ASTRAZENECA PLC

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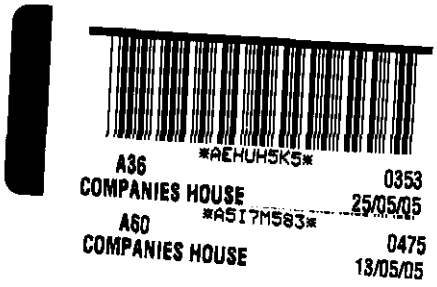
DIRECTORS' REPORT

DIRECTORS' REMUNERATION REPORT

AND

FINANCIAL STATEMENTS

For the year ended 31 December 2004



Directors' Report

AstraZeneca PLC is the holding company for a group of subsidiaries whose principal activities are described in the Operational and Financial Reviews on pages 11 to 51, which are incorporated in this report by reference. Principal subsidiaries and their locations are given on page 124.

The Company's dividend for 2004 of $0.94 (50.3 pence, SEK 6.697) per Ordinary Share amounts to a total dividend payment to shareholders of $1,555 million.

In view of the Company's resources, results of operations and overall financial condition, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Changes in the Company's Ordinary Share capital during 2004, including details of the allotment of new shares under the Company's share plans, are given in Note 29 to the Financial Statements.

Board of Directors

Details of members of the Board at 31 December 2004 are set out on pages 8 and 9.

The Board held six scheduled meetings during 2004. Four of the Board meetings were held in London, UK. One meeting was held in the US and one in Sweden. Each meeting was attended by all of its members except that John Buchanan was unable to attend the October meeting, Joe Jimenez was unable to attend the December meeting and Louis Schweitzer was unable to attend either of those meetings due to other commitments. The Board is currently scheduled to meet six times in 2005.

Board changes

Percy Barnevik, Non-Executive Chairman, retired from the Board on 31 December 2004.

Louis Schweitzer was appointed Non-Executive Chairman with effect from 1 January 2005. Mr Schweitzer was first appointed to the Board in March 2004 and was elected as a Non-Executive Director for the first time by shareholders at the Annual General Meeting (AGM) in April 2004.

Also with effect from 1 January 2005, John Patterson was appointed as an Executive Director with responsibility for Development.

Karl von der Heyden, Non-Executive Director and Chairman of the Audit Committee, retired from the Board in April 2004, with effect from the end of the AGM. He was succeeded in his role as Chairman of the Audit Committee by John Buchanan, Non-Executive Director.

During 2004, Michele Hooper and Joe Jimenez, both Non-Executive Directors, became members of the Audit Committee and Remuneration Committee, respectively.

In March 2004, the Board asked Sir Tom McKillop to extend his term as Chief Executive beyond his planned retirement date of March 2005 and he confirmed his willingness to do so.

Election and re-election of Directors

All of the Directors will retire under Article 65 of the Company's Articles of Association at the AGM in April 2005. The Notice of AGM will give details of those Directors presenting themselves for election or re-election at the AGM.

Mandatory shareholding for Directors

The Company's Articles of Association require each Director to be the beneficial owner of Ordinary Shares in the Company with an aggregate nominal value of $125 (500 shares). Such holding must be obtained within two months of the date of the Director's appointment. At 31 December 2004, all of the Directors complied with this requirement and full details of each Director's interests in shares of the Company are set out in the Directors' Remuneration Report on pages 60 to 68.

Annual General Meeting

The Company's AGM will be held on 28 April 2005. The principal meeting place will be in London. There will be a simultaneous satellite meeting in Stockholm.

Corporate governance

UK Combined Code on Corporate Governance

In July 2003, the Financial Reporting Council in the UK issued the revised Combined Code on Corporate Governance which superseded and replaced the Combined Code published by the Hampel Committee on Corporate Governance in 1998. The Board has prepared this report with reference to the Combined Code.

The Company is applying all of the main and supporting principles of good governance in the Combined Code. The way in which these principles are being applied is described below.

The Company is complying with all of the provisions of the Combined Code except with regard to the independence of all members of the Audit Committee, as explained below in relation to Marcus Wallenberg.

The US Sarbanes-Oxley Act of 2002

AstraZeneca PLC American Depositary Shares are traded on the New York Stock Exchange (NYSE) and the Company is subject to the reporting and other requirements of the US Securities and Exchange Commission (SEC) applicable to foreign issuers. The US Sarbanes-Oxley Act came into force at the end of July 2002. As a result of its NYSE listing, the Company is subject to those provisions of the Act applicable to foreign issuers.

The Company either already complies with or will comply with those provisions of the Act applicable to foreign issuers as and when they become effective. The Board believes that, prior to the Act coming into force, the Company already had a sound corporate governance framework, good processes for the accurate and timely reporting of its financial position and results of operations and an effective and robust system of internal controls. Consequently, the Company's approach to compliance with the Act has principally involved the development and adjustment of its existing corporate governance framework and associated processes concerning reporting, internal controls and other relevant matters.

The principal area of work relevant to the Act undertaken in the last 12 months was continuing preparations to enable the Company to comply in due course with the SEC rules which implement section 404 of the Act. These provisions become effective for the Company in 2005. Following the implementation of this section of the Act, the management of companies will be required to state its responsibility for establishing and maintaining an adequate internal control structure and procedures for financial reporting and annually assess the effectiveness of that structure and those procedures. The external auditor will be required to attest to and report on management's assessment. More information about the section 404 work carried out during 2004 is set out in the Financial Review on page 48.

The New York Stock Exchange

The Company, as a foreign issuer with American Depositary Shares listed on the NYSE, is generally obliged to disclose any significant ways in which its corporate governance practices differ from the NYSE's corporate governance listing standards. The exception to this is that

the Company must comply fully with the provisions of the listing standards which relate to the composition, responsibilities and operation of audit committees. These provisions incorporate the rules concerning audit committees implemented by the SEC under the US Sarbanes-Oxley Act of 2002.

The Company has reviewed the NYSE's corporate governance listing standards. Its corporate governance practices are generally consistent with those standards. However, while the Company's Non-Executive Directors do meet without the Executive Directors present, these meetings have not been specifically pre-scheduled.

The Company's Audit Committee complies with the provisions of the listing standards which relate to the composition, responsibilities and operation of audit committees. Marcus Wallenberg, a Non-Executive Director and a member of the Audit Committee, although not independent under the UK Combined Code, is independent under the criteria of the NYSE's listing standards concerning the composition of audit committees. More detailed information about the Audit Committee and its work during 2004 are set out in the Audit Committee's Report on pages 58 to 59.

Disclosure Policy and Disclosure Committee

In January 2004, the Board approved a revised version of the Company's Disclosure Policy, which provides a framework for the handling and disclosure of price sensitive and other information and defines the role of the Disclosure Committee. The Chief Financial Officer, the Group Secretary and Solicitor and the Vice-President, Corporate Affairs were the members of the Disclosure Committee during 2004. With effect from 1 January 2005, John Patterson, Executive Director, Development, became a member of the Disclosure Committee. The Disclosure Committee meets regularly to assist and inform the decisions of the Chief Executive concerning price sensitive information and its disclosure. Periodically, it reviews the Company's disclosure controls and procedures and the operation of the Disclosure Committee as part of work carried out to enable management and the Board to assure themselves that appropriate processes are operating for the Company's planned disclosures, such as its quarterly results announcements and scheduled investor relations events. In addition, the Disclosure Committee reviews the process for preparing and drafts of the Company's Annual Report and Form 20-F Information.

Recognising the importance to shareholders and the investment community of news about certain of the Company's key development and marketed products, much of the Disclosure Committee's work in 2004 focused on ensuring that accurate, complete and timely disclosures were made concerning *Exanta*, *Crestor* and *Iressa*. Throughout 2004, as well as frequent ad hoc meetings to review specific disclosure issues, the Disclosure Committee met monthly to review a rolling schedule of key news concerning the Company and its products. The schedule was subsequently reviewed on a monthly basis by the Senior Executive Team.

Board structure and processes

Board composition, responsibilities and appointments

The Board comprises Executive and Non-Executive Directors. In the view of the Board, the majority of Board members excluding the Chairman are independent Non-Executive Directors. The differing roles of Executive Directors and Non-Executive Directors are clearly delineated, with both having fiduciary duties towards shareholders and all being collectively responsible for the success of the Company. However, Executive Directors have direct responsibility for business operations, whereas the Non-Executive Directors have a responsibility to bring independent, objective judgement to bear on Board decisions. This includes constructively challenging management and helping to develop the Company's strategy. The Non-Executive Directors scrutinise the performance of management and have various responsibilities concerning the integrity of financial information, internal controls and risk management. To help maintain a strong executive presence on the Board in addition to the Executive Directors, Board meetings are attended by two members of the Senior Executive Team on a rotational basis.

The Board sets the Company's strategy and policies and monitors progress towards meeting its objectives. It also assesses whether its obligations to the Company's shareholders and others are understood and met. This includes regular reviews of the Company's financial performance and critical business issues.

There is an established and transparent procedure for appointments of new directors to the Board which is operated by the Nomination Committee. All of the Directors retire at each AGM and may offer themselves for re-election by shareholders. The Board reviews annually the status of succession to senior positions, including those at Board level, and ensures it has regular contact with, and access to, succession candidates.

At its meeting in December 2004, the Board conducted its annual review and assessment of how it operates. This was done without external facilitation and included consideration and discussion of the nature and level of its interaction with the Company's management; the quality, quantity and coverage of information which flows to the Board from management; the balance of the Board's time spent considering strategic issues compared to other matters; the content of Board meetings and presentations to Board meetings; the composition of the Board; the practical arrangements for the work of the Board; and the work and operation of the Board's committees. Overall, Board members concluded that the Board and its committees were operating in an effective and constructive manner.

At the same meeting, the Chairman also reported to the Board on his conversations with each Non-Executive Director about their individual performance and that of the Board as a whole, which took place during the fourth quarter of 2004. As the Chairman's retirement was imminent, no formal review of his performance was conducted. The Non-Executive Directors reviewed the performance of the Chief Executive and the Chief Financial Officer in their absence.

In April 2004, a number of the Non-Executive Directors (including the Chairman, the senior Non-Executive Director and Louis Schweitzer) attended a seminar organised by the Company covering the roles and responsibilities of directors of UK listed companies.

The Company maintained directors' and officers' liability insurance cover throughout 2004.

Independence of Directors under the UK Combined Code

During 2004, the Board considered the independence of each Non-Executive Director. With the exception of two of them (as set out below) and the Chairman, the Board considers that all of the Non-Executive Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect their independent judgement. The Board also considers that Louis Schweitzer, who was appointed Non-Executive Chairman with effect from

Directors' Report continued

1 January 2005, was independent on appointment.

For the reasons explained below, the Board does not believe that Håkan Mogren, Non-Executive Deputy Chairman, or Marcus Wallenberg can be determined independent under the revised Combined Code. However, the Board believes that both Dr Mogren and Mr Wallenberg bring considerable business experience and make valuable contributions to the work of the Board and, in Mr Wallenberg's case, the Audit Committee.

Dr Mogren was previously the Chief Executive Officer of Astra AB and Executive Deputy Chairman of the Company. Both Dr Mogren and Mr Wallenberg are members of the Board of Directors of Investor AB, a company which, at 31 December 2004, held approximately 4% of the Ordinary Shares of the Company. This holding represents a significant proportion of Investor AB's overall investment portfolio. Additionally, Mr Wallenberg is the Chief Executive Officer of Investor AB.

The Board also considered, in particular, the positions of Sir Peter Bonfield, senior Non-Executive Director, Erna Möller and Jane Henney. For the reasons explained below, it is the Board's view that they are independent. They discharge their duties in a properly independent manner and constructively and appropriately challenge the Executive Directors and the Board.

Sir Peter is a Non-Executive Director of Telefonaktiebolaget LM Ericsson. Marcus Wallenberg is also a Non-Executive Director of Ericsson. Investor AB, of which Mr Wallenberg is Chief Executive Officer, holds approximately 5% of Ericsson's shares (representing approximately 19% of the voting rights). The Board is satisfied that Sir Peter's presence on the Ericsson Board results from his broad experience of the global telecommunications industry and not from any connection with Investor AB or the Wallenberg family. The Board also had regard to the length of time which Sir Peter has served as a Non-Executive Director of the Company (he was first appointed in 1995).

As the position was only established in 2002, the Board wishes Sir Peter to continue in his current role as the senior Non-Executive Director of the Company for one or two years more to provide further continuity, subject to his re-election at Annual General Meetings.

Professor Möller is the Chief Executive Officer of the Board of the Knut and Alice Wallenberg Foundation, a charitable foundation in Sweden that supports scientific research and educational programmes by awarding financial grants to individuals or institutions. Although one of the Foundation's principal investments is in Investor AB, all investment decisions of the Foundation are made by its investment committee, of which Professor Möller is not a member. Her role, as Chief Executive Officer of the Board, is principally to lead the scrutiny of applications for grants and maintain close contacts with scientific and educational institutions in Sweden to develop the work of the Foundation.

Jane Henney is a Non-Executive Director of AmerisourceBergen Corporation and CIGNA Corporation, both of which are customers of the Company in the US. The Board considered these relationships and concluded that they did not compromise her independence.

Chief Executive and the Senior Executive Team

The Chief Executive, Sir Tom McKillop, has delegated authority from, and is responsible to, the Board for directing and promoting the profitable operation and development of the Company, consistent with the primary aim of enhancing long term shareholder value.

The Chief Executive is responsible to the Board for the management and performance of the Company's businesses within the framework of Company policies, reserved powers and routine reporting requirements. He is obliged to refer certain major matters (defined in the formal delegation of the Board's authority) back to the Board. The roles of the Board, the Board's committees, the Chairman, the Chief Executive and the Senior Executive Team are documented, as are the Company's delegated authorities and reserved powers, the means of operation of the business and the roles of corporate functions.

The Chief Executive has established and chairs the Senior Executive Team. While the Chief Executive retains full responsibility for the authority delegated to him by the Board, the Senior Executive Team is the vehicle through which he exercises that authority in respect of the Company's business (including Salick Health Care and Astra Tech).

The members of the Senior Executive Team are Jonathan Symonds, Chief Financial Officer; John Patterson, Executive Director, Development; Bruno Angelici, Executive Vice-President, Europe, Japan, Asia Pacific and ROW; David Brennan, Executive Vice-President, North America; Jan Lundberg, Executive Vice-President, Discovery Research; Martin Nicklasson, Executive Vice-President, Product Strategy & Licensing and Business Development; Barrie Thorpe, Executive Vice-President, Operations; and Tony Bloxham, Executive Vice-President, Human Resources.

The Senior Executive Team normally meets once a month to consider and decide all major business issues. It also usually reviews those matters that are of a size or importance to require the attention of, or that are reserved to, the Board before such matters are submitted to the Board for review and decision.

Each business function is subject to an annual budget and target-setting process, including forecasts for the following two years together with a sensitivity and risk analysis, quarterly updates of the forecast for the current year and regular reporting. Performance reviews are undertaken in each part of the business regularly. The Company's quarterly business performance management system uses a broad range of measures that link directly to the achievement of key business priorities. Treasury operations are centralised, operate within defined limits and are subject to regular reporting requirements and Audit Committee reviews.

Internal controls and management of risk

The Board has overall responsibility for the Company's system of internal controls, which aims to safeguard shareholders' investments and the Company's assets, and to ensure that proper accounting records are maintained and that the financial information used within the business and for publication is accurate, reliable and fairly presents the financial position of the Company and the results of its business operations. The Board is also responsible for reviewing the effectiveness of the system of internal controls. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations, although any system of internal controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

Since the publication in September 1999 by the Institute of Chartered Accountants in England and Wales of the Turnbull Report, 'Internal Control: Guidance for Directors on the Combined Code', the Directors have continued to review the effectiveness of the

Group's system of controls, including operational and compliance controls, risk management and the Company's high level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal financial controls, by the internal audit function, management assurance of the maintenance of control and reports from the external auditor on matters identified in the course of its statutory audit work.

A key part of these reviews is an annual 'letter of assurance' process by which responsible managers confirm the adequacy of their systems of internal financial and non-financial controls, their compliance with Company policies (including those relating to safety, health and the environment) and local laws and regulations (including the industry's regulatory requirements), and confirm they have reported any control weaknesses identified in the past year. During 2004, the Company introduced 'continuous assurance' processes which operate throughout the year and are intended to keep senior management informed, on a rolling basis, of the state of internal controls, any particular issues which have developed and the progress of any remediation work. While the annual 'letter of assurance' process has been retained, the year-round 'continuous assurance' processes are intended to make the annual 'letter of assurance' process more efficient and to improve senior management's visibility of the operation of internal controls.

The Directors believe that the Company maintains an effective, embedded system of internal controls and complies with the Turnbull Report guidance.

The Company views the careful management of risk as a key management activity. Through the adoption by the Board of a Group Risk & Control Policy and supporting standards, the Company aims to formalise the drive to manage business risks as a key element of all activities. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible to all managers using a simple and flexible framework. The business context determines in each situation the level of acceptable risk and controls, and managers are challenged to recognise and assess this actively and clearly.

Much of the Company's work in the area of risk management is facilitated by the Risk Advisory Group, consisting of representatives from each business function. Its role continues to be advisory and is to assist senior management to identify and assess the main risks faced by the Company's business in a co-ordinated manner; to assess and document the Company's risk profile; and to ensure that the business focuses on critical business issues. It is chaired by the Chief Financial Officer and reports twice a year to the Senior Executive Team. The Risk Advisory Group's reports on the Company's risk profile are reviewed by both the Audit Committee and the Board.

The Company's policy remains to embed an integrated risk management framework with the aim of continuing to ensure that the business understands the key risks it faces. The focus of the Risk Advisory Group is, in particular, on cross-functional risks, linking risk management to business performance reporting and seeking continuous improvement in the management of risk by sharing best practice throughout the organisation.

Code of Conduct

The policy of the Company is to require all of its subsidiaries, and their employees, to observe the highest ethical standards of integrity and honesty and to act with due skill, care, diligence and fairness in the conduct of business. The Company's management recognises that such standards make a significant contribution to the overall control environment and seeks, by its words and actions, to reinforce them throughout the business. In particular, all employees are required to comply with the letter and spirit of the AstraZeneca Code of Conduct and with the high ethical standards detailed by the Company in support of it.

The AstraZeneca Code of Conduct is set out in full on pages 158 and 159. It is an important demonstration of the Company's uncompromising commitment to honesty and integrity. The Company maintains procedures for raising integrity concerns, which include a confidential helpline for employees worldwide. During 2004, the confidential helpline was used by employees to seek guidance on corporate responsibility issues or to raise concerns, all of which were fully reviewed and a report sent to the Audit Committee. To date, no material issues have been identified through this route.

The Company also has a Finance Code of Conduct which complements the main AstraZeneca Code of Conduct and applies to the Chief Executive, the Chief Financial Officer and the Company's principal accounting officers. The Finance Code of Conduct also applies to all Finance function employees and reinforces the importance of the integrity of the Company's accounts, the reliability of the accounting records on which they are based and the robustness of the relevant controls and processes.

During 2004, the Senior Executive Team sponsored a review and re-structuring of the Company's full range of policies, standards and guidelines to ensure the hierarchy and content are clear and appropriate for ensuring people's understanding of what is expected of them at every level in the business. Following formal Board approval early in 2005, the new Group policies will be made available on a dedicated intranet site, the availability and purpose of which will be widely communicated throughout the organisation.

Group Internal Audit

Group Internal Audit (GIA) is an independent appraisal function that derives its authority from the Board through the Audit Committee. Its primary role is to provide reasonable and objective assurance about the adequacy and effectiveness of the Company's financial control framework, compliance with laws, regulations and policies and risk management processes.

GIA seeks to discharge the responsibilities set down in its charter by reviewing the processes which ensure that business risks are effectively managed; reviewing the financial and operational controls that help to ensure that the Company's assets are properly safeguarded from losses, including fraud; reviewing the controls that help to ensure the reliability and integrity of management information systems; reviewing the processes that ensure compliance with policies and procedures and external legislation and regulation (other than those relating to safety, health and the environment and product regulatory compliance, which are the responsibility of other audit functions); and, on an ad hoc basis, reviewing whether value for money is obtained.

GIA also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which risks are identified and managed and to report and advise on the proper and effective use of resources.

External auditor

A resolution will be proposed at the AGM on 28 April 2005 for the re-appointment of

Directors' Report continued

KPMG Audit Plc, London as auditor of the Company.

The external auditor has undertaken various pieces of non-audit work for the Company during 2004. More information about this work and the audit and non-audit fees paid by the Company are set out in Note 32 to the Financial Statements on page 119. The external auditor is not engaged by the Company to carry out any non-audit work on which it might, in the future, be required to express an audit opinion. As explained more fully in the Audit Committee's Report on pages 58 to 59, the Audit Committee has established pre-approval policies and procedures for audit and non-audit work permitted to be carried out by the external auditor and has carefully monitored the objectivity and independence of the external auditor throughout 2004.

