1,679	1,647	+1

- In the US, *Seroquel* sales were up 2 percent to $930 million. Total prescriptions for the *Seroquel* franchise were up 2.2 percent, with *Seroquel XR* prescriptions up nearly 35 percent. *Seroquel XR* accounted for 16.2 percent of total prescriptions and 18.9 percent of sales revenue for the franchise in the US in the first quarter.

- *Seroquel* sales in the Rest of World increased by 5 percent to $415 million in the quarter. *Seroquel XR* sales were up 43 percent, accounting for 39 percent of franchise sales outside the US. Total *Seroquel* franchise sales in Western Europe were up 7 percent. Sales in Established ROW were down 4 percent. Sales in Emerging Markets were up 7 percent.

- *Zomig* sales in the US were down 7 percent to $39 million. Sales in the Rest of World were down 3 percent to $62 million in the quarter.

- The US accounted for $3 million of the total $4 million sales for *Vimovo* in the first quarter. Reported revenue continues to reflect free trial and discounted prescription programmes.

Infection and Other

	First Quarter		CER %
	2011 $m	2010 $m	
Synagis	408	459	-11
Merrem	172	233	-27
FluMist	3	2	+50
Non seasonal flu vaccine	7	39	-82
Total	623	761	-18

- Sales of *Synagis* in the US were down 16 percent to $295 million, as a result of lower shipments to wholesalers and the impact of higher rebates from US healthcare reform measures; underlying demand has begun to stabilise from the impact on payers from the 2009 COID guidelines. Outside the US, *Synagis* sales were up 5 percent.

- Sales of *Merrem* were down 27 percent as a result of generic competition in the US and Western Europe.

Geographic Sales

	First Quarter		CER %
	2011 $m	2010 $m	
US	3,304	3,698	-11
Western Europe	2,235	2,465	-7
Established ROW*	1,321	1,156	+4
Emerging ROW	1,432	1,257	+13

**Established ROW comprises Canada, Japan, Australia and New Zealand.*

- In the US, revenue was down 11 percent, chiefly on generic competition for *Arimidex* and *Toprol-XL* in addition to the pricing impact from US healthcare reform measures. There was good double-digit growth for *Crestor*, *Seroquel XR* and *Symbicort*.

- Revenue in Western Europe was down 7 percent, with generic competition for *Nexium*, *Arimidex* and *Merrem* accounting for most of the decline. For the rest of the portfolio, volume growth was more than offset by lower realised prices.

- Revenue in Established ROW was up 4 percent. Revenue in Canada was up 12 percent on good growth for *Crestor*. Revenue in Japan was down 1 percent as lower prices more than offset volume growth.

- Revenue in Emerging Markets was up 13 percent, with the oncology and respiratory franchises accounting for more than half of the growth. Good contributions were also provided by *Nexium*, *Seloken* and *Crestor*.

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, which are presented in addition to our Reported financial information, are non-GAAP measures which management believe useful to enhance understanding of the Group's underlying financial performance of our ongoing businesses and the key business drivers thereto. Core financial measures are adjusted to exclude certain significant items, such as charges and provisions related to our global restructuring programmes, amortisation and impairment of the significant intangibles relating to our acquisition of MedImmune Inc. in 2007 and our current and future exit arrangements with Merck in the US, and other specified items. More detail on the nature of these measures is given on page 80 of our Annual Report and Form 20-F Information 2010.

First Quarter

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

	Reported 2011	Restructuring	Merck & MedImmune Amortisation	Intangible Impairments	Legal Provisions & Other	Core 2011	Core 2010	Actual %	CER %
Revenue	**8,292**	**-**	**-**	**-**	**-**	**8,292**	**8,576**	**(3)**	**(4)**
Cost of Sales	(1,339)	12	-	-	-	(1,327)	(1,626)		
Gross Profit	**6,953**	**12**	**-**	**-**	**-**	**6,965**	**6,950**	**-**	**(1)**
% sales	*83.9%*					*84.0%*	*81.0%*	*+3.0*	*+3.0*
Distribution	(80)	-	-	-	-	(80)	(78)	3	-
% sales	*1.0%*					*1.0%*	*0.9%*	*-0.1*	*-*
R&D	(1,162)	90	-	-	-	(1,072)	(973)	10	7
% sales	*14.0%*					*12.9%*	*11.3%*	*-1.6*	*-1.3*
SG&A	(2,508)	41	117	-	-	(2,350)	(2,312)	2	1
% sales	*30.3%*					*28.3%*	*27.0%*	*-1.3*	*-1.4*
Other Income	198	-	17	-	-	215	270	(20)	(21)
% sales	*2.4%*					*2.6%*	*3.2%*	*-0.6*	*-0.6*
Operating Profit	**3,401**	**143**	**134***	**-**	**-**	**3,678**	**3,857**	**(5)**	**(5)**
% sales	*41.0%*					*44.4%*	*45.0%*	*-0.6*	*-0.3*
Net Finance Expense	(113)	-	-	-	-	(113)	(124)		
Profit before Tax	**3,288**	**143**	**134**	**-**	**-**	**3,565**	**3,733**	**(5)**	**(4)**
Taxation	(373)	(40)	(26)*	-	-	(439)	(780)		
Profit after Tax	**2,915**	**103**	**108**	**-**	**-**	**3,126**	**2,953**	**6**	**6**
Non-controlling Interests	(8)	-	-	-	-	(8)	(2)		
Net Profit	**2,907**	**103**	**108**	**-**	**-**	**3,118**	**2,951**	**6**	**6**
Weighted Average Shares	1,397	1,397	1,397	1,397	1,397	1,397	1,452		
Earnings per Share	**2.08**	**0.07**	**0.08**	**-**	**-**	**2.23**	**2.03**	**10**	**10**

* *Of the $134 million amortisation adjustment, $93 million is related to MedImmune, with a corresponding tax adjustment of $26 million; Merck related amortisation was $41 million, which carries no tax adjustment.*

Revenue declined by 4 percent to $8,292 million.

Core gross margin of 84.0 percent was 3.0 percentage points higher than last year, chiefly due to the PDL settlement (1.6 percentage points), lower payments to Merck (0.2 percentage points) and cost phasing (1.2 percentage points).

Core SG&A costs of $2,350 million were 1 percent higher than last year. Operational efficiencies in the US and Western Europe were more than offset by continued investment in Emerging Markets and recently launched brands and the excise tax imposed by the enactment of US healthcare reform measures (which accounted for 2 percent of SG&A expense).

Core other income of $215 million was $55 million lower than last year driven by a variety of factors including movements in provisions which are taken through other income.

Core Pre-R&D operating margin was 57.3 percent, up 1.0 percentage points, with higher gross margin only partially offset by increased SG&A expense and lower other income.

Core R&D expenditure was $1,072 million, 7 percent higher than last year, driven by higher project spend and an intangible asset write down related to an out-licensed asset.

Core operating profit was $3,678 million, 5 percent lower than last year, as the decline in revenue was exacerbated by the decline in other income and increased R&D investment. Core operating margin declined by 0.3 percentage points to 44.4 percent of revenue.

Core earnings per share in the first quarter were $2.23, up 10 percent, as a result of the lower effective tax rate for the quarter and lower number of shares outstanding.

Reported operating profit was down 7 percent to $3,401 million. Reported earnings per share were up 10 percent to $2.08.

Finance Income and Expense

Net finance expense was $113 million for the quarter, versus $124 million in 2010. Movements due to reduced interest payable on lower debt balances, and slightly increased returns from higher cash and cash equivalent balances were partially offset by fair value losses of $5 million recorded on the long-term bonds in the quarter, versus fair value gains of $5 million in the first quarter of 2010.

Taxation

The effective tax rate on a reported basis for the first quarter was 11.3 percent compared with 21.0 percent for the same period last year. The effective tax rate for the quarter includes an adjustment in respect of prior periods following the announcement in March 2011 that HM Revenue & Customs in the UK and the US Internal Revenue Service agreed the terms of an Advance Pricing Agreement regarding transfer pricing arrangements for AstraZeneca's US business for the period from 2002 to the end of 2014 and a related valuation matter arising on integration of the legacy Astra and legacy Zeneca US businesses in 2000 following the global AstraZeneca merger in 1999. As previously disclosed, AstraZeneca has provided in its accounts for the outcome of these transfer pricing matters. The adjustment in respect of prior periods relating to these matters resulted in a $540 million benefit to earnings in the first quarter. Excluding this benefit, the effective tax rate for the first quarter was 27.8 percent on a reported basis. This 27.8 percent tax rate is applied to the taxable Core adjustments to operating profit, resulting in an effective Core tax rate in the first quarter of 12.3 percent. The effective tax rate for the first quarter last year of 21.0 percent benefited from $194 million of net adjustments to tax provisions related to a settlement with HM Revenue & Customs in the UK and developments in other transfer pricing matters. The full year effective tax rate for 2011 is still anticipated to be around 21 percent on a reported basis, in line with the guidance provided in conjunction with the Advance Pricing Agreement announcement in March. The Core tax rate should be slightly higher.

Cash Flow

Cash generated from operating activities was $1,890 million in the quarter to 31 March 2011, compared with $1,739 million in the first quarter of 2010. The increase of $151 million is primarily driven by lower cash outflows this year on working capital movements.

Net cash inflows from investing activities were $100 million in the quarter compared with an outflow of $1,107 million in the first quarter of 2010. The increase of $1,207 million is due primarily to the movement in short-term investments and fixed deposits of $865 million, and $346 million cash outflows for the prior year acquisition of Novexel.

Cash distributions to shareholders were $3,857 million through payment of the second interim dividend from 2010 of $2,646 million and the net share repurchase of $1,211 million.

Debt and Capital Structure

As at 31 March 2011, outstanding gross debt (including loans, short-term borrowings and overdrafts) was $9,594 million (31 December 2010: $9,222 million). Of the gross debt outstanding at 31 March 2011, $435 million is due within one year (31 December 2010: $125 million). Net funds of $1,486 million have decreased by $2,167 million during the first quarter, reflecting payment of the second interim dividend from 2010 and share repurchases.

Share Repurchases

In the first quarter of 2011 the Group repurchased 27.1 million shares for a total of $1,301 million. In the quarter, 2.4 million shares were issued in consideration of share option exercises for a total of $90 million.

The total number of shares in issue at 31 March 2011 was 1,384 million.

Calendar

28 July 2011	Announcement of second quarter and half year 2011 results
27 October 2011	Announcement of third quarter and nine months 2011 results

David Brennan
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