Board committees

Audit Committee

Full details about the Audit Committee, its composition, remit and work during 2004 can be found in the Audit Committee's Report on pages 58 to 59.

Remuneration Committee

The members of the Remuneration Committee are Sir Peter Bonfield (Chairman of the Committee), John Buchanan, Erna Möller and Joe Jimenez. Mr Jimenez was appointed as a member of the Remuneration Committee with effect from the end of the AGM in April 2004. They are all Non-Executive Directors. The Board considers them all to be independent.

The remit of the Remuneration Committee is, primarily, to recommend for decision by the Board the fundamental remuneration policy for the Company and to ensure the proper operation of all plans for employees involving the Company's shares. More particularly, it makes specific proposals in respect of the remuneration packages of individual Executive Directors and the Company's most senior executives.

Further information about the membership and work of the Remuneration Committee and the Company's remuneration policy and practice is set out in the Directors' Remuneration Report on pages 60 to 68.

Nomination Committee

The members of the Nomination Committee during 2004 were Percy Barnevik (Chairman of the Committee), Håkan Mogren, Sir Peter Bonfield, Jane Henney and Joe Jimenez. With effect from 1 January 2005, Louis Schweitzer, Non-Executive Chairman, became Chairman of the Nomination Committee in Percy Barnevik's stead. All of the current members of the Nomination Committee are Non-Executive Directors. With the exception of the Chairman and Dr Mogren (for the reasons explained above), the Board considers them all to be independent.

The remit of the Nomination Committee is, primarily, to lead the process for, and to make proposals to the Board for, any new appointments as Directors of the Company. The remit of the Nomination Committee is available on the Company's website: astrazeneca.com. The principal task in relation to nomination matters in 2004 related to the appointment of a new Non-Executive Director, Louis Schweitzer, who could subsequently become Chairman of the Board. In the light of this, the Board felt the appointment process should not be led by the Nomination Committee, which is chaired by the Chairman. Accordingly, a committee of Non-Executive Directors chaired by Sir Peter Bonfield, senior Non-Executive Director, led the process for the appointment of Mr Schweitzer, which was supported by external search consultants.

As with all new Non-Executive Directors, a series of induction meetings with various senior managers was arranged for Mr Schweitzer following his appointment to the Board. This included his attendance at a meeting of the Senior Executive Team over two days in November 2004.

Science Committee

The members of the Science Committee are Jane Henney, Erna Möller and Dame Bridget Ogilvie. They are all Non-Executive Directors.

The remit of the Science Committee is, on behalf of the Board, to review and assess the international competitiveness and quality of science within the Company. The Executive Vice-President, Discovery Research and the Chief Scientist and Head of Project Evaluation normally attend meetings of the Science Committee.

Shareholders

In its financial reporting to shareholders and other interested parties by means of annual and quarterly reports, the Board aims to present a balanced and understandable assessment of the Company's financial position and prospects.

The Company maintains a corporate website containing a wide range of information of interest to institutional and private investors: astrazeneca.com. The Company has frequent discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with the Company's largest institutional shareholders on an individual basis. In addition, the Company responds to individual ad hoc requests for discussions from institutional shareholders. The senior Non-Executive Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Chief Financial Officer has failed to resolve, or for which such contact is inappropriate.

All shareholders, including private investors, have an opportunity at the AGM to put questions to members of the Board on matters relating to the Company's operation and performance.

Employees

The core values of the Company are respect for the individual and diversity; openness, honesty, trust and support for each other; integrity and high ethical standards; and leadership by example at all levels.

The Company maintains an open management style and involves its employees both in daily decisions which affect them and longer term matters. The Company is fully committed to keeping all of its employees informed about their work unit and the wider business, as well as discussing the implications of major business changes and other relevant matters. Key business priorities are communicated throughout the organisation and form part of the basis for the Company's employee bonus and incentive plans. Details of employees' share plans appear in Note 29 to the Financial Statements.

In line with legal requirements and cultural standards, more formal national and business level employee consultation arrangements exist in some countries, including the UK. There is a forum for employee consultation at European level, chaired by the Chief Executive, in which employee representatives from 19 countries participate. The Company also has a variety of constructive relationships with trade unions across its worldwide operations, including formal recognition and active dialogue where appropriate.

The Company believes that every employee should be treated with the same respect and dignity. It values the rich diversity and

creative potential of people with differing backgrounds and abilities and encourages a culture of equal opportunities, in which personal success depends on personal merit and performance. It is Company policy that there should be no discrimination against any person for any reason. All judgements about people for the purposes of recruitment, development and promotion are made solely on the basis of their ability and potential in relation to the needs of the job. Every manager is responsible for implementing this policy.

It is Company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. Depending on their skills and abilities, people with disabilities enjoy the same career prospects as other employees and the same scope for realising potential. The Company also takes all reasonable steps to ensure that its working environments can accommodate special needs.

Corporate responsibility

The Company aims to set, promote and maintain high standards of corporate responsibility wherever it operates. Dame Bridget Ogilvie, Non-Executive Director, is the Board member responsible for this area and oversees the work of a cross-functional, global corporate responsibility committee. The Company continues to develop its established systems for monitoring performance. Policies and standards relating to corporate responsibility are maintained and widely communicated within the organisation. In 2004, the Company was again included in the FTSE4Good and the Dow Jones Sustainability World indices. Increasing competition for places in the Dow Jones STOXX (European) Index meant the Company lost its place in that index in 2004. The Company publishes and sends to shareholders a separate Corporate Responsibility Summary Report. For the first time, information in the Corporate Responsibility Summary Report for 2004 will be subject to an assurance process carried out by an independent, third party organisation. More detailed information about the Company's approach to corporate responsibility can be found on its website: astrazeneca.com.

It is not Company policy formally to comply with the Confederation of British Industry's code of practice on the prompt payment of suppliers. It is, however, Company policy to agree appropriate payment terms with all suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment and, subject to their compliance, abide by the terms of payment. The total amount of money owed by the Company's subsidiaries to trade creditors at the balance sheet date was equivalent to 74 days' average purchases. No equivalent disclosure is provided in respect of the Company as it has no external creditors.

Purchase of own shares

The Company's stated distribution policy contains both a regular dividend cash flow and a share re-purchase component to give the Company more flexibility in managing its capital structure over time. In August 1999, the Company announced a $2 billion share re-purchase programme to be completed by the end of 2002. This programme was completed ahead of schedule in the second quarter of 2002. In January 2002, the Company announced an additional $2 billion re-purchase programme which was completed on schedule by the end of 2003. In January 2004, the Board approved a further $4 billion re-purchase programme to be completed by the end of 2005.

The Board keeps under continuous review its shareholders' return strategy and restates its intention to grow dividends in line with earnings while maintaining dividend cover in the two to three times range. The Board also believes that the share re-purchase programme is a key part of shareholder return that addresses cash flow and potentially surplus capital. In the absence of strategic uses for cash, the Board expects to distribute the free cash flow generated over the next three years through dividends and share re-purchases.

During 2004, the Company purchased 50.1 million of its own Ordinary Shares with a nominal value of $0.25 each for an aggregate cost of $2,212 million. Following the purchase of these shares, they were all cancelled. This number of shares represents 3.0% of the Company's total issued share capital at 31 December 2004.

Since the beginning of the original re-purchase programme in 1999, the Company has purchased for cancellation in total 142.9 million of its own Ordinary Shares with a nominal value of $0.25 each for an aggregate cost of $6,171 million. This number of shares represents 8.7% of the Company's total issued share capital at 31 December 2004.

The Company continues to maintain robust controls in respect of all aspects of the share re-purchase programme to ensure compliance with English law and the Listing Rules of the UK Listing Authority. In particular, the Company's Disclosure Committee meets to ensure that the Company does not purchase its own shares during prohibited periods. At the AGM on 28 April 2005, the Company will seek a renewal of its current permission from shareholders to purchase its own shares.

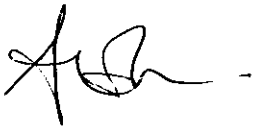
Political donations

Under the UK's Political Parties, Elections and Referendums Act 2000, shareholder authority is required for political donations to be made or political expenditure to be incurred by the Company or its subsidiaries in the European Union. Neither the Company nor its subsidiaries made any donations or incurred any expenditure in 2004 in the European Union in respect of which shareholder authority or disclosure in this Directors' Report is required under the Act. Neither the Company nor its subsidiaries intend to make any such donations or incur any such expenditure in the European Union in the foreseeable future. However, the Act defines 'political organisation' widely and, for example, interest groups or lobbying organisations concerned with the review of government policy or law reform may be caught by the definition.

To enable the Company to continue to support such organisations without inadvertently breaching the Act, a resolution will, in the same way as last year, be proposed at the AGM on 28 April 2005 authorising the Company to make donations or incur expenditure in the European Union up to an aggregate limit of $150,000.

In 2004, AstraZeneca's US legal entities made contributions amounting in aggregate to $323,000 (2003 $258,000) to state political party committees and to campaign committees of various state candidates affiliated with the major parties. All contributions were made only where allowed by state law. American nationals (those with valid 'green cards') exercised decision-making over the contributions and the funds were not provided or reimbursed by any non-US legal entity.

On behalf of the Board
G H R Musker
Group Secretary and Solicitor
27 January 2005



Audit Committee's Report

The members of the Audit Committee are John Buchanan (Chairman of the Committee), Jane Henney, Dame Bridget Ogilvie, Marcus Wallenberg and Michele Hooper. Dr Buchanan succeeded Karl von der Heyden as Chairman of the Audit Committee following Mr von der Heyden's retirement from the Board in April 2004. Ms Hooper was appointed as a member of the Audit Committee with effect from the end of the AGM in April 2004. They are all Non-Executive Directors. With the exception of Mr Wallenberg for the reasons explained in the Directors' Report, the Board considers them all to be independent under the UK Combined Code. Marcus Wallenberg, although not independent under the UK Combined Code, is independent under the criteria of the NYSE's corporate governance listing standards concerning the composition of audit committees.

The Board remains satisfied that various members of the Audit Committee have recent and relevant financial experience. At its meeting in December 2004, the Board determined that Dr Buchanan and Ms Hooper are audit committee financial experts for the purposes of the US Sarbanes-Oxley Act of 2002.

The core remit of the Audit Committee is to review and report to the Board on:

- The scope of and plans for audits of the Company by the external auditor and the internal audit function.
- The implementation of the external and internal audit plans and the handling of any material issues arising from those audits.
- The Company's overall framework for internal control over financial reporting and its financial reporting processes.
- The Company's overall framework for other internal controls.
- The Company's overall framework for risk management with particular emphasis on financial risks.
- The accounting policies and practices of the Company.
- The annual and quarterly financial reporting carried out by the Company.

The Audit Committee is also charged with promptly bringing to the attention of the Board:

- Any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Company.
- Any significant concerns of the Chief Internal Auditor about the conduct, results or outcome of internal audits.
- Any matters which may significantly affect or impair the independence of the external auditor.
- Any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting.
- Any significant deficiencies or material weaknesses in the design or operation of the Company's other internal controls and any significant breaches of those internal controls.
- Any serious issues of non-compliance.

The Audit Committee also oversees the establishment, implementation and maintenance of the Code of Conduct. It establishes procedures for the receipt and handling of complaints concerning accounting or audit matters. It also appoints and agrees the compensation for the external auditor subject, in each case, to the approval of the Company's shareholders at a general meeting and, if necessary, recommends to the Board that a resolution be proposed at a general meeting of the Company authorising the removal of the external auditor. Additionally, the Audit Committee reviews and approves the appointment and any dismissal of the Chief Internal Auditor.

The Audit Committee maintains policies and procedures for the pre-approval of all audit services and permitted non-audit services undertaken by the external auditor. The principal purpose of these policies and procedures is to ensure that the independence of the external auditor is not impaired. In January 2004, the Audit Committee renewed its pre-approval policies and procedures. This covered three categories of work – audit services, audit-related services and tax services. The policies define the type of work which falls within each of these categories, as well as those non-audit services which the external auditor is prohibited from performing under the rules of the US SEC. The pre-approval procedures permit certain audit, audit-related and tax services to be performed by the external auditor during the year, subject to fee limits agreed with the Audit Committee in advance. The Group Financial Controller and the Director of Group Tax monitor the status of all services being provided by the external auditor. The procedures also deal with the placing of non-audit work out for tender, where appropriate. Authority to approve work in excess of the pre-agreed fee limits is delegated to the Chairman of the Audit Committee in the first instance. Regular reports to the full Audit Committee are also provided for and, in practice, a standing agenda item at Audit Committee meetings covers the operation of the pre-approval procedures.

The full remit of the Audit Committee is available on the Company's website: astrazeneca.com.

The Audit Committee met six times in 2004. Each meeting was attended by all of its members except that Mr Wallenberg was unable to attend part of the December meeting due to a prior engagement. At the invitation of the Audit Committee, the Chairman of the Board, a Non-Executive Director, attended three of its meetings in 2004. The Audit Committee is currently scheduled to meet seven times in 2005. The minutes of Audit Committee meetings are circulated to all Board members.

During the year, in line with its normal practice, the Audit Committee also held a number of private meetings, without management present, with both the Company's Chief Internal Auditor and the lead partner from the Company's external audit firm. The purpose of these meetings was to facilitate free and open discussions between the Audit Committee members and the Chief Internal Auditor and the external lead audit partner separately from the main sessions of the Audit Committee, which were attended by the Chief Financial Officer and the Group Financial Controller.

During 2004, the business considered and discussed by the Audit Committee included:

- The financial disclosures contained in the Company's annual and quarterly reports to shareholders and other interested parties.
- Various accounting matters, including the Company's critical accounting policies, raised by management and the external auditor in the context of the financial disclosures. Specific examples of areas reviewed by the Audit Committee included the reporting of the effect of wholesaler stock movements in

the Company's financial disclosures, the implementation of Inventory Management Agreements with a number of wholesalers in the US, the handling of managed care rebates and product returns in the US, and the effect of currency exchange rates on the Company's financial statements.

- Reports from the external auditor concerning its audit of the financial statements of the Company.
- Reports from management on the Company's general risk profile and the assessment and management of risk.
- Reports from management, the internal audit function and the external auditor on the effectiveness of the Company's system of internal controls and, in particular, internal financial controls. These included a review and discussion of the results of the Company's 'letter of assurance' process for 2004 and reviews of quarterly activity reports from the internal audit function and the status of follow-up actions with management.
- A report of calls made by employees to the Company's Code of Conduct helpline seeking guidance on corporate responsibility issues or raising concerns and the results of the reviews of these matters. To date, no material issues have been identified through this route.
- A review of the Company's preparations for the adoption in 2005 of International Accounting Standards/International Financial Reporting Standards, including the approval of proposed changes to certain of the Company's accounting policies. The Audit Committee also reviewed and approved the Company's publication in October 2004 of its financial information for 2003 and the first half of 2004 re-stated in accordance with IAS/IFRS (subject to any subsequent changes made to the standards before adoption).
- Continuing review of the Company's US sales and marketing compliance programme, including the five year Corporate Integrity Agreement between the Company and the Office of Inspector General for the US Department of Health and Human Services signed in 2003.
- Proposals from the internal audit function and the external auditor about their audit programmes for 2004.
- A review at the beginning of 2004 of the performance of the external auditor which resulted in the Audit Committee unanimously recommending that a resolution for the re-appointment of KPMG Audit Plc as the Company's external auditor be proposed to shareholders at the AGM in April 2004.
- A review of the performance of the internal audit function and, in particular, recruitment and career development plans for internal audit staff.
- A report from the Development function concerning the Company's clinical development programmes and the key risks managed by the drug safety and quality management teams within Development.
- A report from the Director of Group Tax about the Company's approach to risk management in relation to taxation matters.
- The amount of audit and non-audit fees of the external auditor. The Audit Committee was satisfied throughout the year that the objectivity and independence of the external auditor were not in any way impaired by either the nature of the non-audit work undertaken by the external auditor during the year, the level of non-audit fees charged for such work or any other facts or circumstances. Full details of the audit and non-audit fees for the year are disclosed in Note 32 to the Financial Statements.
- The Company's continuing work to comply with the applicable provisions of the US Sarbanes-Oxley Act of 2002. The Audit Committee regularly reviewed, in particular, the Company's work to prepare for the implementation in 2005 of section 404 of the Act concerning internal control over financial reporting.
- A review and assessment of how the Audit Committee operates.

At the scheduled meeting of the Audit Committee held at the end of January 2005, the Chief Executive and the Chief Financial Officer presented to the Audit Committee their conclusions following the evaluation of the effectiveness of the Company's disclosure controls and procedures required by Item 15(a) of Form 20-F as at 31 December 2004. Based on their evaluation, the Chief Executive and the Chief Financial Officer concluded that, as at that date, the Company maintains an effective system of disclosure controls and procedures.

During 2004, the Company's US business and its facility at Dunkirk in France successfully implemented major new accounting software. Other than this, there was no change in the Company's internal control over financial reporting that occurred during the period covered by this Annual Report and Form 20-F Information that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

On behalf of the Audit Committee
Dr J G S Buchanan
Non-Executive Director and
Chairman of the Audit Committee
27 January 2005

Directors' Remuneration Report

At the Annual General Meeting (AGM) on 28 April 2005, a resolution will be proposed to approve the Directors' Remuneration Report.

Remuneration Committee

The members of the Remuneration Committee are Sir Peter Bonfield (Chairman of the Committee), John Buchanan, Erna Möller and Joe Jimenez. Mr Jimenez was appointed as a member of the Remuneration Committee with effect from the end of the AGM on 29 April 2004. They are all Non-Executive Directors. The Board considers them all to be independent.

The remit of the Remuneration Committee is, primarily, to recommend for decision by the Board the fundamental remuneration policy for the Company and to ensure the proper operation of all plans for employees involving the Company's shares. More particularly, it makes specific proposals in respect of the remuneration packages of individual Executive Directors and the Company's most senior executives. A copy of the Remuneration Committee's remit is available on the Company's website: astrazeneca.com.

The Remuneration Committee met six times during 2004. Each meeting was attended by all of its members except that John Buchanan was unable to attend the September meeting and Joe Jimenez was unable to attend the December meeting due to other commitments. At the invitation of the Remuneration Committee, the Chairman of the Board, a Non-Executive Director, attended all of its meetings in 2004 except for those held in September and December.

At the request of the Remuneration Committee, Sir Tom McKillop, Chief Executive, Tony Bloxham, Executive Vice-President, Human Resources and Peter Brown, Vice-President, Global Compensation and Benefits, as well as the Secretary of the Remuneration Committee, Graeme Musker, attended all of its meetings in 2004, except when their own remuneration was being discussed. They provided advice and services which materially assisted the Remuneration Committee during the year. In doing so, Mr Brown drew on various sources of data concerning directors' and executives' salaries, bonus levels and other incentives including general pharmaceutical industry reports and surveys, as well as surveys specifically carried out for the Company. These included certain surveys prepared for the Company by Towers Perrin. During 2004, Towers Perrin also provided global share plan administration services to the Company and consultancy services to the Company's US business.

In July 2004, Ms Carol Arrowsmith of Deloitte & Touche was appointed by the Remuneration Committee to provide it with independent advice on all matters being considered by it. During 2004, Deloitte & Touche also provided taxation advice and other non-audit services to the Company.

Overall remuneration policy and purpose

The Company is committed to maintaining a dynamic performance culture in which every employee champions the growth of shareholder value, is clear about the Company's objectives, knows how their work impacts on those objectives and that they will benefit from achieving high levels of performance.

The Board has confirmed that the Company's overall remuneration policy and purpose is:

- To attract and retain people of the quality necessary to sustain the Company as one of the best pharmaceutical companies in the world.
- To motivate them to achieve the level of performance necessary to create sustained growth in shareholder value.

In order to achieve this, remuneration policy and practice is designed:

- To closely align individual and team reward with business performance at each level.
- To encourage employees to perform to their fullest capacity.
- To encourage employees to align their interests with those of shareholders.
- To support managers' responsibility to achieve business performance through people and for them to recognise superior performance, in the short and longer term.
- To be as locally focused and flexible as is practicable and beneficial.
- To be competitive and cost-effective in each of the relevant employment markets.
- To be as internally consistent as is practicable and beneficial taking due account of market need.

The cost and value of the components of the remuneration package are considered as a whole and are designed:

- To ensure a proper balance of fixed and variable performance-related components, linked to short and longer term objectives.
- To reflect market competitiveness taking account of the total value of all of the benefit components.

Throughout 2004, the principal components contained in the total remuneration package, for employees as a whole, were:

- Annual salary – based on conditions in the relevant geographic market, with the provision to recognise, in addition, the value of individuals' sustained personal performance, resulting from their ability and experience.
- Annual bonus – a lump sum payment related to the targeted achievement of corporate, functional and individual goals, measured over a year and contained within a specific plan. The corporate goals are derived from the annual financial targets set by the Board and take into account external expectations of performance. The functional goals are agreed by the Remuneration Committee at the start of, and are monitored throughout, the year.
- Longer term incentive – for selected groups, a longer term incentive targeted at the achievement of strategic objectives with close alignment to the interests of shareholders.
- Pension arrangements which are appropriate to the relevant national market.
- Other benefits such as holidays and sickness benefit which are cost-effective and compatible with the relevant national welfare arrangements.
- Share participation – various plans provide the opportunity for employees to take a personal stake in the Company's wealth creation as shareholders.

The way in which these elements are combined and applied varies depending, for example, on market need and practice in various countries.

In 2004, for each Executive Director, the individual components were:

- Annual salary – the actual salary for each of the Executive Directors is determined by the Remuneration Committee on behalf of the Board and established in sterling. These salaries reflect the experience and sustained performance of the individuals to whom they apply, as judged annually by the Remuneration Committee, taking account also of market competitiveness and the level of increases applicable to all other employees.

- Short term bonus:

  - The Chief Executive was eligible for an annual bonus related solely to the achievement of the targeted performance of earnings per share. The bonus payable was on a scale of 0-100% of salary and 50% of salary was payable for the achievement of target performance. This was derived from the financial targets set by the Board and took into account external expectations of performance. The bonus was not pensionable. In the light of the disappointing setbacks with *Exanta* and *Iressa* in 2004, the Remuneration Committee and Sir Tom McKillop agreed a reduction in his bonus. It was agreed that his bonus for 2004 should be reduced to a sum equivalent to 50% of the bonus he received in respect of 2003. This amounts to £430,000 ($782,000). The Remuneration Committee was also mindful in setting the bonus for 2004 that all employees, including Sir Tom McKillop, who had an interest in shares throughout 2004, had seen the value of their shares fall significantly during the year, in common with other shareholders.

  - The Chief Financial Officer was eligible for an annual bonus related to the achievement of both the targeted performance of earnings per share and the achievement of performance measures relevant to his particular area of responsibility. The bonus payable was on a scale of 0-100% of salary and 50% of salary was payable for the achievement of target business performance. 80% of the bonus related to the achievement of the earnings per share target and 20% to the other performance measures. The bonus was not pensionable.

- Longer term incentive – Executive Directors are also rewarded for improvement in the share price performance of the Company over a period of years by the grant of share options. The grant of options under the AstraZeneca Share Option Plan is determined by the Remuneration Committee, as are the performance targets that will apply and whether they will apply to the grant and/or exercise of options – this is described in more detail below.

- Pension arrangements – the table on page 66 gives details of the changes in the value of the Executive Directors' accrued pensions during 2004:

  - UK Executive Directors' pension arrangements – the Chief Executive is a member of the Company's main UK defined benefit pension plan. The normal pension age under this plan is 62. However, a member's accrued pension is available from age 60 without any actuarial reduction. In addition the accrued pension is available, unreduced, from age 57 if the Company consents to a request for early retirement and from age 50 if the retirement is at the Company's request.

    On death in retirement, the accrued pension is guaranteed payable for the first five years of retirement and then reduces to two-thirds of this amount should there be a surviving spouse or other dependant. Any member may choose higher or lower levels of survivor's pensions at retirement, subject to Inland Revenue limits, in return for an adjustment to their own pension of equivalent actuarial value. Pensions are also payable to dependant children. In the event of a senior employee becoming incapacitated, then a pension is payable immediately as if such person had reached normal retirement age (subject to a maximum of 10 years additional service), based on current pensionable salary. In the event of death prior to retirement, dependants are entitled to a pension of two-thirds of the pension that would have been earned had such person remained in service to age 62 plus a capital sum of four times pensionable pay. Pensions in payment are increased annually in line with inflation, as measured by the UK Retail Prices Index, up to a maximum of 5%.

    In respect of UK Executive Directors whose pensionable earnings are capped by the earnings limit imposed by the Finance Act 1989, unapproved defined contribution schemes are made available. Currently, only the Chief Financial Officer is affected by this limit. The Company has agreed to pay annually 50% of base salary in excess of the statutory earnings cap for the pension and associated tax liability, with the intention of providing equivalence of benefits with non-capped UK Executive Directors. If this does not provide equivalence, the Company has agreed to make up the difference. The benefits derived from equivalence are shown in the table on page 66 as if the scheme were a defined benefit arrangement. The Company contribution in 2004 in respect of the pension element was £124,000 ($225,000).

Other customary benefits (such as a car and health benefits) are also made available through participation in the Company's flexible benefits arrangements, which extend to the vast majority of the Company's UK and Swedish employees.

Measurement of performance

Each year, as referred to above, both short term and longer term objectives are agreed with the Board and regularly monitored in respect of both individual business functions and integrated corporate strategy in the business performance report. Performance against these objectives determines functional bonuses and, separately, whether or not share options will be granted.

In respect of bonuses in 2004, relevant factors included financial results ahead of expectations and excellent progress in key areas. Earnings per share increased by 18%; global sales increased by 9% overall and by 30% in key growth products (all at constant exchange rates), with particularly strong performance in emerging markets. In Research, all targets for new compounds were exceeded; in Development, good

Directors' Remuneration Report continued

progress was made in the restructuring of the clinical and regulatory function; in Operations, there was excellent performance in customer satisfaction, supply chain management and financial control. Bonus outcomes reflected the variety of functional performance in the context of overall business success and the disappointments in the year.

AstraZeneca Share Option Plan
The AstraZeneca Share Option Plan was approved at the AGM in 2000 following prior consultation with major shareholders. Its design took account of the overall competitiveness of the Company's remuneration arrangements for senior executives and US employees in the context of the Company's peers in the pharmaceutical industry.

The Remuneration Committee must on every occasion, before agreeing the grant of options to Executive Directors and others, be satisfied that the most recent and also the underlying performance of the Company justifies the grant; in addition it must be satisfied that the necessary performance has been achieved by each individual.

In agreeing grants of options in 2004 (which occurred before the disappointing events relating to *Exanta* and *Iressa*), the Remuneration Committee took into account, the fact that the Company, when compared with its peer group of international pharmaceutical companies, was ranked first in terms of both relative share price and total shareholder return over the three year period January 2001 to January 2004; in 2003, the loss of $2.6 billion in sales to generic competition was compensated for by strong growth in the sales of newer products, with the sales of those newer products representing 44% of total sales in 2003; strong sales growth (at constant exchange rates) in 2003 for *Nexium* (up 62% to $3.3 billion), *Seroquel* (up 27% to $1.5 billion), *Symbicort* (up 61% to $549 million) and *Arimidex* (up 46% to $519 million); good progress was made with cost control initiatives and other efficiency initiatives resulting in significant savings in the area of purchasing and more effective working practices and clinical productivity in R&D. Further positive steps were taken with regard to issues in the areas of corporate responsibility, governance and access to medicines.

The Remuneration Committee also sought and received assurances that all individuals proposed for a grant of options had been confirmed as performing in a manner that justified a grant to them. It was noted that there was some variation in the level of grants being proposed between individuals, to reflect differing levels of performance.

The dilutive effect of the proposed grants of options on the Company's issued share capital was also considered by the Remuneration Committee, in accordance with the commitment, given that the percentage of the issued share capital which could be allocated under all of the Company's employee share plans over a period of ten years should be under 10%; this commitment is applied by the Remuneration Committee in practice as a limit, on average, of under 1% per annum. The Remuneration Committee concluded that a grant of options to those plan participants and individual Executive Directors proposed for a grant was appropriate given the level of performance achieved. For the grants of options in 2004 to members of the Senior Executive Team, the Remuneration Committee requested that a condition be included to the effect that if an event occurred which caused material reputational damage to the Company such that it was not appropriate for the options to vest and become exercisable, then the Remuneration Committee could make a determination to that effect.

Review of executive remuneration
In 2000, the Company volunteered a commitment that a review of practice would take place in five years, taking account of the view of the Company's shareholders and the needs of the business at that time. This review took place during 2004.

The Remuneration Committee reviewed its basic philosophy and confirmed that in seeking to achieve sustained growth in shareholder value it would demand the highest level of performance from all employees with the Company conducting itself in a fair and moderate way, maintaining the highest standards of social responsibility and corporate governance. In order to achieve this, it must attract and retain Executive Directors and other senior executives of the highest quality, competing for them in the global employment market and providing appropriate rewards directly linked to top performance.

In the last five years, the Company has honoured its promise regarding shareholder dilution. Grants of options under the AstraZeneca Share Option Plan worldwide have amounted to 2.71% (plus 0.45% under the old Zeneca 1994 Executive Share Option Scheme). Dilution under other share plans has been 0.36%.

During this time, the Company has intensified its action to align reward directly with performance. For example, the business performance report has been developed as described above. This contains the short and long term strategic objectives agreed annually with the Board and cascaded down throughout the Company; these are monitored quarterly and determine both short term bonus and long term awards. In addition, the reward of employees at all levels has become increasingly differentiated based on their individual performance.

In the review, the Remuneration Committee confirmed that the reward package of Executive Directors should be primarily benchmarked against major UK based companies with global operations similar to those of AstraZeneca, as opposed to

Details of Executive Directors' service contracts at 31 December 2004

Executive Director	Date of service contract	Unexpired term at 31 December 2004	Notice period
Sir Tom McKillop	11.01.96	One year	One year
Jonathan Symonds	20.05.98	One year	One year

alignment with the global industry practice. However, in appropriately balancing the total package towards the delivery of award for demonstrable performance, bonuses and incentives should provide for upper quartile opportunity for upper quartile performance.

During 2004, the Remuneration Committee sought the views of major shareholders. As it is five years since the last major review, the Committee identified that the competitive market place in major UK companies had developed and shareholder expectations had also changed. The Remuneration Committee has taken the views of shareholders into account in formulating proposals which focus upon performance-related pay and strengthened the links to measures which are aligned to the creation of shareholder value. These proposals, primarily for the Senior Executive Team, are closely aligned to current best practice and include:

- An increase in the annual bonus opportunity linked to a broader assessment of performance together with a requirement for the Senior Executive Team to defer a portion of their bonus earned into shares for a period of three years. As a result of the most recent consultation, the basis of determining the annual bonus for the Senior Executive Team will be changed. In the past, the whole of the bonus of the Chief Executive and 80% of those of the others was determined by reference to earnings per share. For 2005, 50% will be determined by earnings per share, 25% by measures relating to the individual's particular area of responsibility and 25% by a balance of qualitative and quantitative measures which address the quality of business performance. The Remuneration Committee would reserve the right to modify the bonus outcome if it believed it did not reflect the underlying performance of the business.
- The introduction of performance conditions on exercise of options granted under the AstraZeneca Share Option Plan with no re-test facility, in order to bring our policy in line with best practice.
- A requirement for executives to hold shares equivalent to one-times salary, and to retain the net number of shares acquired under the AstraZeneca Share Option Plan for at least six months after the option is exercised.
- Subject to a shareholder vote at the AGM, the introduction of a new performance share plan based on the Company's total shareholder return relative to a global industry peer group. This test would be underpinned by the requirement of the Remuneration Committee to satisfy itself that any total shareholder return rewarded was a genuine reflection of the Company's underlying performance and it would explain its reasoning in the subsequent Directors' Remuneration Report.

The Board and the Remuneration Committee believe that bringing bonus and long term incentive opportunities closer to the market, subject to demanding performance conditions, will appropriately rebalance the proportion of reward so that variable performance-related pay is dominant and will significantly improve the Company's ability to attract and retain executives of the quality necessary to lead AstraZeneca in the future.

Executive Directors' service contracts

The service contracts of the current Executive Directors provide for a notice period of one year. For new Executive Directors, the Board would aim to negotiate a one year notice period. In exceptional circumstances, the initial notice period may be for longer than one year. In those circumstances, the Board would explain to shareholders the reasons why it believed a longer notice period was necessary and it would be the Board's intention that it should be reduced to one year subsequently. At the time of the AGM on 28 April 2005, the unexpired term of Executive Directors' service contracts will be a maximum of one year. The details of the Executive Directors' individual service contracts are set out in the table on page 62. In the event of the termination of an Executive Director's service contract, depending upon the circumstances, the Company may be liable to provide compensation to the Executive Director equivalent to the benefits which he or she would have received during the contractual notice period. For current Executive Directors, it is the Company's expectation that any such liability would be calculated on the basis of one year's base salary, target bonus and other benefits. The Company's policy in the event of the termination of an Executive Director's service contract is to avoid any liability to the Executive Director in excess of his or her contractual entitlement and aim to ensure that any liability is mitigated to the fullest extent possible.

Arrangements for Håkan Mogren and Åke Stavling

Håkan Mogren, formerly Executive Deputy Chairman, ceased to be an Executive Director and employee of the Company and became Non-Executive Deputy Chairman at the end of August 2003. Dr Mogren's remuneration arrangements as a result of this change were considered and approved by the Remuneration Committee in 2003, based on existing contracts and practice, and were fully disclosed in the Directors' Remuneration Report for 2003. Under these arrangements, Dr Mogren received compensation from the Company which was paid on a monthly basis until the end of August 2004. The sum received by Dr Mogren in respect of this compensation in 2004 is included in the disclosure of Directors' emoluments on page 65.

Åke Stavling, formerly an Executive Director, left the Company at the end of January 2003. Mr Stavling's leaving arrangements were considered and approved by the Remuneration Committee in 2002, based on existing contracts and practice, and were fully disclosed in the Directors' Remuneration Report for 2003. Under these arrangements, Mr Stavling is receiving compensation from the Company which is being paid on a monthly basis until the end of January 2005. The amount of this compensation is equivalent to two years' base annual salary. Mr Stavling was entitled to a notice period of two years under his service contract at the time he left the Company. The sum received by Mr Stavling in respect of this compensation in 2004 is included in the disclosure of Directors' emoluments on page 65.

Directors' Remuneration Report continued

Position of the Non-Executive Directors

None of the Non-Executive Directors has a service contract. They are not eligible for performance-related bonuses or the grant of share options. No pension contributions are made on their behalf. The fees payable to the Non-Executive Directors are set by a committee of the Board comprising the Executive Directors.

External appointments and retention of fees

With the specific approval of the Board in each case, Executive Directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Sir Tom McKillop, Chief Executive, served as a Non-Executive Director of Lloyds TSB Group plc until 31 December 2004. He was appointed as a Non-Executive Director of BP p.l.c. on 1 July 2004. In respect of each position, he retained the fees paid to him for his services. In 2004, the total amount of such fees paid to him in respect of these services was £90,000.

Jonathan Symonds, Chief Financial Officer, served as a Non-Executive Director of QinetiQ Group plc until 30 June 2004. He was appointed as a Non-Executive Director of Diageo plc on 1 May 2004. In respect of each position, he retained the fees paid to him for his services. In 2004, the total amount of such fees paid to him in respect of these services was £55,500. Mr Symonds also receives and retains fees of £15,000 per annum for his position as a member of the UK Accounting Standards Board.

Directors' emoluments in 2004

The Directors' emoluments in 2004 are disclosed on pages 65 to 66.

Directors' interests in shares

Details of the Directors' interests in the Company's Ordinary Shares are disclosed on pages 67 to 68.

Audit

The Directors' emoluments in 2004 and the details of the Directors' interests in the Company's Ordinary Shares disclosed on pages 65 to 68 have been audited by the Company's external auditor.

Directors' emoluments in 2004

The aggregate remuneration, excluding pension contributions, paid to or accrued for all Directors and officers of the Company for services in all capacities during the year ended 31 December 2004 was £10 million ($17 million). Remuneration of individual Directors is set out below in sterling and US dollars. All salaries, fees and bonuses for Directors are established in sterling.

Sterling	Salary and fees £'000	Bonuses £'000	Taxable benefits £'000	Other £'000	**Total 2004 £'000**	Total 2003 £'000	Total 2002 £'000
Percy Barnevik	250	–	–	–	**250**	250	250
Sir Tom McKillop	958	430	1	22[1]	**1,411**	1,790	1,479
Jonathan Symonds	559	314	7	90[2]	**970**	1,071	909
Sir Peter Bonfield	76	–	–	–	**76**	74	46
John Buchanan	61	–	–	–	**61**	53	33[4]
Jane Henney	54	–	–	–	**54**	49	60
Michele Hooper	43	–	–	–	**43**	19[4]	–
Joe Jimenez	43	–	–	–	**43**	19[4]	–
Håkan Mogren	29[4]	–	–	450[3]	**479**	1,246	1,347
Erna Möller	54	–	–	–	**54**	49	62
Dame Bridget Ogilvie	54	–	–	–	**54**	49	62
Louis Schweitzer	31[4]	–	–	–	**31**	–	–
Marcus Wallenberg	46	–	–	–	**46**	46	42
Former Directors							
Karl von der Heyden	19[4]	–	–	–	**19**	55	47
Åke Stavling	–	–	–	435[3]	**435**	489	835
Others	–	–	–	–	**–**	–	621
Total	2,277	744	8	997	**4,026**	5,259	5,793

[1] Relates to relocation allowances; [2] Payment for pension related tax liabilities; [3] Compensation payment; [4] Part year only.

US dollars	Salary and fees $'000	Bonuses $'000	Taxable benefits $'000	Other $'000	**Total 2004 $'000**	Total 2003 $'000	Total 2002 $'000
Percy Barnevik	455	–	–	–	**455**	403	373
Sir Tom McKillop	1,742	782	2	40[1]	**2,566**	2,886	2,208
Jonathan Symonds	1,016	571	13	164[2]	**1,764**	1,726	1,357
Sir Peter Bonfield	138	–	–	–	**138**	119	68
John Buchanan	111	–	–	–	**111**	86	49[4]
Jane Henney	98	–	–	–	**98**	79	90
Michele Hooper	78	–	–	–	**78**	31[4]	–
Joe Jimenez	78	–	–	–	**78**	31[4]	–
Håkan Mogren	53[4]	–	–	818[3]	**871**	2,008	2,010
Erna Möller	98	–	–	–	**98**	79	93
Dame Bridget Ogilvie	98	–	–	–	**98**	79	93
Louis Schweitzer	56[4]	–	–	–	**56**	–	–
Marcus Wallenberg	84	–	–	–	**84**	74	63
Former Directors							
Karl von der Heyden	35[4]	–	–	–	**35**	89	70
Åke Stavling	–	–	–	791[3]	**791**	788	1,246
Others	–	–	–	–	**–**	–	927
Total	4,140	1,353	15	1,813	**7,321**	8,478	8,647

[1] Relates to relocation allowances; [2] Payment for pension related tax liabilities; [3] Compensation payment; [4] Part year only.

As described fully in the AstraZeneca Annual Report and Form 20-F Information 2003 and noted on page 63 of the Directors' Remuneration Report for 2004, compensation payments to Håkan Mogren and Åke Stavling were £450,000 ($818,000) and £435,000 ($791,000), respectively and are included within Other in the above tables.

Directors' Remuneration Report continued

Directors' emoluments in 2004 (continued)

The remuneration of Directors is or was in the case of former Directors (with minor exceptions) established in sterling and has been converted into US dollars in the second table on page 65 at the average exchange rate for the year in question. These rates were:

	GBP/USD
2002	0.67
2003	0.62
2004	0.55

Some Directors and officers were also granted options to subscribe for Ordinary Shares under the Company's share option plans. Details of share options granted to, and exercised by, Directors and the aggregate of gains realised on exercised options in the year are given on page 68.

No Director or officer has a family relationship with any other Director or officer.

Pensions

Pensions are payable to Directors in sterling. For ease of understanding, the whole table has been presented in both sterling and dollars using the exchange rates for 2004 set out above.

Executive Directors' Pension Arrangements (per annum)	Sir Tom McKillop £'000	Jonathan Symonds £'000	Sir Tom McKillop $'000	Jonathan Symonds $'000
Defined Benefit Arrangements				
1. Accrued pension at 1 January 2004	575	214	1,046	389
2. Increase in accrued pension during year as a result of inflation	18	7	33	13
3. Adjustment to accrued pension as a result of salary increase relative to inflation	9	2	16	4
4. Increase in accrued pension as a result of additional service	–	11	–	20
5. Accrued pension at 31 December 2004	602	234	1,095	426
6. Employee contributions during year	–	20	–	36
7. Transfer value of accrued pension at 31 December 2003	10,773	1,879	19,587	3,416
8. Transfer value of accrued pension at 31 December 2004	11,585	2,190	21,064	3,982
9. Change in transfer value during the period less employee contributions	812	291	1,477	530
10. Age at 31 December 2004	61½	45½	61½	45½
11. Pensionable service (years)	35½	24½	35½	24½

Transactions with Directors

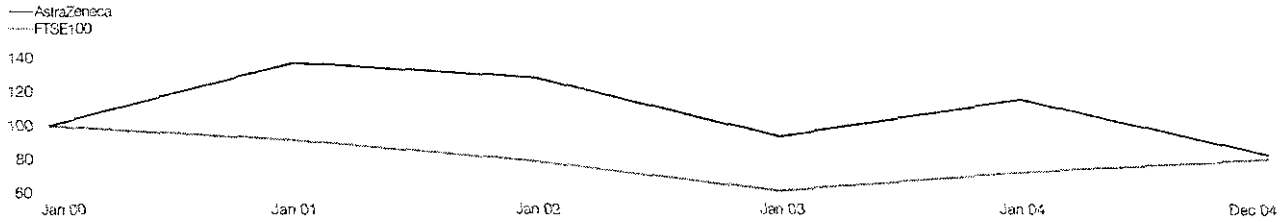
There were no material recorded transactions between the Company and the Directors during 2004 or 2003.

Graph showing total shareholder return

The UK Directors' Remuneration Report Regulations 2002 require the inclusion in the Directors' Remuneration Report of a graph showing total shareholder return (TSR) over a five year period in respect of a holding of the Company's shares, plotted against TSR in respect of a hypothetical holding of shares of a similar kind and number by reference to which a broad equity market index is calculated. This illustrates the Company's TSR performance against the broad equity market index selected. The Company is a member of the FTSE 100 Index and consequently, for the purposes of this graph which is set out below, we have selected the FTSE 100 Index as the appropriate index.

Graph showing total shareholder return

1 January 2000 – 31 December 2004



Source: Thomson Financial Datastream

Directors' interests in shares

The interests at 31 December 2004 or on date of retirement of the persons who on that date were Directors (including the interests of their families) in shares and debentures of AstraZeneca PLC are shown below, all of which were beneficial except as otherwise stated. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries.

	Interest in Ordinary Shares at 1 Jan 2004 or appointment date	Net shares acquired/ (disposed)	Interest in Ordinary Shares at 31 Dec 2004 or resignation date
Louis Schweitzer	4,000	–	4,000
Percy Barnevik	50,000	–	50,000
Håkan Mogren	62,164	–	62,164
Sir Tom McKillop	77,835	–	77,835
Jonathan Symonds	10,929	–	10,929
Sir Peter Bonfield	500	–	500
John Buchanan	500	–	500
Jane Henney	500	–	500
Michele Hooper	500	–	500
Joe Jimenez	500	–	500
Erna Möller	2,718	–	2,718
Dame Bridget Ogilvie	500	–	500
Marcus Wallenberg	74,504	(3,622)	70,882
Former Directors			
Karl von der Heyden	20,000	–	20,000

No Director or senior executive beneficially owns, or has options over, 1% or more of the outstanding shares of the Company, nor do they have different voting rights to other shareholders.

Directors' Remuneration Report continued

The interests of Directors and former Directors in options to subscribe for Ordinary Shares of the Company, which include options granted under the AstraZeneca Savings-Related Share Option Scheme, together with options granted and exercised during the year, are included in the following table:

		No. of shares under option	Exercise price per share†	Market price at date of exercise	First date exercisable*	Last date exercisable*
Håkan Mogren	At 1 Jan 2004	244,896	2848p		13.12.02	24.03.13
	– market price above option price	65,551	2231p		25.03.06	24.03.13
	– market price below option price	179,345	3073p		13.12.02	27.03.12
	At 31 Dec 2004	244,896	2848p		13.12.02	24.03.13
	– market price above option price	–				
	– market price below option price	244,896	2848p		13.12.02	24.03.13
Sir Tom McKillop	At 1 Jan 2004	453,242	2555p		27.03.98	24.03.13
	– market price above option price	256,350	2013p		27.03.98	24.03.13
	– market price below option price	196,892	3260p		16.03.03	27.03.12
	Granted	118,622	2529p		26.03.07	25.03.14
	At 31 Dec 2004	571,864	2549p		27.03.98	25.03.14
	– market price above option price	79,184	1311p		27.03.98	03.04.07
	– market price below option price	492,680	2748p		26.03.01	25.03.14
Jonathan Symonds	At 1 Jan 2004	208,388	2691p		01.10.00	24.03.13
	– market price above option price	121,444	2271p		01.10.00	24.03.13
	– market price below option price	86,944	3277p		23.08.03	27.03.12
	Granted	44,049	2529p		26.03.07	25.03.14
	Granted	418	2262p		01.12.07	31.05.08
	At 31 Dec 2004	252,855	2662p		01.10.00	25.03.14
	– market price above option price	–				
	– market price below option price	252,855	2662p		01.10.00	25.03.14

† Exercise prices are weighted averages.
* First and last exercise dates of groups of options, within which periods there are shorter exercise periods.

In addition to the above, the following Directors or former Directors held options under the Astra Shareholder Value Incentive Plan which were converted into options over AstraZeneca shares on completion of the merger based on an exchange ratio of 0.5045 AstraZeneca options for each Astra option held. No further options have been or will be granted under the scheme:

Astra SVIP Options

		No. of shares under option	Exercise price per share†	Market price at date of exercise	First date exercisable*	Last date exercisable*
Håkan Mogren	At 1 Jan 2004	16,288	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	16,288	429.38SEK		06.04.99	23.01.06
	At 31 Dec 2004	16,288	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	16,288	429.38SEK		06.04.99	23.01.06

† Exercise prices are weighted averages.
* First and last exercise dates of groups of options, within which periods there are shorter exercise periods.

The aggregate amount of gains made by Directors on the exercise of share options during the year amounted to $nil (2003 $0.5 million, 2002 $0.4 million) and the gains made by the highest paid Director were $nil (2003 $470,000, 2002 $nil). The market price of shares trading on the London Stock Exchange at 31 December 2004 was 1889 pence and the range during 2004 was 1863 pence to 2749 pence. The market price of shares trading on the Stockholm Stock Exchange at 31 December 2004 was 241.50 SEK and the range during 2004 was 237.50 SEK to 374.00 SEK. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for Ordinary Shares.

On behalf of the Board
G H R Musker
Group Secretary and Solicitor
27 January 2005

financial statements

Preparation of the Financial Statements and Directors' Responsibilities

The Directors are required by UK company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss for that period. In preparing the financial statements, the Directors are required to select suitable accounting policies and apply them consistently and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business. The Directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company and prevent and detect fraud and other irregularities.

Basis of Consolidation and Presentation of Financial Information

The preparation of the Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AstraZeneca has adopted the provisions of UITF38 'Accounting for ESOP trusts' in the current year. There was no effect on results and the effect on net assets was not significant.

Differences between UK and US accounting principles (continued)

The weighted average amortisation period in respect of each class of intangible asset is as follows:

Product rights	13 years
Marketing and distribution rights	16 years
Software	4 years
Other	8 years

Goodwill

The changes in the carrying amount of goodwill for the two years ended 31 December 2004 were as follows:

	$m
Balance as at 1 January 2003	13,647
Acquired	1
Exchange adjustments	1,658
Balance as at 1 January 2004	**15,306**
Exchange and other movements	837
Balance as at 31 December 2004	**16,143**

US GAAP Condensed Consolidated Statement of Cash Flows

For the years ended 31 December	2004 $m	2003 $m	2002 $m
Cash flows from operating activities	**4,842**	3,416	4,833
Cash flows from investing activities			
Movement in short term investments and fixed deposits	**(862)**	771	(806)
New fixed asset investments	**(117)**	(120)	(1)
Disposal of fixed assets	**35**	38	66
Acquisitions and disposals	**355**	80	–
Capital expenditure	**(1,183)**	(1,515)	(1,608)
Net cash outflows from investing activities	**(1,772)**	(746)	(2,349)
Net cash flow before financing	**3,070**	2,670	2,484
Cash flows from financing activities			
Equity dividends paid	**(1,378)**	(1,222)	(1,234)
Re-purchase of AstraZeneca PLC Ordinary Shares	**(2,110)**	(1,107)	(1,154)
Net increase/(decrease) in short term borrowings	**2**	–	(13)
New loans/(loans repaid)	**725**	(345)	(105)
Net cash outflows from financing activities	**(2,761)**	(2,674)	(2,506)
Increase/(decrease) in cash	**309**	(4)	(22)
Cash:			
At 1 January	**581**	524	510
Increase/(decrease) in cash	**309**	(4)	(22)
Exchange movements	**23**	61	36
At 31 December	**913**	581	524

Interest paid was $62m 2004, $32m in 2003 and $96m in 2002. Interest received was $119m in 2004, $117m in 2003 and $142m in 2002. Tax paid was $1,246m in 2004, $886m in 2003 and $795m in 2002.

Additional Information for US Investors continued

Differences between UK and US accounting principles (continued)

Shareholders' equity	2004 $m	2003 $m
Total shareholders' equity under UK GAAP	**14,418**	13,178
Adjustments to conform to US GAAP		
Purchase accounting adjustments (including goodwill and intangibles)		
Deemed acquisition of Astra		
Goodwill	**15,099**	14,311
Tangible and intangible fixed assets	**6,988**	7,661
Others	**206**	145
Capitalisation, less disposals and amortisation of interest	**254**	255
Deferred taxation		
On fair value of Astra	**(2,134)**	(2,313)
Others	**(92)**	(207)
Dividend	**1,061**	914
Pension and other post-retirement benefits expense	**(573)**	(534)
Software costs capitalised	**52**	46
Fair value of financial instruments	**2**	109
Deferred income recognition	**–**	–
Others	**33**	89
Shareholders' equity in accordance with US GAAP	**35,314**	33,654

Acquired intangible assets

Details of the carrying amounts of intangible fixed assets and past and projected amortisation expenses are set out below.

	2004		2003	
	Gross carrying amount $m	**Accumulated amortisation $m**	Gross carrying amount $m	Accumulated amortisation $m
Product rights	**14,590**	**(6,744)**	13,733	(5,274)
Marketing and distribution rights	**1,729**	**(1,043)**	1,659	(831)
Software	**589**	**(367)**	462	(305)
Others	**460**	**(360)**	421	(329)
Total	**17,368**	**(8,514)**	16,275	(6,739)

Aggregate amortisation expense

	$m
For year ended 31 December 2004	1,316
For year ended 31 December 2003	1,245
For year ended 31 December 2002	1,154

Estimated amortisation expense

	$m
For year ended 31 December 2005	1,316
For year ended 31 December 2006	1,304
For year ended 31 December 2007	1,216
For year ended 31 December 2008	1,216
For year ended 31 December 2009	1,216

Differences between UK and US accounting principles (continued)

Taxation

Years ended 31 December	2004 $m	2003 $m	2002 $m
Taxes on income from continuing operations			
UK taxation			
Corporation tax	**379**	138	165
Double taxation relief	**(22)**	(23)	(7)
Adjustment in respect of prior period	**(178)**	–	–
Deferred taxation	**(47)**	88	40
Overseas taxation			
Overseas taxes	**992**	878	921
Adjustments in respect of prior periods	**7**	35	(51)
Deferred taxation	**(250)**	(151)	(33)
Share of taxation of joint ventures and associates	**–**	–	–
Taxes on income from continuing operations	**881**	965	1,035

The table below reconciles the UK statutory tax charge to the Group's actual charge on income from continuing operations.

Years ended 31 December	2004 $m	2003 $m	2002 $m
Income on continuing operations	**3,932**	3,233	3,342
Taxation charge at UK corporation tax rate of 30% for 2004 (30% for 2003, 30% for 2002)	**1,180**	970	1,002
Differences in effective overseas tax rates	**27**	(41)	6
Items not deductible for tax purposes	**40**	89	83
Items not chargeable for tax purposes	**(71)**	(88)	(110)
Adjustments in respect of prior periods	**(171)**	35	(51)
Exceptional items	**(124)**	–	105
Tax on income from continuing operations	**881**	965	1,035

In 2004, claims amounting to $nil (2003 $95m) for tax relief arising as a result of a restructuring of the AMI joint venture in 1998 were made. Under US GAAP, these reliefs are adjusted against the goodwill arising on the restructuring and included in other adjustments.

Additional Information for US Investors continued

Differences between UK and US accounting principles (continued)

Assumed discount rates and rates of increase in remuneration used in calculating the projected benefit obligations together with long term rates of return on plan assets vary according to the economic conditions of the country in which the retirement plans are situated. The weighted average rates used for calculation of year end benefit obligations and forecast benefit cost in the retirement plans and other benefit obligations for SFAS 132 purposes were as follows:

	Pension benefits			Other post-retirement benefits		
	2004	2003	2002	**2004**	2003	2002
	%	%	%	**%**	%	%
Discount rate	**5.2**	5.5	5.8	**5.7**	5.9	6.6
Long term rate of increase in remuneration	**3.9**	4.0	4.1	**n/a**	n/a	n/a
Expected long term return on assets	**6.8**	6.6	6.4	**7.8**	7.8	7.8

The Group has assumed a long term rate of increase in healthcare costs of 8%, reducing to 4%.

	Pension benefits			Other post-retirement benefits		
	2004	2003	2002	**2004**	2003	2002
	$m	$m	$m	**$m**	$m	$m
Net periodic cost						
Service cost – present value of benefits accruing during the year	**229**	171	146	**11**	9	8
Interest cost on projected benefit obligations	**385**	329	287	**14**	14	14
Expected return on assets	**(406)**	(308)	(276)	**(15)**	(14)	–
Net amortisation and deferral	**76**	45	34	**3**	2	(1)
Net periodic cost for the year	**284**	237	191	**13**	11	21

It is estimated that a one percentage point change in the weighted average healthcare costs trend would have the following effects on the accumulated benefit obligation and net periodic cost at 31 December 2004:

	One percentage point	
	Increase	Decrease
	$m	$m
Accumulated benefit obligation	15	(13)
Net periodic cost	2	(2)

The weighted average allocation of pension and other post-retirement plan assets was as follows:

	2004	2003
	%	%
Equities	**49.7**	49.2
Bonds	**36.0**	48.8
Other	**14.3**	2.0

The benefits expected to be paid in the future are as follows:

	$m
2005	326
2006	337
2007	349
2008	362
2009	376
2010 – 2014	1,761

Differences between UK and US accounting principles (continued)

Pension and post-retirement benefits

For the purposes of US GAAP, the pension information as set out in Note 28 in respect of the UK retirement plans and of the retirement plans of the non-UK subsidiaries have been restated in the following tables in accordance with the requirements of SFAS 132. These plans comprise substantially all of the actuarial liabilities of all AstraZeneca retirement plans. The changes in projected benefit obligations, plan assets and details of the funded status of these retirement plans, together with the changes in the accumulated other post-retirement benefit obligations, under SFAS 132 are as follows:

	Pension benefits		Other post-retirement benefits	
Change in projected benefit obligation	**2004 $m**	2003 $m	**2004 $m**	2003 $m
Benefit obligation at beginning of year	**7,416**	5,943	**242**	210
Service cost	**229**	171	**11**	9
Interest cost	**385**	329	**14**	14
Participant contributions	**30**	26	**1**	1
Actuarial loss	**328**	545	**(3)**	24
Special termination benefits	**–**	–	**–**	–
Settlement and curtailment	**10**	5	**–**	–
Benefits paid	**(281)**	(245)	**(18)**	(19)
Exchange	**590**	642	**2**	3
Benefit obligation at end of year	**8,707**	7,416	**249**	242

	Pension benefits		Other post-retirement benefits	
Change in plan assets	**2004 $m**	2003 $m	**2004 $m**	2003 $m
Fair value at beginning of year	**5,905**	4,549	**195**	133
Actual return on plan assets	**565**	590	**22**	35
Group contribution	**280**	489	**17**	43
Participant contributions	**30**	26	**–**	1
Settlement and curtailment	**–**	–	**–**	–
Benefits paid	**(281)**	(245)	**(17)**	(17)
Exchange	**473**	496	**–**	–
Fair value of plan assets at end of year	**6,972**	5,905	**217**	195
Funded status of plans	**(1,735)**	(1,511)	**(32)**	(47)
Unrecognised net loss	**1,644**	1,503	**29**	36
Prior service cost not recognised	**15**	25	**(11)**	(9)
Unrecognised net obligation on implementation	**(1)**	(1)	**25**	29
	(77)	16	**11**	9
Adjustments to recognise minimum liability:				
Intangible assets	**(36)**	(39)	**–**	–
Accumulated other comprehensive income	**(217)**	(260)	**–**	–
Accrued benefit asset/(liability)	**(330)**	(283)	**11**	9

At 31 December 2004, the projected benefit obligation, accumulated benefit obligation and fair value of the plan assets in respect of the pension plans above with accumulated benefit obligations in excess of plan assets were $6,699m, $5,800m and $5,220m, (2003 $5,779m, $4,961m and $4,415m) respectively. The total accumulated benefit obligations for the pension plans was $7,443m (2003 $6,239m). The measurement date for the plan assets and benefit obligations set out above was 31 December 2004. Contributions to the plans in 2005 are *estimated to be $224m.*

Additional Information for US Investors continued

Differences between UK and US accounting principles (continued)

Stock compensation

In the Group's Financial Statements prepared under UK GAAP, no cost is accrued for the share options awarded to employees under the AstraZeneca Share Option Plan, and the AstraZeneca Savings-Related Share Option Plan as the exercise price is equivalent to the market value at the date of grant. Under US GAAP the cost is calculated as the difference between the option price and the market price at the date of grant or, for variable plans, at the end of the reporting period (until measurement date). Under the requirements of APB Opinion No. 25 any compensation cost would be amortised over the period from the date the options are granted to the date they are first exercisable. Under US GAAP in the net income reconciliation, the Group has adjusted for stock compensation costs as calculated under APB Opinion No. 25. SFAS No.123 'Accounting for Stock-Based Compensation' sets out an alternative methodology for recognising the compensation cost based on the fair value at grant date. Had the Group adopted this methodology, the incremental effect on net income under US GAAP is shown below:

	2004 $m	2003 $m	2002 $m
Net income under US GAAP as reported	**3,051**	2,268	2,307
Compensation cost under APB No. 25	**(11)**	12	(33)
Compensation cost under SFAS No. 123	**(147)**	(154)	(122)
Pro forma net income	**2,893**	2,126	2,152
Pro forma net income per $0.25 Ordinary Share and ADS in accordance with US GAAP (basic and diluted):			
As reported	**$1.82**	$1.33	$1.33
Pro forma	**$1.73**	$1.24	$1.24

The fair value of options granted is estimated, based on the stock price at the grant date, using the Black-Scholes option pricing model with the following assumptions:

	2004	2003	2002
Dividend yield	**2.3%**	2.0%	1.6%
Expected volatility	**25.0%**	25.0%	30.0%
Risk-free interest rate	**3.5%**	4.3%	5.2%
Expected lives: AstraZeneca Share Option Plan	**6.0 years**	6.0 years	6.0 years
Expected lives: SAYE Plan	**3.8 years**	4.3 years	4.3 years

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Operations

For the years ended 31 December	2004 $m	2003 $m	2002 $m
Sales	**21,426**	18,849	17,841
Cost of sales	**(5,150)**	(4,469)	(4,520)
Distribution costs	**(177)**	(162)	(141)
Research and development	**(3,858)**	(3,451)	(3,069)
Selling, general and administrative expenses	**(7,889)**	(6,941)	(6,165)
Amortisation of intangibles	**(953)**	(881)	(1,052)
Other income	**534**	225	308
Operating income	**3,933**	3,170	3,202
Net interest (expense)/income	**(1)**	63	140
Income from continuing operations before taxation	**3,932**	3,233	3,342
Taxes on income from continuing operations	**(881)**	(965)	(1,035)
Net income from continuing operations	**3,051**	2,268	2,307
Net income for the year	**3,051**	2,268	2,307
Weighted average number of $0.25 Ordinary Shares in issue (millions)	**1,673**	1,709	1,733
Dilutive impact of share options outstanding (millions)	**2**	3	2
Diluted weighted average number of $0.25 Ordinary Shares in accordance with US GAAP (millions)	**1,675**	1,712	1,735
Net income per $0.25 Ordinary Share and ADS in accordance with US GAAP – basic and diluted	**$1.82**	$1.33	$1.33

US GAAP Statement of Comprehensive Income

For the years ended 31 December	2004 $m	2003 $m	2002 $m
Net income for the year	**3,051**	2,268	2,307
Exchange gains net of tax	**2,106**	3,635	2,919
Other movements, net of tax	**20**	(81)	(73)
Total Comprehensive Income	**5,177**	5,822	5,153

Other movements in 2004 include a reduction in the minimum liability under SFAS No. 87 'Employers' Accounting for Pensions' from $39m to $36m. Tax effects on exchange gains/(losses) were $(82)m and on other movements $27m.

The cumulative exchange gains and losses (net of tax) on the translation of foreign currency financial statements under US GAAP are set out in the following note:

For the years ended 31 December	2004 $m	2003 $m	2002 $m
Balance at 1 January	**2,236**	(1,399)	(4,318)
Movement in year	**2,106**	3,635	2,919
Balance at 31 December	**4,342**	2,236	(1,399)

The cumulative total of other movements (net of tax) at 31 December 2004 was a charge of $134m (2003 $154m, 2002 $73m).

Additional Information for US Investors continued

Differences between UK and US accounting principles (continued)

Net income

As a result of the significant difference between the UK GAAP and US GAAP treatment of the combination of Astra and Zeneca in the year of acquisition, and in the results of preceding periods, condensed statements of operations and cash flow under US GAAP have been prepared for the benefit of US investors.

The following is a summary of the adjustments to net income and shareholders' equity which would have been required if US GAAP had been applied instead of UK GAAP.

		2004 $m	2003 $m	2002 $m
Net income, as shown in the consolidated statements of income before exceptional items		**3,527**	3,036	3,186
Exceptional items after tax		**286**	–	(350)
Net income for the period under UK GAAP		**3,813**	3,036	2,836
Adjustments to conform to US GAAP				
Purchase accounting adjustments (including goodwill and intangibles)				
Deemed acquisition of Astra				
Amortisation and other acquisition adjustments		**(1,014)**	(952)	(864)
Others		**49**	59	55
Capitalisation, less disposals and amortisation of interest		**(1)**	17	46
Deferred taxation				
On fair values of Astra		**283**	266	239
Others		**90**	(91)	(99)
Pension and other post-retirement benefits expense		**(52)**	(43)	(46)
Software costs		**6**	(18)	(46)
Share based compensation		**11**	(12)	33
Fair value of financial instruments		**(94)**	10	93
Research and development	**(31)**	–	–	
Deferred income recognition		**–**	14	61
Unrealised losses on foreign exchange and others		**(9)**	(18)	(1)
Net income in accordance with US GAAP		**3,051**	2,268	2,307

In March 2004, the Emerging Issues Task Force (EITF) issued EITF Issue No. 03-6 Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share'. This guidance addressed changes in the reporting and calculation requirements for earnings per share, setting out the method to be used when a company has granted holders of any form of security rights to participate in the earnings of the company along with the participation rights of common stockholders. The adoption of EITF 03-6 had no effect on AstraZeneca.

In June 2004, the EITF issued EITF Issue No. 03-1 'The Meaning of Other Than Temporary Impairment and Its Application to Certain Investments'. The guidance details how to determine the meaning of other than temporary impairment and its application to debt and equity securities within the scope of SFAS No. 115 'Accounting for Certain Investments in Debt and Equity Securities' (SFAS No. 115) and to equity securities that are not subject to the scope of SFAS No. 115 and are not accounted for under the equity methods of accounting.

The guidance also includes accounting considerations subsequent to the recognition of an other than temporary impairment and requires certain disclosures about unrealised losses that have not been recognised as other than temporary impairments. These disclosure requirements became effective for periods ended prior to 30 June 2004. The introduction of recognition and measurement guidance of EITF 03-1 has been deferred. The disclosure requirements did not have a significant effect on AstraZeneca; it is not expected that the recognition and measurement requirements will have a material impact either.

In November 2004, the FASB issued SFAS No. 151 'Inventory Costs' to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). The Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 is not expected to have a material effect on the results or net assets of AstraZeneca.

In December 2004, the FASB issued SFAS No. 152 'Accounting for Real Estate Time-sharing Transactions, an amendment of FASB Statements No. 66 and 67' which provides that real estate time-sharing transactions should be accounted for as nonretail land sales. SFAS No. 152 is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 152 is not expected to have a material effect on the net assets or results of AstraZeneca.

In December 2004, the FASB issued SFAS No. 153 'Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29' which replaces the current exception from fair value measurement for non-monetary exchanges of similar productive assets with a general exception from fair value measurement for exchanges of non-monetary assets that do not have commercial substance.

SFAS No. 153 shall be applied prospectively and is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material effect on the results or net assets of AstraZeneca.

In December 2004, the FASB issued SFAS No. 123(R) 'Share-Based Payment' that will require compensation costs related to share-based payment transactions to be recognised in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognised over the period that an employee provides service in exchange for the award. Statement 123(R) replaces SFAS No. 123, 'Accounting for Stock-Based Compensation', and supersedes APB Opinion No. 25, 'Accounting for Stock Issued to Employees'.

The effective date of SFAS No. 123(R) is accounting periods commencing on or after June 15, 2005. The standard should be applied using the modified prospective method although there are transitional arrangements for modified retrospective application if the disclosure or recognition requirements of SFAS No. 123 had previously been adopted. AstraZeneca has not yet determined the effect of the adoption of SFAS No. 123(R).

Additional Information for US Investors continued

Differences between UK and US accounting principles (continued)

(iii) under US GAAP, a negative pension cost may arise where a significant unrecognised net asset or gain exists at the time of implementation. This is required to be amortised on a straight-line basis over the average remaining service period of employees. Under UK GAAP, AstraZeneca's policy is not to recognise pension credits in its Financial Statements unless a refund of, or reduction in, contributions is likely; and

(iv) under US GAAP, a minimum pension liability is recognised through other comprehensive income in certain circumstances when there is a deficit of plan assets relative to the accumulated benefits obligation. Under UK GAAP, there is no such requirement.

Restructuring costs
Under UK GAAP, provisions are made for restructuring costs once a detailed formal plan is in place and valid expectations have been raised in those affected that the restructuring will be carried out. US GAAP requires a number of specific criteria to be met before such costs can be recognised as an expense. Among these are the requirements that costs associated with exit or disposal activities are recognised when the costs are incurred rather than at the date of commitment to an exit or disposal plan. To the extent that restructuring costs are related to the activities of the acquired company, US GAAP allows them to be recognised as a liability upon acquisition.

Intangible assets
Under UK GAAP, AstraZeneca capitalises certain defined software costs and amortises these over five years. Under US GAAP, software costs are generally capitalised and amortised over three to five years.

Under UK GAAP certain payments for rights to compounds in development are capitalised. Under US GAAP these payments are expensed.

Foreign exchange
Under UK GAAP, unrealised gains and losses on foreign currency transactions to hedge anticipated, but not firmly committed, foreign currency transactions may be deferred and accounted for at the same time as the anticipated transactions. Under US GAAP, such deferral is not permitted except in certain defined circumstances.

Financial instruments and hedging activities
Under US GAAP, all derivative instruments should be recognised as assets or liabilities in the balance sheet at fair value. Gains and losses are recognised in net income unless they are regarded as hedges. Under UK GAAP, these instruments are measured at cost and gains or losses deferred until the underlying transactions occur.

Under US GAAP, marketable securities are recognised at fair value, with movements in fair value taken to a separate component of equity. Under UK GAAP, such investments are held at cost.

Deferred income
Under UK GAAP, profits or losses from the sale of product related intangible assets are generally taken to other operating income at disposal and are stated after taking account of product disposal costs and costs of minor outstanding obligations. Under US GAAP, such profits are deferred and recognised in the income statement in subsequent periods until all disposal obligations and commitments have been completed.

Share-based compensation
In the Group's Financial Statements prepared under UK GAAP, no cost is accrued for the share options awarded to employees under the AstraZeneca Share Option Plan and the AstraZeneca Savings-Related Share Option Plan as the exercise price is equivalent to the market value at the date of grant. Under US GAAP, the cost is calculated as the difference between the option price and the market price at the date of grant or, for variable plans, at the end of the reporting period (until measurement date). Under the requirements of APB Opinion No. 25 any compensation cost would be charged over the period from the date the options are granted to the date they are first exercisable. Under US GAAP, in the net income reconciliation, the Group has adjusted for stock compensation costs calculated under APB Opinion No. 25.

Statement of cash flows: Basis of preparation
AstraZeneca's statement of Group cash flow is prepared in accordance with UK Financial Reporting Standard 1 (Revised 1996) ('FRS 1'), whose objective and principles are similar to those set out in SFAS 95, 'Statement of Cash Flows'. The principal differences between the standards relate to classification. Under FRS 1, the Company presents its cash flows for (a) operating activities; (b) dividends received from joint ventures and associates; (c) returns on investments and servicing of finance;

(d) tax paid; (e) capital expenditure and financial investment; (f) acquisitions and disposals; (g) dividends paid to shareholders; (h) management of liquid resources; and (i) financing. SFAS 95 requires only three categories of cash flow activity being (a) operating; (b) investing; and (c) financing.

Cash flows from taxation, returns on investments and servicing of finance and dividends received from joint ventures and associates under FRS 1 would be included as operating activities under SFAS 95; capital expenditure and financial investment and acquisitions and disposals would be included as investing activities; and distributions would be included as a financing activity under SFAS 95. Under FRS 1 cash comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand; and liquid resources comprise current asset investments held as readily disposable stores of value. Under SFAS 95 cash equivalents, comprising short term highly liquid investments, generally with original maturities of three months or less, are grouped together with cash; short term borrowings repayable on demand would not be included within cash and cash equivalents and movements on those borrowings would be included in financing activities.

New accounting standards
FIN No. 46R 'Consolidation of Variable Interest Entities' is intended to address perceived weaknesses in accounting for special purpose or off-balance sheet entities and provides guidance on identifying the primary beneficiary resulting from arrangements or financial interests as opposed to voting rights. If a party is a primary beneficiary then the assets, liabilities and results of the VIE should be included in the consolidated financial statements of the party. FIN46R applied to all VIEs or potential VIEs referred to as special purpose entities for periods ending on or after 15 December 2003. Adoption for all other entities was required for periods ending on or after 15 March 2004. FIN46R did not have a material effect on the results or net assets of AstraZeneca.

Additional Information for US Investors

Introduction
The accompanying consolidated Financial Statements included in this Annual Report are prepared in accordance with UK GAAP. There are certain significant differences between UK GAAP and US GAAP which affect AstraZeneca's net income and shareholders' equity and, on pages 125 to 135, additional information under US GAAP is set out as follows:

> summary of differences between UK and US GAAP accounting principles; page 125

> net income; page 128

> US GAAP condensed consolidated statement of operations; page 129

> US GAAP statement of comprehensive income; page 129

> stock compensation; page 130

> pension and post-retirement benefits; page 131

> taxation; page 133

> shareholders' equity; page 134

> acquired intangible assets and goodwill; page 134

> US GAAP condensed consolidated statement of cash flows; page 135

Differences between UK and US accounting principles

Purchase accounting adjustments
Under UK GAAP, the merger of Astra and Zeneca was accounted for as a 'merger of equals' (pooling-of-interests). Under US GAAP the merger was accounted for as the acquisition of Astra by Zeneca using 'purchase accounting'. Under purchase accounting, the cost of the investment is calculated at the market value of the shares issued together with other incidental costs and the assets and liabilities of the acquired entity are recorded at fair value. As a result of the fair value exercise, increases in the values of Astra's tangible fixed assets and inventory were recognised and values attributed to their in-process research and development and existing products, together with appropriate deferred taxation effects. The difference between the cost of investment and the fair value of the assets and liabilities of Astra was recorded as goodwill. The amount allocated to in-process research and development was, as required by US GAAP, expensed immediately in the first reporting period after the business combination. Fair value adjustments to the recorded amount of inventory were expensed in the period the inventory was utilised. Additional amortisation and depreciation have also been recorded in respect of the fair value adjustments to tangible and intangible assets.

In the consolidated Financial Statements prepared under UK GAAP, goodwill arising on acquisitions made prior to 1 January 1998 accounted for under the purchase method has been eliminated against shareholders' equity. Under the requirements of UK Financial Reporting Standard 10 'Goodwill and Intangible Assets', goodwill on acquisitions made after 1 January 1998 is capitalised and amortised over its estimated useful life which is generally presumed not to exceed 20 years. UK GAAP requires that on subsequent disposal or termination of a previously acquired business, any goodwill previously taken directly to shareholders' equity is then charged in the income statement against the profit or loss on disposal or termination. Up until 1 January 2002, under US GAAP, goodwill was required to be capitalised and amortised. Now, instead of being amortised, goodwill is tested annually for impairment. Amortisation charged under UK GAAP is added back in the reconciliation of net income.

Identifiable intangible assets, which principally include patents, 'know-how' and product registrations, are amortised over their estimated useful lives which vary between five years and 20 years with a weighted average life of approximately 13 years.

At 31 December 2004 and 2003 under US GAAP, shareholders' equity includes capitalised goodwill of $16,143m and $15,306m respectively (net of amortisation and impairment of $2,698m and $2,596m) and capitalised identifiable intangible assets of $8,854m and $9,536m respectively (net of amortisation and impairment of $8,514m and $6,739m). Goodwill on businesses disposed of is charged to the gain or loss on disposal.

On disposal of a business, the gain or loss under US GAAP may differ from that under UK GAAP due principally to goodwill capitalised and amortised, together with the appropriate share of other differences between UK and US accounting principles recognised previously.

Capitalisation of interest
AstraZeneca does not capitalise interest in its UK GAAP Financial Statements. US GAAP requires interest incurred as part of the cost of constructing fixed assets to be capitalised and amortised over the life of the asset.

Dividends
Under UK GAAP, Ordinary Share dividends proposed are provided for in the year in respect of which they are recommended by the Board of Directors for approval by the shareholders. Under US GAAP, such dividends are not provided for until declared by the Board.

Deferred taxation
Deferred taxation is provided on a full liability basis under US GAAP, which permits deferred tax assets to be recognised if their realisation is considered to be more likely than not. Under current UK GAAP, full provision is also made although there are a number of different bases on which this calculation is made, for example rolled over capital gains.

Pension and post-retirement benefits
There are four main differences between current UK GAAP and US GAAP in accounting for pension costs:

(i) US GAAP requires measurements of plan assets and obligations to be made as at the date of the financial statements or a date not more than three months prior to that date. Under UK GAAP, calculations may be based on the results of the latest actuarial valuation;

(ii) US GAAP mandates a particular actuarial method – the projected unit credit method – and requires that each significant assumption necessary to determine annual pension costs reflects best estimates solely with regard to that individual assumption. UK GAAP does not mandate a particular method, but requires that the method and assumptions taken as a whole should be compatible and lead to the actuary's best estimate of the cost of providing the benefits promised;

Principal Subsidiaries

At 31 December 2004	Country	Percentage of voting share capital held	Principal activity
UK			
AstraZeneca UK Limited	England	100#	Research and development, production, marketing
AstraZeneca Insurance Company Limited	England	100	Insurance and reinsurance underwriting
AstraZeneca Treasury Limited	England	100	Treasury
Continental Europe			
NV AstraZeneca SA	Belgium	100	Production, marketing
AstraZeneca Dunkerque Production SCS	France	100	Production
AstraZeneca SA	France	100	Research, production, marketing
AstraZeneca GmbH	Germany	100	Development, production, marketing
AstraZeneca Holding GmbH	Germany	100	Production, marketing
AstraZeneca SpA	Italy	100	Production, marketing
AstraZeneca Farmaceutica Spain SA	Spain	100	Production, marketing
AstraZeneca AB	Sweden	100	Research and development, production, marketing
AstraZeneca BV	The Netherlands	100	Marketing
The Americas			
AstraZeneca Canada Inc.	Canada	100	Research, production, marketing
IPR Pharmaceuticals Inc.	Puerto Rico	100	Development, production, marketing
AstraZeneca LP	US	99	Research and development, production, marketing
AstraZeneca Pharmaceuticals LP	US	100	Research and development, production, marketing
Zeneca Holdings Inc.	US	100	Production, marketing
Asia, Africa & Australasia			
AstraZeneca Pty Limited	Australia	100	Development, production, marketing
AstraZeneca KK	Japan	80	Production, marketing

Shares held directly

The companies and other entities listed above are those whose results or financial position principally affected the figures shown in the Group's annual Financial Statements. A full list of subsidiaries, joint ventures and associates will be annexed to the Company's next annual return filed with the Registrar of Companies. The country of registration or incorporation is stated alongside each company. The accounting dates of subsidiaries and associates are 31 December, except for Salick Health Care, Inc. which, owing to local conditions and to avoid undue delay in the preparation of the Financial Statements, is 30 November. AstraZeneca operates through 234 subsidiaries worldwide. The Group Financial Statements consolidate the Financial Statements of AstraZeneca PLC and its subsidiaries at 31 December 2004. Products are manufactured in some 20 countries worldwide and are sold in over 100 countries.

34 Called-up share capital of parent company

	Authorised	Allotted, called-up and fully paid	
	2004 $m	**2004 $m**	2003 $m
Ordinary Shares ($0.25 each)	**411**	**411**	423
Unissued Ordinary Shares ($0.25 each)	**189**	**–**	–
Redeemable Preference Shares (£1 each – £50,000)	**–**	**–**	–
	600	**411**	423

The Redeemable Preference Shares carry limited class voting rights and no dividend rights. This class of shares is capable of redemption at par at the option of the Company on the giving of seven days' written notice to the registered holder of the shares.

The movements in share capital during the year can be summarised as follows:

	No. of shares (million)	$m
At beginning of year	1,693	423
Issues of shares	2	1
Re-purchase of shares	(50)	(13)
At 31 December 2004	**1,645**	**411**

Share buy-back

During the year the Company purchased, and subsequently cancelled, 50,100,000 Ordinary Shares at an average price of 2376 pence per share. The total consideration, including expenses, was $2,212m. The excess of the consideration over the nominal value has been charged against the profit and loss account reserve.

Share schemes

A total of 2,456,945 Ordinary Shares were issued during the year in respect of share schemes. Details of movements in the number of Ordinary Shares under option are shown in Note 29; details of options granted to Directors are shown in the Directors' Remuneration Report.

Notes to the Financial Statements continued

33 Company information (continued)

Reserves	Share premium account $m	Capital redemption reserve $m	Other reserves $m	Profit and loss account $m	**2004 Total $m**	2003 Total $m
At beginning of year	449	23	1,841	26,135	**28,448**	30,655
Net gains for the year	–	–	–	1,172	**1,172**	244
Dividends	–	–	–	(1,555)	**(1,555)**	(1,350)
Share re-purchases	–	13	–	(2,212)	**(2,199)**	(1,147)
Share premiums	101	–	–	–	**101**	46
At end of year	550	36	1,841	23,540	**25,967**	28,448
Distributable reserves at end of year	–	–	591	617	**1,208**	1,592

As permitted by section 230 of the Companies Act 1985, the Company has not presented its profit and loss account.

At 31 December 2004 $22,923m (31 December 2003 $25,032m) of the profit and loss account reserve was not available for distribution. The majority of this non-distributable amount relates to profit arising on the sale of Astra AB to a subsidiary in 1999, which becomes distributable as the underlying receivable is settled. During 2004, $2,109m of the profit was realised by repayment. Subsequent to the year end a further $1,625m was repaid on 25 January 2005 resulting in additional distributable reserves not included in the figures above. Included in other reserves is a special reserve of $157m, arising on the redenomination of share capital in 1999.

Reconciliation of movement in shareholders' funds	**2004 $m**	2003 $m
Shareholders' funds at beginning of year	**28,871**	31,084
Net gains for the financial year	**1,172**	244
Dividends	**(1,555)**	(1,350)
Issues of AstraZeneca PLC Ordinary Shares	**102**	47
Re-purchase of AstraZeneca PLC Ordinary Shares	**(2,212)**	(1,154)
Net reduction in shareholders' funds	**(2,493)**	(2,213)
Shareholders' funds at end of year	**26,378**	28,871

33 Company information (continued)

Deferred taxation

The parent company had deferred tax assets of $25m at 31 December 2004, comprising of timing differences.

	Investments in subsidiaries		
Fixed asset investments	Shares $m	Loans $m	Total $m
Cost at beginning of year	6,645	295	6,940
Additions	70	747	817
Disposals and other movements	–	(12)	(12)
Net book value at 31 December 2004	**6,715**	**1,030**	**7,745**
Net book value at 31 December 2003	6,645	295	6,940

Non-trade creditors	**2004 $m**	2003 $m
Amounts due within one year		
Short term borrowings (unsecured)	**4**	3
Other creditors	**116**	154
Amounts owed to subsidiaries	**2,409**	2,049
Dividends to shareholders	**1,061**	914
	3,590	3,120

Loans – owed to subsidiaries	Repayment Dates	**2004 $m**	2003 $m
Loans (unsecured)			
US dollars			
7.2% loan	2023	**283**	295
Loans – external			
5.4% Callable bond	2014	**747**	–
Total loans		**1,030**	295
Loans or instalments thereof are repayable:			
After five years from balance sheet date		**1,030**	295
From two to five years		**–**	–
From one to two years		**–**	–
Total unsecured		**1,030**	295
Total due within one year		**–**	–
Total loans		**1,030**	295

Notes to the Financial Statements continued

33 Company information

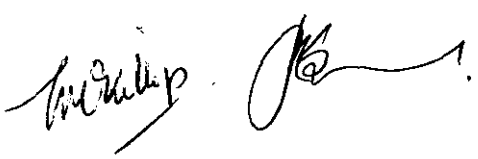
Company Balance Sheet

At 31 December	Notes	2004 $m	2003 $m
Fixed assets			
Fixed asset investments	33	**7,745**	6,940
Current assets			
Debtors – other		**25**	7
Debtors – amounts owed by subsidiaries		**23,228**	25,339
		23,253	25,346
Total assets		**30,998**	32,286
Creditors due within one year			
Non-trade creditors	33	**(3,590)**	(3,120)
Net current assets		**19,663**	22,226
Total assets less current liabilities		**27,408**	29,166
Creditors due after more than one year			
Loans – owed to subsidiaries	33	**(283)**	(295)
Loans – external	33	**(747)**	–
		(1,030)	(295)
Net assets		**26,378**	28,871
Capital and reserves			
Called-up share capital	34	**411**	423
Share premium account	33	**550**	449
Capital redemption reserve	33	**36**	23
Other reserves	33	**1,841**	1,841
Profit and loss account	33	**23,540**	26,135
Shareholders' funds – equity interests		**26,378**	28,871

The Financial Statements on pages 72 to 135 were approved by the Board of Directors on 27 January 2005 and were signed on its behalf by:

Sir Tom McKillop
Director

Jonathan Symonds
Director



32 Statutory and other information

	2004 $m	2003 $m	2002 $m
Audit fees – KPMG Audit Plc and its associates			
Audit services	**8.4**	5.4	3.5
Further assurance services	**1.4**	2.1	1.5
Taxation services	**2.0**	1.8	1.8
Other services	**–**	–	0.2
	11.8	9.3	7.0
Audit fees – others	**–**	–	0.1
	11.9	9.3	7.1

Audit services include fees in respect of the Group audit, the audit of the Group's preliminary financial statements under International Financial Reporting Standards, work in relation to Sarbanes-Oxley s.404, and fees for other services required by statute or regulation. The fee for the audit of the parent company is $1,600 (2003 $1,600, 2002 $1,600). Fees for further assurance services include employee pension fund and other benefit plan audit services together with control reviews associated with new systems implementations. Taxation services consist of tax compliance services and tax advice.

$0.9m (2003 $0.5m, 2002 $0.4m) of the total fees for further assurance, taxation and other services were charged in the UK.

Related party transactions
The Group had no material related party transactions which might reasonably be expected to influence decisions made by the users of these Financial Statements.

Subsequent events
No significant change has occurred since the date of the annual Financial Statements.

Notes to the Financial Statements continued

31 Leases

Total rentals under operating leases charged to profit and loss account were as follows:

	2004 $m	2003 $m	2002 $m
Hire of plant and machinery	**32**	21	23
Other	**44**	73	96
	76	94	119

Commitments under operating leases to pay rentals during the year following the year of these Financial Statements analysed according to the period in which each lease expires were as follows:

	Land and buildings		Other assets	
	2004 $m	2003 $m	2004 $m	2003 $m
Expiring within one year	**7**	9	**12**	13
Expiring in years two to five	**25**	23	**31**	26
Expiring thereafter	**35**	38	**2**	3
	67	70	**45**	42

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year at 31 December 2004 were as follows:

	Operating leases	
	2004 $m	2003 $m
Obligations under leases comprise		
Rentals due within one year	**112**	112
Rentals due after more than one year		
After five years from balance sheet date	**69**	80
From four to five years	**28**	25
From three to four years	**35**	28
From two to three years	**45**	40
From one to two years	**63**	56
	240	229
	352	341

The Group had no commitments (2003 $nil) under finance leases at the balance sheet date which were due to commence thereafter.

30 Assets pledged, commitments and contingent liabilities (continued)

Drug importation anti-trust litigation
In May 2004, plaintiffs in a purported class action filed complaints in the US District Court in Minnesota and in New Jersey, alleging that AstraZeneca Pharmaceuticals LP and eight other pharmaceutical manufacturer defendants conspired to prevent American consumers from purchasing prescription drugs from Canada, "depriving consumers of the ability to purchase" drugs at competitive prices. The New Jersey case was voluntarily dismissed in July 2004 and only the Minnesota proceedings remain pending. The plaintiffs seek injunctive relief, restitution and other remedies. The defendants in the Minnesota action filed a motion to dismiss the case for failure to state a cause of action.Oral argument on the motion to dismiss was heard in January 2005. A decision on the motion is awaited.

In August 2004, Californian retail pharmacy plaintiffs filed an action in the Superior Court of California making similar allegations. As in the Minnesota action, the defendants in this action have moved to dismiss the case for failure to state a cause of action. It is expected that oral argument on the motion will be held in early 2005.

AstraZeneca denies the material allegations of both the Minnesota and California actions and is vigorously defending these matters.

StarLink
AstraZeneca Insurance Company Limited (AZIC) has commenced arbitration proceedings in the UK against insurers in respect of amounts paid by Garst Seed Company of the US in settlement of claims arising in the US from Garst's sale of StarLink, a genetically engineered corn seed. AstraZeneca's interest in Garst is through AstraZeneca's 50% ownership of Advanta BV, the sale of which to Syngenta was announced in May 2004 and completed in September 2004. AZIC's claim against the insurers will not be affected by the disposal of AstraZeneca's interest in Advanta BV.

Salick Health Care, Inc.
In April 2004, Comprehensive Cancer Centers, Inc. (CCC), a subsidiary of Salick Health Care, Inc. (SHC) received a subpoena from the US Department of Justice seeking, among other items, medical records and related documentation for services provided to patients at the Comprehensive Cancer Center at Desert Regional Medical Center in Palm Springs, California. The Center is managed by CCC, the SHC subsidiary which is co-operating fully with the document request.

Taxation
Where tax exposures can be quantified a provision is made based on best estimates and management's judgment. Details of the material tax exposures are as follows:

AstraZeneca has made certain double taxation relief claims in accordance with its understanding of existing law. We understand that other taxpayers have recently been denied credit for foreign taxes in similar claims. The estimated tax exposure provided for in respect of the issue is $197m although the potential additional losses above and beyond the amount provided is estimated to be up $130m; however, management believes that it is unlikely that these additional losses will arise. AstraZeneca expects a definitive ruling or clarification of law on the availability of credit for foreign taxes in the next 12 months. Until these cases are resolved either in Court or through clarification of existing law, there is some risk that credits may not be allowed giving rise to effective double taxation. In this event, the Company will seek relief under the relevant double tax treaty.

AstraZeneca faces a number of transfer pricing audits in jurisdictions around the world. The issues under audit are often complex and can require many years to resolve. Accruals for tax contingencies require management to make estimates and judgments with respect to the ultimate outcome of a tax audit and actual results could vary from these estimates. The total accrual included in the financial statements to cover the worldwide exposure to transfer pricing is $400m. It is not possible to estimate any additional exposure that may arise or the timing of tax cash flows in relation to each outcome.

Included in the provision is an amount of interest of $107m. Interest is accrued as a tax expense.

Of the remaining tax exposures the Company does not expect material additional losses.

General
With respect to each of the legal proceedings described above, other than those which have been disposed of, we are unable to make estimates of the loss or range of losses at this stage. We also do not believe that disclosure of the amount sought by plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors including for example, the stage of the proceedings (in many cases trial dates have not been set) and overall length and extent of legal discovery, the entitlement of the parties to an action to appeal a decision, clarity as to theories of liability, damages and governing law, uncertainties in timing of litigation and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. However, although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this Note 30 to the Financial Statements, we do not expect them to have a materially adverse effect on our financial position or profitability.

Notes to the Financial Statements continued

30 Assets pledged, commitments and contingent liabilities (continued)

Average wholesale price class action litigation
In January 2002, AstraZeneca was named as a defendant along with 24 other pharmaceutical manufacturers in a class action suit, in Massachusetts, brought on behalf of a putative class of plaintiffs alleged to have overpaid for prescription drugs as a result of inflated wholesale list prices. The suit seeks to recover unspecified damages. AstraZeneca has also been named as a co-defendant with various other pharmaceutical manufacturers in similar suits filed in nine other states. Most of these suits have been consolidated with the Massachusetts action for pre-trial purposes pursuant to federal multi-district litigation procedures. The court has issued a scheduling order setting out a briefing schedule for class certification and summary judgment motions. That order groups five of the pharmaceutical manufacturer co-defendants, including AstraZeneca, into a group called the 'Fast Track' defendants. The court has scheduled a hearing on the plaintiffs' motion for class certification relating to the Fast Track defendants for February 2005. A hearing on the Fast Track motions for summary judgment is scheduled for June 2005. In addition to the consolidated proceedings in Massachusetts, additional suits are proceeding independently in four states. These include separate suits brought by the Commonwealth of Pennsylvania, the Commonwealth of Kentucky and the State of Wisconsin to recover alleged damages on behalf of those states and their residents, as well as a class action brought by an individual plaintiff in Arizona on behalf of individuals and entities in that state. AstraZeneca believes that it has meritorious defences to all of these claims.

Retail pharmacies'/drug purchasers' actions
Since October 1993, several thousand retail pharmacies and certain retail drug purchasers have commenced purported class actions and individual actions in various federal and state courts throughout the US alleging that, with respect to brand name prescription drugs, manufacturers and wholesalers engaged in discriminatory pricing practices, discriminatory discounting and rebate practices, and/or conspired with one another to fix prices and artificially maintain high prices to the plaintiffs in restraint of trade and commerce. More than 20 brand name prescription drug manufacturers and eight wholesalers have been named defendants in some or all of these suits.

In November 2004, AstraZeneca settled the single remaining retail case pending against it in the Northern District of Illinois. Consequently, all of these cases against AstraZeneca have now been settled or dismissed.

Additional government investigations into drug marketing practices
As is true for most, if not all, major prescription pharmaceutical companies operating in the US, AstraZeneca is currently involved in multiple additional US federal and state criminal and civil investigations into drug marketing and pricing practices. Five of these investigations are being handled by the US Attorney's Office in Boston. One involves a request for production of documents relating to the sale and promotion of Prilosec to the New England Medical Center in Boston. A second subpoena from the same office requests documents relating to the sale and marketing of products to an individual physician in Worcester, Massachusetts and certain physicians and entities affiliated with that physician. A third subpoena from that office seeks documents relating to speaker programmes involving healthcare professionals at three regional healthcare entities in the Boston area. A fourth subpoena requests documents relating to interactions with physicians at a large, regional clinic and affiliated entities in north eastern Massachusetts. The fifth subpoena from the Boston US Attorney's Office relates to the marketing and sale of three products (*Zestril*, *Naropin* and *Cefotan*) to a leading provider of pharmacy services to long term care facilities.

AstraZeneca has received a subpoena from the Massachusetts Attorney General's Office seeking documents relating to the sale and promotion of five products (*Prilosec*, *Seroquel*, *Rhinocort Aqua*, *Toprol-XL* and *Zestril*) within Massachusetts. In October 2004, AstraZeneca received a subpoena from the US Attorney's Office in Philadelphia principally seeking documents relating to the formulary status of AstraZeneca drugs at a regional health maintenance organisation and a national pharmacy benefits manager. Most recently, AstraZeneca, along with 12 other pharmaceutical manufacturers, was served with a subpoena from the US Attorney's Office in Philadelphia seeking documents in connection with the government's pending civil litigation against Medco Health Systems. That subpoena seeks documents relating to contracts, programmes, grants or payments to Medco.

AstraZeneca is co-operating fully with all of these investigations. It is not possible to predict the outcome of any of these investigations, which could include the payment of damages and the imposition of fines, penalties and administrative remedies.

30 Assets pledged, commitments and contingent liabilities (continued)

***Seroquel* (quetiapine fumarate)**
AstraZeneca PLC and AstraZeneca Pharmaceuticals LP have been named as defendants in the case of Susan Zehel-Miller et al. v. AstraZenaca [sic], AstraZenaca Pharmaceuticals, LP [sic], a putative class action suit filed in August 2003 in the US District Court for the Middle District of Florida. The named plaintiffs are seeking damages and injunctive relief on behalf of a purported class "consisting of all persons in the United States who purchased and/or used *Seroquel*". Although the scope of the allegations in the complaint is very broad, the primary focus appears to be the contention that AstraZeneca failed to provide adequate warnings in connection with an alleged association between *Seroquel* and the onset of diabetes. In August 2004, the court denied class certification in this matter. The plaintiffs' motion to the Court of Appeals for leave to pursue an interlocutory appeal of the decision was denied in January 2005. AstraZeneca is vigorously defending the claims of the two remaining plaintiffs in this matter.

***Symbicort* (budesonide/formoterol)**
In February 2004, Ivax Pharmaceuticals (UK) Limited initiated proceedings against AstraZeneca AB claiming that the UK parts of two *Symbicort*-related European patents were invalid. In May 2004, the court granted AstraZeneca's application for a stay of the proceedings pending the determination of parallel opposition proceedings before the European Patent Office. In April 2004, Ivax initiated proceedings against AstraZeneca AB in relation to the Republic of Ireland claiming that two *Symbicort*-related European patents were invalid. In October 2004, the court granted AstraZeneca's application for a stay of proceedings pending the final decision of the European Patent Office and its Boards of Appeal in the opposition proceedings.

***Toprol-XL* (metoprolol succinate)**
In May 2003, AstraZeneca filed a patent infringement action against KV Pharmaceutical Company in the US District Court for the Eastern District of Missouri in response to KV's notification of its intention to market a generic version of *Toprol-XL* tablets in the 200mg dose prior to the expiration of AstraZeneca's patents covering the substance and its formulation. In response to later similar notices from KV related to the 100mg and 50mg doses, AstraZeneca filed further actions. KV responded in each instance and filed counterclaims alleging non-infringement, invalidity and unenforceability of the listed patents.

In February 2004, AstraZeneca filed a patent infringement action against Andrx Pharmaceuticals LLC in the US District Court for the District of Delaware in response to Andrx's notification of its intention to market a generic version of *Toprol-XL* tablets in the 50mg dose prior to the expiration of AstraZeneca's patents. In response to a later similar notice from Andrx related to the 25mg, 100mg and 200mg doses, AstraZeneca filed two additional patent infringement actions in the same court. In each instance, Andrx claims that each of the listed patents is invalid, not infringed and unenforceable.

In April 2004, AstraZeneca filed a patent infringement action against Eon Labs Manufacturing Inc. in the US District Court for the District of Delaware in response to Eon's notification of its intention to market generic versions of *Toprol-XL* in the 25mg, 50mg, 100mg and 200mg doses prior to the expiration of AstraZeneca's patents. In its response, Eon alleged that each of the listed patents is invalid, not infringed and unenforceable.

All of the patent litigation relating to *Toprol-XL* against KV, Andrx and Eon has been consolidated for pre-trial discovery purposes and motion practice in the US District Court for the Eastern District of Missouri. The defendants filed a motion for summary judgement in December 2004 alleging that the *Toprol-XL* patents are invalid due to double patenting. Briefing is ongoing. AstraZeneca has decided to file a terminal disclaimer of the *Toprol-XL* patents-in-suit over one of the other patents raised by the defendants, which will result in a revision of the expiration date of the *Toprol-XL* patents-in-suit from March 2008 to September 2007. In any event, discovery and motion practice are expected to be active through at least the first half of 2005. No trial date has been set in the consolidated proceedings. Under the Abbreviated New Drug Application statute, the FDA may not approve KV's product before September 2005, Andrx's product before June 2006 or Eon's product before August 2006, unless there is an earlier adverse court decision.

AstraZeneca maintains that its patents are valid, enforceable and infringed by these KV, Andrx and Eon products.

***Zestril* (lisinopril)**
In 1996, two of AstraZeneca's predecessor companies, Zeneca Limited and Zeneca Pharma Inc. (as licensees) and Merck & Co., Inc. and Merck Frosst Canada Inc. commenced a patent infringement action in the Federal Court of Canada against Apotex Inc., alleging infringement of Merck's lisinopril patent. Apotex has sold and continues to sell a generic version of AstraZeneca's *Zestril* and Merck's Prinivil tablets. Apotex has admitted infringement but has raised positive defences to infringement, including that it acquired certain quantities of lisinopril prior to issuance of the patent and that certain quantities were licensed under a compulsory licence. Apotex has also alleged invalidity of the patent. The trial is scheduled for January 2006.

Notes to the Financial Statements continued

30 Assets pledged, commitments and contingent liabilities (continued)

In October 2004, the first action was brought in the Superior Court of the State of California for the County of Los Angeles by the AFL-CIO, two unincorporated associations and an individual on behalf of themselves, the general public and a class of California consumers, third party payers, cash payers and those making co-pay. A second action has been filed in the same court on behalf of a similar putative class of consumers. Actions making similar allegations were filed on behalf of a putative class of consumers in the Circuit Court of Searcy County, Arkansas and on behalf of a putative class of third party payers in the Superior Court of the State of Delaware in and for New Castle County.

In addition, in December 2004, AstraZeneca received a pre-litigation demand from claimants in Massachusetts who allege similar claims under Massachusetts law on behalf of themselves and a proposed class of *Nexium* purchasers in Massachusetts.

AstraZeneca denies the allegations and is vigorously defending each of these actions.

In October 2004, AstraZeneca LP filed suit in the US District Court for the District of Delaware seeking declaratory judgment that its 'Better is Better' campaign for *Nexium* (esomeprazole) is not false or misleading advertising in violation of section 43(a) of the Lanham Act, a federal statute governing false advertising claims. The action was taken in response to a letter from TAP Pharmaceuticals, Inc. demanding that AstraZeneca immediately withdraw the television commercial and other components of the *Nexium* direct-to-consumer advertising campaign on the basis that they allegedly constitute violations of the statute. In November 2004, TAP requested expedited consideration of the case by filing a motion for a preliminary injunction. In December 2004, the court held a hearing on this motion and denied the request for a preliminary injunction. A trial date has been scheduled for April 2006.

***Nolvadex* (tamoxifen)**
AstraZeneca is a co-defendant with Barr Laboratories, Inc. in numerous purported class actions filed in federal and state courts throughout the US. All of the state court actions were removed to federal court and have been consolidated, along with all of the cases originally filed in federal court, in a federal multi-district litigation proceeding pending in the US District Court for the Eastern District of New York. Some of the cases were filed by plaintiffs representing a putative class of consumers who purchased tamoxifen. The other cases were filed on behalf of a putative class of 'third party payers' (including health maintenance organisations, insurers and other managed care providers and health plans) that have reimbursed or otherwise paid for prescriptions of tamoxifen. The plaintiffs allege that they paid 'supra-competitive and monopolistic prices' for tamoxifen as a result of the settlement of patent litigation between Zeneca and Barr in 1993. The plaintiffs seek injunctive relief, treble damages under the anti-trust laws, disgorgement and restitution. In April 2002, AstraZeneca filed a motion to dismiss the cases for failure to state a cause of action. In May 2003, the US District Court for the Eastern District of New York granted AstraZeneca's motion to dismiss. The plaintiffs appealed the decision. Oral arguments in the appeal were heard by the United States Court of Appeals for the Second Circuit in July 2004. The court's decision is awaited.

***Plendil* (felodipine)**
In August 2000, AstraZeneca LP received a letter from Mutual Pharmaceutical Co., Inc. informing AstraZeneca of Mutual's intention to market a generic version of AstraZeneca's *Plendil* (felodipine) extended release tablets prior to the expiration of AstraZeneca's patent covering the extended release formulation. AstraZeneca filed a patent infringement action against Mutual in the US District Court for the Eastern District of Pennsylvania. Mutual responded and filed counterclaims alleging non-infringement and invalidity. In March 2003, the District Court granted summary judgement in favour of AstraZeneca as to the infringement claim holding that Mutual infringed AstraZeneca's formulation patent. In August 2003, the District Court granted summary judgement in favour of AstraZeneca as to the validity claim holding that AstraZeneca's patent is valid. Mutual then filed a notice of appeal as to both of these decisions to the US District Court of Appeals for the Federal Circuit.

In September 2004, the Federal Circuit Court reversed the ruling by the District Court as to infringement and held that Mutual's extended release felodipine tablets as a matter of law do not infringe AstraZeneca's formulation patent. However, the Federal Circuit Court upheld the District Court's decision as to validity, ruling that AstraZeneca's formulation patent is valid as a matter of law.

In April 2004, Zenith Goldline Pharmaceuticals, Inc. (now known as Ivax Pharmaceuticals, Inc.) filed a motion for summary judgment on the issue of non-infringement in the patent infringement action pending between AstraZeneca Pharmaceuticals LP and Zenith/Ivax in the US District Court for the District of New Jersey. The patent infringement action against Zenith/Ivax, which AstraZeneca filed in July 2001, resulted from a May 2001 letter to AstraZeneca in which Zenith/Ivax declared its intention to market a generic version of *Plendil* (felodipine) extended release tablets prior to the expiration of AstraZeneca's patent covering the extended release formulation. Zenith/Ivax filed counterclaims in the litigation alleging non-infringement.

In August 2004, the District Court issued an order dismissing this action, without prejudice, pending the consummation of a settlement of the matter and granting the parties the right upon motion and good cause shown, to re-open the legal action if the settlement was not consummated within 60 days of the date of the order. The parties jointly proposed to the District Court that the 60 day period be extended by 30 days. In November 2004, the District Court entered an order of dismissal reflecting the parties' agreement that AstraZeneca dismiss its claim of infringement and Ivax dismiss its counterclaim of invalidity.

30 Assets pledged, commitments and contingent liabilities (continued)

During 2000 and 2001, AstraZeneca had filed suits against Lek Pharmaceutical and Chemical Company d.d. and Lek Services USA, Inc., Impax Laboratories Inc., Eon Labs Manufacturing Inc., Mylan Pharmaceuticals Inc., Apotex Corp, Apotex, Inc. and Torpharm, Inc., and Zenith Goldline Pharmaceuticals, Inc. (now known as Ivax Pharmaceuticals, Inc.). These suits followed the filing of Abbreviated New Drug Applications by these companies with the FDA concerning the companies' intention to market generic omeprazole products in the US. The basis for the proceedings is that the actions of all the companies infringe the '505 and '230 formulation patents relating to omeprazole. The cases are proceeding under the US Hatch-Waxman legislation. The case against Ivax was dismissed without prejudice shortly after it was filed, after Ivax withdrew its application to market generic omeprazole. During 2003, after Mylan commenced commercial sale of its product, AstraZeneca filed suit against Laboratorios Esteve, SA and Esteve Quimica, SA, manufacturers of the omeprazole product to be distributed in the US by Mylan. In 2003 and 2004, Lek, Apotex and Impax all began commercial sales of their generic omeprazole products. AstraZeneca has added claims for damages against each of the selling defendants. Anti-trust and non-infringement counterclaims have been filed by Andrx, Apotex/Torpharm, Impax, Eon and Lek. All defendants but Lek have also raised invalidity and unenforceability counterclaims. The anti-trust counterclaims, as well as AstraZeneca's claims for damages, have been stayed pending resolution of the patent liability issues. The cases have been consolidated for discovery before, or are directly assigned to, Judge Jones in the US District Court for the Southern District of New York. All discovery is expected to be completed in February 2005. In July 2004, Lek filed a motion for summary judgment of non-infringement, which is pending. Briefing of any remaining motion for summary judgement is scheduled to be completed by April 2005. No trial date has been set.

During 2000, AstraZeneca was granted interlocutory injunctions based on certain of AstraZeneca's omeprazole patents against the generic company, Scandinavian Pharmaceuticals-Generics AB (Scand Pharm), in Denmark and Norway. In October 2001, Oslo City Court in Norway found that Scand Pharm had infringed AstraZeneca's formulation patent for omeprazole. At the same time, the court declared AstraZeneca's formulation patent valid. In November 2004, these findings were upheld by the Appeal Court. As a result of the Norwegian case, Scand Pharm cannot sell its omeprazole product in Norway. Furthermore, it is also prevented from selling its omeprazole product in Denmark pending the outcome of the main action in the Danish case. If the final decisions in these cases are against AstraZeneca, Scand Pharm may claim damages for lost sales due to the interlocutory injunctions. During 2003 and 2004, AstraZeneca was denied interlocutory injunctions based on certain of its omeprazole patents against Novartis Sverige AB and ratiopharm AB in Sweden and Novartis Finland Oy and ratiopharm Oy in Finland. An interlocutory injunction against Biochemie Novartis Healthcare A/S was granted in Denmark during 2003, based on AstraZeneca's omeprazole formulation patent. Also during 2003, the District Court in Norway found that the generic omeprazole product marketed by ratiopharm AS did not infringe AstraZeneca's omeprazole formulation patent. In December 2004, an interlocutary injunction against Nomeco A/S, a Danish distributor of a generic omeprazole product from ratiopharm, was granted in Denmark based on AstraZeneca's omeprazole formulation patent.

AstraZeneca has been and continues to be involved in numerous proceedings in Canada involving Genpharm, Reddy Cheminor, Rhoxalpharma and Apotex. These cases relate to omeprazole capsules or omeprazole magnesium tablets and involve various patents. AstraZeneca could potentially be liable for damages in some cases. However, there are no financial claims currently being made against AstraZeneca in Canada in any litigation in respect of omeprazole capsules or omeprazole magnesium tablets. Apotex launched a generic omeprazole capsule product in Canada in January 2004. Following this launch, AstraZeneca commenced judicial review proceedings seeking to quash Apotex's Notice of Compliance (marketing approval). In September 2004, the case was decided against AstraZeneca. AstraZeneca's appeal of the September 2004 decision is scheduled for February 2005. AstraZeneca sued Apotex in July 2004 alleging infringement of its formulation patents by Apotex's omeprazole capsules.

In February 2000, the European Commission commenced an investigation relating to certain omeprazole intellectual property rights, and associated regulatory and patent infringement litigation. The investigation is pursuant to Article 82 of the EC Treaty, which prohibits an abuse of a dominant position. The investigation was precipitated by a complaint by a party to a number of patent and other proceedings involving AstraZeneca. AstraZeneca has, in accordance with its corporate policy, co-operated with the Commission. In July 2003, the Commission served a Statement of Objections on AstraZeneca, referring to alleged infringements regarding the obtaining of supplementary protection certificates for omeprazole in certain European countries; and regarding AstraZeneca's replacement of omeprazole capsules by omeprazole MUPS (tablets) and withdrawal of capsule marketing authorisations in three European countries. AstraZeneca replied fully to the Commission, explaining why its actions were in AstraZeneca's view lawful. An oral hearing took place in February 2004. If, ultimately, (and subject to any appeals to the Court of First Instance and the European Court of Justice) it is held that Article 82 has been infringed, then there may be a liability to fines and/or other measures which can be imposed by the Commission. There could also be liability for alleged losses incurred by aggrieved third parties. It is not possible, at the present time, to quantify any such liabilities as no Decision has been issued by the Commission, no fines have to date been imposed and no claims for damages have been received. Moreover, bearing in mind the timescales of proceedings, including appeals, there may well be a considerable period before any such liabilities are finally established (even if, which is denied, any such liabilities exist).

***Nexium* (esomeprazole)**

AstraZeneca entities have been sued in state courts in the US in purported representative and class actions involving the marketing of *Nexium* (esomeprazole). These actions generally allege that AstraZeneca's promotion and advertising of *Nexium* to physicians and consumers is unfair, unlawful and deceptive conduct, particularly as the promotion relates to comparisons of *Nexium* with *Prilosec*. They also allege that AstraZeneca's conduct relating to the pricing of *Nexium* was unfair, unlawful and deceptive. The plaintiffs allege claims under various state consumer protection, unfair practices and false advertising laws. The plaintiffs in these cases seek remedies that include restitution, disgorgement of profits, damages, punitive damages, injunctive relief, attorneys' fees and costs of suit.

Notes to the Financial Statements continued

30 Assets pledged, commitments and contingent liabilities (continued)

***Diprivan* (propofol)**

In August 2002, AstraZeneca LP received a letter from ESI Lederle, a division of Wyeth, informing AstraZeneca of Wyeth's intention to market a generic version of *Diprivan* prior to the expiration of AstraZeneca's patents covering the current formulation. AstraZeneca filed a patent infringement action against Wyeth in the US District Court for the Southern District of New York. Through a series of transactions, the holder of the relevant Abbreviated New Drug Application (ANDA) and now defendant in AstraZeneca's suit is Mayne Pharma (USA) Inc. (formerly called Faulding Pharmaceutical Co.). Mayne responded to AstraZeneca's complaint and filed counterclaims alleging non-infringement, invalidity and unenforceability. Discovery and claim construction took place during 2004 and the trial is expected to commence in February 2005. AstraZeneca maintains that its patents are valid, enforceable and infringed by Mayne's propofol product. If the court finds that AstraZeneca's patents are valid, enforceable and infringed by Mayne's propofol product, AstraZeneca will seek an injunction preventing the manufacture, use, sale and offering for sale in the US of Mayne's propofol product. Under the ANDA statute, the FDA may not approve Mayne's propofol product before February 2005.

***Iressa* (gefitinib)**

In 2004, two claims were filed against AstraZeneca KK in Japan, in the Osaka and Tokyo District Courts respectively. In each claim, it is alleged that *Iressa* caused a fatal incidence of interstitial lung disease (ILD) in a Japanese patient. AstraZeneca KK, following consultation with external legal advisers, believes the claims are without merit and is defending both cases. ILD is a known complication of lung disease, including advanced lung cancer, regardless of treatment.

***Losec/Prilosec* (omeprazole)**

In March 2000, the German Federal Patent Court declared that AstraZeneca's formulation patent for omeprazole was invalid. AstraZeneca appealed the decision to the German Supreme Court. As a consequence, all pending infringement actions in Germany were stayed awaiting the outcome of the appeal. At the time, AstraZeneca obtained an interlocutory injunction against ratiopharm GmbH based on the formulation patent. In March 2004, the German Supreme Court heard AstraZeneca's appeal and the court confirmed the decision of the German Federal Patent Court declaring the patent invalid. AstraZeneca has sought leave to appeal this decision to the German Constitutional Court. Following the German Supreme Court decision, ratiopharm GmbH was seeking damages from AstraZeneca for lost sales due to the interlocutory injunction obtained by AstraZeneca against ratiopharm in January 2005, the matter was settled on terms which do not have a material effect on AstraZeneca's financial position.

In June and July 2004, AstraZeneca applied in France for injunctions based on its omeprazole formulation patent against six companies for marketing generic omeprazole. In August 2004, the applications were rejected at first instance. AstraZeneca has appealed this decision. A hearing on the appeal is scheduled for February 2005. In May 2004, AstraZeneca also started legal proceedings against the same companies for infringement of its omeprazole formulation patent in France. These proceedings have been consolidated with a case challenging the validity of the patent, brought by one of the companies against AstraZeneca. No date has yet been set for a hearing.

In 2001, AstraZeneca filed suit in the US against Andrx Pharmaceuticals, Inc. for infringement of a patent directed to a process for making an omeprazole formulation (the '281 patent). Andrx filed counterclaims of non-infringement, invalidity and unenforceability for inequitable conduct during prosecution of the '281 patent. Andrx also asserted that the '281 patent as well as two formulation patents, the '505 and '230 patents, were unenforceable for alleged litigation misconduct by AstraZeneca. Both parties sought attorneys' fees. In May 2004, the US District Court for the Southern District of New York ruled that the '281 patent was infringed, but also ruled that the '281 patent was invalid. The court dismissed Andrx's litigation misconduct and other counterclaims and affirmative defences, leaving intact the court's October 2002 decision finding the '230 and '505 patents not invalid and infringed by Andrx. The October 2002 decision was affirmed in all respects on appeal in December 2003. The court entered final judgment regarding the '281 patent in July 2004, after determining to stay the attorneys' fees claims pending any appeals. Andrx has appealed the judgement and AstraZeneca has cross-appealed.

In April 2001, Andrx filed a case in the US District Court for the Southern District of New York against AstraZeneca, Merck & Co., Inc. and the US Food and Drug Administration alleging that the listing of certain patents in the FDA's Orange Book was improper and constituted violations of certain provisions of the Sherman Act, the US federal anti-trust legislation, and a state statute analogous to the federal anti-trust laws. Andrx sought injunctive relief compelling the parties to delist omeprazole-related patents it claimed were improperly listed in the Orange Book and prohibiting the defendants from using patents to delay the effective date of the FDA's approval of Andrx's Abbreviated New Drug Application for omeprazole. AstraZeneca and Merck filed motions to dismiss the case and Andrx filed a motion for summary judgement. The case was stayed by the court in 2001 and then administratively dismissed in 2002.

30 Assets pledged, commitments and contingent liabilities (continued)

The ongoing monitoring of the projected payments and value of the related trading rights takes full account of changing business circumstances and the range of possible outcomes to ensure that the payments to be made to Merck are covered by the benefits expected to be realised. Should the monitoring reveal that these payments exceed the benefits expected to be realised, a provision for an onerous contract will be recognised. The annual contingent payments on agreement products are expensed as incurred.

Environmental costs and liabilities

The Group's expenditure on environmental protection, including both capital and revenue items, relates to costs which are necessary for meeting current good practice standards and legal and regulatory requirements for processes and products.

They are an integral part of normal ongoing expenditure for maintaining the Group's R&D and manufacturing capacity and product ranges and are not separated from overall operating and development costs. There are no known changes in legal, regulatory or other requirements resulting in material changes to the levels of expenditure for 2002, 2003 or 2004.

In addition to expenditure for meeting current and foreseen environmental protection requirements, the Group incurs substantial costs in investigating and cleaning up land and groundwater contamination. In particular, AstraZeneca and/or its affiliates have environmental liabilities at some currently or formerly owned, leased and third party sites.

In the US, the AstraZeneca affiliate, Zeneca Inc., and/or its indemnitees, have been named as potentially responsible parties (PRPs) or defendants at approximately 13 sites where Zeneca Inc. is likely to incur future investigation, remediation or operation and maintenance costs under federal or state, statutory or common law environmental liability allocations schemes. Similarly, the AstraZeneca affiliate, Stauffer Management Company LLC (SMC), which was established in 1987 to own and manage certain assets of Stauffer Chemical Company acquired that year, and/or its indemnitees, have been named as PRPs or defendants at approximately 29 sites where SMC is likely to incur future investigation, remediation or operation and maintenance costs under federal or state, statutory or common law environmental liability allocations schemes. In Europe and other parts of the world outside the US, AstraZeneca is likely to incur costs at three currently owned sites and has given indemnities to third parties in respect of approximately 45 other sites. These environmental liabilities arise almost entirely from legacy operations that are not part of our current pharmaceuticals business and, at most of these sites, remediation, where required, is either completed or nearing completion. In the aggregate, however, significant expenditure on clean up and monitoring is likely to be required.

AstraZeneca has made provisions for the estimated costs of future environmental investigation, remediation and operation and maintenance activity beyond normal ongoing expenditure for maintaining the Group's R&D and manufacturing capacity and product ranges where it is probable that such costs will be incurred and can be estimated reliably. With respect to such estimated, future costs, there were provisions at 31 December 2004 in the aggregate of approximately $96m, of which approximately $86m relates to the US. These provisions do not include possible, additional costs that are not currently probable, nor do these provisions include costs that, by agreement, will be borne by viable third party indemnitors. In addition, these provisions: (1) include, where appropriate, unasserted claims where future costs are nonetheless probable (at owned sites, for example); (2) are based, where applicable, on liability allocation or cost sharing agreements that we believe are enforceable against viable third parties; (3) reflect expected insurance recoveries where an insurer has agreed to provide an indemnity; and (4) typically cover a time period of five years (with the exception of operation and maintenance activity, which can last for decades). AstraZeneca is not presently aware of any circumstances or uncertainties regarding the viability of liable third parties, indemnitors or insurers that would cause these provisions to be altered.

It is possible that the Company, or its affiliates, could incur future environmental costs beyond the extent of our current provisions. The extent of such possible, additional costs is inherently difficult to estimate due to a number of factors, including, but not limited to: (1) the nature and extent of claims that may be asserted in the future; (2) whether the Company or any of its affiliates has or will have any legal obligation with respect to asserted or unasserted claims; (3) the type of remedial action, if any, that may be selected at sites where the remedy is presently not known; (4) the potential for recoveries from or allocation of liability to third parties; and (5) the length of time that the environmental investigation, remediation and liability allocation process can take. Notwithstanding and subject to the foregoing, it is estimated that potential additional loss, for future environmental investigation, remediation and operation and maintenance activity above and beyond our provisions, could be, in the aggregate, in the order of $20m to $40m.

Legal proceedings

AstraZeneca is involved in various legal proceedings considered typical to its businesses, including litigation relating to employment, product liability, commercial disputes, infringement of intellectual property rights and the validity of certain patents. The more significant matters are discussed below.

***Crestor* (rosuvastatin)**

AstraZeneca Pharmaceuticals LP and/or AstraZeneca LP in the US have been served with two individual lawsuits involving alleged injury in association with the use of *Crestor*. In addition, a motion for authorisation to institute a class action and to be a representative was filed in Quebec, Canada against AstraZeneca PLC and AstraZeneca Canada Inc. The petitioner claims alleged injury as a result of the use of *Crestor*. AstraZeneca is vigorously defending all such claims and lawsuits.

Notes to the Financial Statements continued

30 Assets pledged, commitments and contingent liabilities (continued)

First Option
In 2008, a calculation will be made of the Appraised Value, being the net present value of the future contingent payments in respect of all agreement products not covered by the Partial Redemption, other than *Prilosec* and *Nexium*. Payment of this amount to Merck in 2008 is, however, contingent on Merck's exercise of the First Option. Exercise of the First Option will require AstraZeneca to buy out Merck's interest in these products at the Appraised Value. Should Merck not exercise this option in 2008, AstraZeneca may exercise it in 2010 for a sum equal to the 2008 Appraised Value. If neither Merck nor AstraZeneca exercise the option, the contingent payment arrangements in respect of these agreement products will continue (as will other potential obligations and restrictions in respect of these products) and the Appraised Value will not be paid.

In addition, in 2008 there will be a true-up of the Advance Payment. The calculation of this will be based on a multiple of the average annual contingent payments from 2005 to 2007 in respect of all the agreement products with the exception of *Prilosec* and *Nexium* (subject to a minimum of $6.6bn), plus other defined amounts (totalling $912m). It is then reduced by the Appraised Value (whether paid or not), the Partial Redemption and the Advance Payment (at its undiscounted amount of $2.8bn) to determine the true-up amount. The true-up will be settled in 2008 irrespective of whether the First Option is exercised and this could result in a further payment by AstraZeneca to Merck or a payment by Merck to AstraZeneca.

Should Merck exercise the First Option in 2008, AstraZeneca will make payments in respect of the Partial Redemption, the First Option and the true-up totalling a minimum of $4.7bn. If AstraZeneca exercises the First Option in 2010, the combined effect will involve a minimum aggregate amount payable to Merck in 2008 and 2010 of the same amount.

Loan Note Receivable
In 2008, at the same time as the settlement of the Partial Redemption and the true-up, Merck will settle the loan note receivable by paying AstraZeneca $1.4bn.

Second Option
A Second Option exists whereby AstraZeneca has the option to re-purchase Merck's interests in *Prilosec* and *Nexium* in the US. This option is exercisable by AstraZeneca two years after the exercise of the First Option, whether the First Option is exercised in either 2008 or 2010. Exercise of the Second Option by AstraZeneca at a later date is also provided for in 2017 or if combined annual sales of the two products fall below a minimum amount provided, in each case, that the First Option has been exercised. The exercise price for the Second Option is the fair value of these product rights as determined at the time of exercise.

If the Second Option is exercised, Merck will relinquish all its interests (including rights to contingent payments) in AstraZeneca products.

Accounting treatment
The precise amount of settlements with Merck under the Partial Redemption, the First Option and the true-up of the Advance Payment cannot be determined at this time. The Partial Redemption and true-up are calculated based, in part, on trading performance between 2005 and 2007, and payment of the First Option is contingent upon Merck (or AstraZeneca) exercising the First Option. If Merck exercises the First Option in 2008, the net minimum payment to be made to Merck, being the combined payments of $4.7 bn less the repayment of the loan note of $1.4 bn, would be $3.3 bn.

In accounting for the Restructuring in 1998, the loan note was included in the determination of the fair values of the assets and liabilities to be acquired. The loan note was ascribed a fair value of zero on acquisition and on the balance sheet because it is estimated that the net minimum payment of $3.3 bn equated to the fair value of the trading rights to be acquired under the Partial Redemption and First Option.

It is considered that the payments described under the headings above, including the Second Option, represent the acquisition of future trading rights which will terminate Merck's interests in the agreement products (including their rights to contingent payments) and which will provide AstraZeneca with unencumbered discretion in our operations in the US market. Merck's interests will only be terminated as and when the payments are made and, accordingly, the acquisition of these trading rights will only be reflected in the Financial Statements at that point. The trading rights will be accounted for under the extant guidance when the payments are made, with allocations to intangibles and goodwill, as appropriate.

As noted, the calculation of the purchase price of the trading rights is based partially on the contingent payments made in 2005 to 2007 (subject to the minimum amount) and is likely to be substantially driven by the sales of *Toprol-XL*, *Pulmicort*, *Rhinocort* and *Atacand*. However, the benefits from these payments will begin to be realised from 2008 onwards with contributions from the anticipated successful performance of those products that have already been launched (for example, *Rhinocort* and *Atacand*), those that are due to be launched in the US (in particular, *Symbicort*) and those that are in development.

30 Assets pledged, commitments and contingent liabilities

	2004 $m	2003 $m	2002 $m
Assets pledged			
Mortgages and other assets pledged	–	–	90
Commitments			
Contracts placed for future capital expenditure not provided for in these accounts	**298**	421	500

Included in the above total are contracts related to certain product purchase and licence agreements with deferred consideration obligations, the amounts of which are variable depending upon particular 'milestone' achievements. Sales of the products to which these milestones relate could give rise to additional payments, contingent upon the sales levels achieved. Guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

Commitments

In 1982 Astra AB set up a joint venture with Merck & Co., Inc. for the purposes of selling, marketing and distributing certain Astra products in the US. In 1998, this joint venture was restructured (the "restructuring"). Under the restructuring, a US limited partnership, in which Merck is the limited partner and AstraZeneca is the general partner, was set up and AstraZeneca obtained control of the joint venture's business subject to certain limited partner and other rights held by Merck and its affiliates. These rights provide Merck with safeguards over the activities of the partnership and place some limitations over our discretion to operate with complete commercial freedom. The restructuring agreements provide for the following ongoing payment and termination arrangements:

- Annual contingent payments
- Partial Redemption
- First Option
- Second Option

In addition, included in the assets and liabilities covered by the restructuring is a loan note receivable by AstraZeneca from Merck with a face value of $1.4bn. Each of these elements is discussed in further detail below.

Under the terms of the 1998 restructuring, the merger in 1999 between Astra and Zeneca triggered two one-time payments from AstraZeneca to Merck:

- a Lump Sum Payment of $809m, which was charged to the profit and loss account, as a result of which Merck relinquished any claims to Zeneca products; and

- an Advance Payment of $967m. This Advance Payment was calculated as the then net present value of $2.8bn discounted from 2008 to the date of payment at a rate of 13% per annum and causes Merck to relinquish any rights, including contingent payments on future sales, to Astra products with no existing or pending US patents at the time of the merger. As the Advance Payment provides AstraZeneca with relief from future payments on these products (and relief from any other potential obligations or restrictions in respect of these products), this amount has been capitalised as an intangible asset and is being amortised over 20 years. The Advance Payment is subject to a true-up in 2008, as discussed under "First Option" below.

Annual contingent payments

AstraZeneca makes ongoing payments to Merck based on sales of certain of its products in the US (the "contingent payments" on the "agreement products"). As a result of the 1999 merger, these contingent payments (excluding those in respect of *Prilosec* and *Nexium*) cannot be less than annual minimum sums between 2002 and 2007 ranging from $125m to $225m. The payments have exceeded the minimum level in 2002 to 2004 and AstraZeneca has no reason to believe that the annual payments in the future will fall below the minimum obligations.

Partial Redemption

In 2008, there will be a partial redemption of Merck's limited partnership interest – which will end Merck's interests (including rights to contingent payments) in respect of certain of the agreement products – by distribution to Merck of an amount calculated as a multiple of the average annual contingent payments from 2005 to 2007 on the relevant products, plus $750m.

Notes to the Financial Statements continued

29 Employee costs and share option plans for employees (continued)

	AstraZeneca Share Option Plan		1994 Scheme		SAYE Schemes		ASVIP	
	Options '000	WAEP* pence	Options '000	WAEP* pence	Options '000	WAEP* pence	Shares under option '000	WAEP* SEK
At 1 January 2002								
Options outstanding	11,399	3236	9,938	2636	2,799	2459	965	375
Movements during 2002								
Options granted	10,658	3462	–	–	2,721	1756	–	–
Options exercised	(22)	3214	(243)	2175	(469)	1888	(206)	317
Options forfeited	(637)	3298	(406)	2654	(986)	2735	–	–
Options lapsed	–	–	–	–	–	–	–	–
Weighted average fair value of options granted during the year		1186				559		
At 31 December 2002								
Options outstanding	21,398	3347	9,289	2647	4,065	1987	759	391
Movements during 2003								
Options granted	15,505	2232	–	–	551	2211	–	–
Options exercised	(52)	2468	(358)	2423	(382)	2137	(151)	311
Options forfeited	(1,163)	3001	(571)	2695	(282)	2192	(1)	318
Options lapsed	–	–	–	–	–	–	–	–
Weighted average fair value of options granted during the year		583				658		
At 31 December 2003								
Options outstanding	35,688	2874	8,360	2654	3,952	1988	607	411
Movements during 2004								
Options granted	10,741	2529	–	–	550	2262	–	–
Options exercised	(329)	2787	(586)	2704	(113)	2184	(114)	321
Options forfeited	(1,964)	2886	(285)	2660	(276)	2199	(10)	474
Options lapsed	–	–	–	–	–	–	–	–
Weighted average fair value of options granted during the year		650				632		
At 31 December 2004								
Options outstanding	44,136	2790	7,489	2650	4,113	2005	483	431
Range of exercise prices		1913p to 3487p		891p to 2749p		1756p to 2971p		411SEK to 442SEK
Weighted average remaining contractual life		2,852 days		1,814 days		1,058 days		258 days
Options exercisable	10,706	3203	7,489	2650	390	2373	483	431

* Weighted average exercise price

29 Employee costs and share option plans for employees (continued)

Exercise of options
An option will normally be exercisable only for six months commencing on the third or fifth anniversary of the commencement of the related savings contract. Options are satisfied by the issue of new Ordinary Shares.

Options normally lapse on cessation of employment. Exercise is, however, permitted for a limited period (irrespective of the period during which the option has been held) following cessation of employment in certain compassionate circumstances or where an option has been held for more than three years (except on dismissal for misconduct) and on an amalgamation, take-over or winding-up of the Company.

AstraZeneca has chosen to avail itself of the exemption to application of UITF17 to its SAYE schemes.

(3) Summary of the Zeneca 1994 Executive Share Option Scheme

The Zeneca 1994 Executive Share Option Scheme was introduced in 1994. The last date for the grant of options was 16 March 2000 and the scheme has been replaced by the AstraZeneca Share Option Plan.

Options granted under the 1994 scheme are normally exercisable between three and 10 years following grant, provided the relevant performance condition has been satisfied. Options are satisfied by the issue of new Ordinary Shares.

The performance condition applicable to the 1994 scheme was that earnings per share must have grown by at least the increase in the UK Retail Price Index over three years plus 3% per annum. Satisfaction of this condition was tested annually by reference to the audited financial statements. All options granted under the 1994 scheme have become exercisable, the performance conditions having been satisfied.

(4) Summary of the Astra Shareholder Value Incentive Plan

In 1996, Astra established a stock option plan for some 100 Astra employees in key senior positions. The plan is no longer used for the grant of options and has been superseded by the AstraZeneca Share Option Plan.

On completion of the merger with Zeneca, options in Astra shares granted under the plan were replaced by options to acquire a number of AstraZeneca Ordinary Shares based on the exchange ratio used in the exchange offers used to effect the AstraZeneca merger. The ratio of AstraZeneca options granted in respect of former Astra options was 0.5045 AstraZeneca options for each Astra option held.

(5) Summary of the Zeneca 1993 Senior Staff Share Option Scheme

The Zeneca 1993 Senior Staff Share Option Scheme was introduced at the time of the demerger of Zeneca from ICI in 1993. The last date for the grant of options was 19 May 1994 and the scheme was replaced by the Zeneca 1994 Executive Share Option Scheme. At 31 December 2004, there were no options outstanding under this scheme.

Notes to the Financial Statements continued

29 Employee costs and share option plans for employees (continued)

Exercise of options
An option will normally be exercisable between three and 10 years following its grant provided any relevant performance condition has been satisfied. Options may be satisfied by the issue of new Ordinary Shares or by existing Ordinary Shares purchased in the market.

The Remuneration Committee sets the policy for the Company's operation of the plan including as regards whether any performance target(s) will apply to the grant and/or exercise of each eligible employee's option.

Options normally lapse on cessation of employment. Exercise is, however, permitted for a limited period following cessation of employment either for reasons of injury or disability, redundancy or retirement, or at the discretion of the Remuneration Committee, and on an amalgamation, take-over or winding-up of the Company.

(2) Summary of the AstraZeneca Savings-Related Share Option Scheme and the AstraZeneca Savings-Related Share Option Plan

The AstraZeneca Savings-Related Share Option Scheme was approved by shareholders in 1994 for a period of 10 years. The last grant of options under this scheme was made in September 2002.

In 2003, shareholders approved the AstraZeneca Savings-Related Share Option Plan for a period of 10 years. The first grant of options under this plan was made in September 2003.

The following sections apply to both the AstraZeneca Savings-Related Share Option Scheme and the AstraZeneca Savings-Related Share Option Plan, which have broadly similar rules.

Eligibility
UK resident employees of participating AstraZeneca companies are automatically eligible to participate.

Grant of options
Invitations to apply for options may be issued within six weeks after the announcement by the Company of its results for any period and at other times in circumstances considered to be exceptional by the Directors. No invitations may be issued later than 10 years after the approval of the scheme by shareholders.

Options may only be granted to employees who enter into UK Inland Revenue approved savings contracts with the savings body nominated by the Company, under which monthly savings of a fixed amount (currently not less than £5 nor more than £250) are made over a period of three or five years. The number of Ordinary Shares over which an option is granted will be such that the total amount payable on its exercise will be the proceeds on maturity of the related savings contract. No payment will be required for the grant of an option. Options are not transferable.

Individual participation
Monthly savings by an employee under all savings contracts linked to options granted under any SAYE scheme may not exceed £250 or such lower amounts as may be determined by the Directors.

Acquisition price
The price per Ordinary Share payable upon the exercise of an option will not normally be less than the higher of:

(a) 90% of the arithmetical average of the middle-market quotations for an Ordinary Share on the London Stock Exchange on three consecutive dealing days shortly before the date on which invitations to apply for options are issued (provided that no such day may fall before the Company last announced its results for any period) or such other dealing day or days falling within the six week period for the issue of invitations as the Directors may decide; and

(b) the nominal value of an Ordinary Share (unless the option is expressed to relate only to existing Ordinary Shares).

29 Employee costs and share option plans for employees (continued)

The AstraZeneca Share Option Plan
This is a share option plan for employees of participating AstraZeneca Group companies which was approved by shareholders at the Company's AGM in 2000. The first grant of options occurred in August 2000. The main grant of options in 2004 under the plan was in March, with a further, smaller grant in August. The Remuneration Committee sets the policy for the Company's operation of the plan. Further details are set out below.

Sweden
In Sweden an all employee performance bonus plan is in operation. The plan rewards strong performance at corporate, function and individual/team level. Bonuses for corporate and function performance are always paid in the form of AstraZeneca Ordinary Shares. Bonuses for individual/team performance may be paid in Ordinary Shares or in cash, at the employee's discretion. Existing Ordinary Shares are used to pay bonuses awarded under the plan. These are purchased in the market. They must be left in trust for three years. The AstraZeneca Executive Annual Bonus Scheme and the AstraZeneca Share Option Plan both operate in respect of relevant AstraZeneca employees in Sweden.

US
In the US, there are two senior staff incentive schemes, under which either AstraZeneca ADSs or stock appreciation rights related to AstraZeneca ADSs are awarded to participants. There are currently approximately 140 participants in these schemes. AstraZeneca ADSs necessary to satisfy the awards under these schemes are purchased in the market and no subscriptions for new Ordinary Shares have been involved. The AstraZeneca Share Option Plan operates in respect of relevant AstraZeneca employees in the US.

Share option plans
At 31 December 2004, there were options outstanding under the Zeneca 1994 Executive Share Option Scheme, the Astra Shareholder Value Incentive Plan, the AstraZeneca Savings-Related Share Option Scheme, the AstraZeneca Savings-Related Share Option Plan and the AstraZeneca Share Option Plan.

(1) Summary of the AstraZeneca Share Option Plan

Eligibility
Any AstraZeneca employee may be recommended from time to time for the grant of an option. The Remuneration Committee sets the policy for the Company's operation of the plan including as regards which employees will be eligible to participate.

Grant of options
Options may be granted at any time other than during a close period. No options may be granted after the fifth anniversary of the approval of the plan by shareholders until the Remuneration Committee has reviewed the plan.

The grant of options is supervised by the Remuneration Committee which is comprised wholly of Non-Executive Directors. No payment is required for the grant of an option. Options are not transferable.

Options may be granted over AstraZeneca Ordinary Shares or ADSs.

Acquisition price
The price per Ordinary Share payable upon the exercise of an option will not be less than an amount equal to the average of the middle-market closing price for an Ordinary Share of the Company on the London Stock Exchange on the three consecutive dealing days immediately before the date of grant (or as otherwise agreed with the Inland Revenue). Where the option is an option to subscribe, the price payable upon exercise cannot be less than the nominal value of an Ordinary Share of the Company.

Notes to the Financial Statements continued

29 Employee costs and share option plans for employees

Employee costs

The average number of people employed by the Group is set out in the table below. In accordance with the Companies Act 1985, this includes part-time employees:

Employees	2004	2003	2002
Average number of people employed by the Group in:			
UK	**11,500**	11,100	10,900
Continental Europe	**25,600**	23,900	23,500
The Americas	**18,500**	17,900	17,800
Asia, Africa & Australasia	**8,600**	8,100	7,200
Continuing operations	**64,200**	61,000	59,400

The number of people employed by the Group at the end of 2004 was 64,200 (2003 62,600, 2002 59,200).

The costs incurred during the year in respect of these employees were:

	2004 $m	2003 $m	2002 $m
Salaries	**4,078**	3,587	3,022
Social security costs	**644**	526	505
Pension costs	**266**	272	220
Other employment costs	**303**	360	246
	5,291	4,745	3,993

Employee costs above do not include severance costs.

The Directors believe that, together with the basic salary system, the Group's employee incentive schemes provide competitive and market-related packages to motivate employees. They should also align the interests of employees with those of shareholders, as a whole, through long term share ownership in the Company. The Group's current UK, Swedish and US schemes are described below; other arrangements apply elsewhere.

The AstraZeneca UK Performance Bonus Plan

Employees of participating AstraZeneca UK companies are invited to participate in this bonus plan which rewards strong individual performance. Bonuses are paid partly in the form of Ordinary Shares in the Company (under the Inland Revenue approved AstraZeneca All-Employee Share Plan and up to a maximum annual value of £3,000) and partly in cash. A tax efficient share retention scheme, under which employees leave their bonus shares in trust for three to five years, forms part of the All-Employee Share Plan. The Company also offers UK employees the opportunity to buy Partnership Shares (Ordinary Shares) under the All-Employee Share Plan. Employees may invest up to £1,500 over a 12 month accumulation period and purchase Partnership Shares in the Company with the total proceeds at the end of the period. The purchase price for the shares is the lower of the price at the beginning or the end of the 12 month period. A tax efficient share retention scheme is also available in respect of Partnership Shares. At the Company's AGM in 2002, shareholders approved the issue of new shares for the purposes of the All-Employee Share Plan.

The AstraZeneca Executive Annual Bonus Scheme

This scheme is a performance bonus scheme for Directors and senior employees who do not participate in the AstraZeneca UK Performance Bonus Plan. Annual bonuses are paid in cash and reflect both corporate and individual performance measures. The Remuneration Committee has discretion to reduce or withhold bonuses if business performance falls sufficiently short of expectations in any year such as to make the payment of bonuses inappropriate.

The AstraZeneca Savings-Related Share Option Scheme and the AstraZeneca Savings-Related Share Option Plan

UK employees may make regular monthly savings contributions over a three or five year period and may apply for options to acquire AstraZeneca Ordinary Shares. Further details are set out below.

28 Post-retirement benefits (continued)

Movement in post-retirement scheme deficit during the year ended 31 December 2004

	2004			2003		
	UK $m	Rest of Group $m	**Total $m**	UK $m	Rest of Group $m	Total $m
Deficits in schemes at beginning of the year	(914)	(607)	**(1,521)**	(842)	(585)	(1,427)
Current service cost	(124)	(116)	**(240)**	(110)	(91)	(201)
Contributions	97	193	**290**	299	243	542
Past service cost	–	–	**–**	–	(2)	(2)
Settlement and curtailment	–	–	**–**	–	–	–
Other finance income	(5)	(6)	**(11)**	(28)	(25)	(53)
Actuarial loss	(78)	(29)	**(107)**	(146)	(74)	(220)
Exchange	(85)	(29)	**(114)**	(87)	(73)	(160)
Deficits in schemes at end of the year	(1,109)	(594)	**(1,703)**	(914)	(607)	(1,521)
Adjusted post-retirement deficit, net of deferred tax			**(1,369)**			(1,198)

The increase in the deficit during 2004 reflects changes in assumptions in calculating liabilities (principally in the UK funds) and exchange movements offset by contributions made to the funds and better actual returns on plan assets than expected.

Reserves note for the year ended 31 December 2004

	2004 Total $m	2003 Total $m
Profit and loss reserve excluding post-retirement liability	**11,606**	10,449
Post-retirement reserve	**(1,369)**	(1,198)
Profit and loss reserve under FRS17	**10,237**	9,251

Notes to the Financial Statements continued

28 Post-retirement benefits (continued)

Profit and loss account disclosures

On full compliance with FRS 17, on the basis of the above assumptions, the amounts that would have been charged to the consolidated profit and loss account and statement of total recognised gains and losses, in respect of defined benefit schemes for the year ended 31 December 2004 are set out below:

	2004			2003		
	UK $m	Rest of Group $m	Total $m	UK $m	Rest of Group $m	Total $m
Operating profit						
Current service cost	(124)	(116)	**(240)**	(110)	(91)	(201)
Past service costs	–	–	**–**	–	(2)	(2)
Total operating charge	(124)	(116)	**(240)**	(110)	(93)	(203)
Finance expense						
Expected return on post-retirement scheme assets	278	112	**390**	211	66	277
Interest on post-retirement scheme liabilities	(283)	(118)	**(401)**	(239)	(91)	(330)
Net return	(5)	(6)	**(11)**	(28)	(25)	(53)
Loss before taxation	(129)	(122)	**(251)**	(138)	(118)	(256)
Consolidated statement of total recognised gains and losses						
Actual return less expected return on the post-retirement schemes' assets	138	54	**192**	210	75	285
Experience losses arising on the post-retirement schemes' liabilities	(57)	(9)	**(66)**	(6)	(33)	(39)
Changes in assumptions underlying the present value of the post-retirement schemes' liabilities	(159)	(74)	**(233)**	(350)	(116)	(466)
Actuarial loss recognised	(78)	(29)	**(107)**	(146)	(74)	(220)

Additional disclosures for the year ended 31 December 2004

	2004			2003		
	UK $m	Rest of Group $m	Total $m	UK $m	Rest of Group $m	Total $m
Difference between the expected and actual return on scheme assets:						
Amount	138	54	**192**	210	75	285
Percentage of scheme assets	2.8%	2.5%	**2.7%**	4.9%	4.2%	4.7%
Experience gains and losses on scheme liabilities:						
Amount	(57)	(9)	**(66)**	(6)	(33)	(39)
Percentage of the present value of scheme liabilities	1.0%	0.3%	**0.7%**	0.1%	1.4%	0.5%
Total amount recognised in statement of total recognised gains and losses:						
Amount	(78)	(29)	**(107)**	(146)	(74)	(220)
Percentage of the present value of scheme liabilities	1.3%	1.0%	**1.2%**	2.8%	3.1%	2.9%

28 Post-retirement benefits (continued)

Post-retirement scheme deficit

The post-retirement scheme deficit set out below under FRS 17 is as if this standard were fully applied. However, under the current accounting methodology (SSAP 24) there are prepayments and provisions (including deferred tax) within the balance sheet at 31 December 2004 that must be taken into account in calculating the effect on net assets of this deficit in the event of a restatement under FRS 17.

The assets and liabilities of the major defined benefit schemes operated by the Group at 31 December 2004 as calculated in accordance with FRS 17 are shown below. The fair values of the schemes' assets are not intended to be realised in the short term and may be subject to significant change before they are realised. The present value of the schemes' liabilities is derived from cash flow projections over long periods and are thus inherently uncertain. If FRS 17 had been adopted for the year ended 31 December 2004, the Group's reported net assets (see page 74) would be reduced by $1,369m (9.4%) to $13,150m. Further explanation of this adjustment is included below:

	Value at 31 December 2004			Value at 31 December 2003		
	UK $m	Rest of Group $m	**Total $m**	UK $m	Rest of Group $m	Total $m
Scheme assets						
Equities	2,083	1,488	**3,571**	1,779	1,182	2,961
Bonds	2,007	583	**2,590**	2,430	530	2,960
Others	927	101	**1,028**	109	87	196
Total fair value of assets	5,017	2,172	**7,189**	4,318	1,799	6,117
Present value of scheme liabilities	(6,126)	(2,766)	**(8,892)**	(5,232)	(2,406)	(7,638)
Deficit in the scheme	(1,109)	(594)	**(1,703)**	(914)	(607)	(1,521)
Related deferred tax asset	333	187	**520**	274	222	496
Net post-retirement deficit under FRS 17	(776)	(407)	**(1,183)**	(640)	(385)	(1,025)
Adjustments for assets and provisions under SSAP 24						
Prepayment, net of related deferred tax	(204)	(265)	**(469)**	(203)	(203)	(406)
Accrual, net of deferred tax	–	52	**52**	19	59	78
Provision, net of deferred tax	18	213	**231**	–	155	155
Adjusted post-retirement deficit, net of related deferred tax	(962)	(407)	**(1,369)**	(824)	(374)	(1,198)
Net assets as currently disclosed (see page 64)			**14,519**			13,257
Net assets as adjusted if FRS 17 were fully adopted			**13,150**			12,059

The present value of the UK scheme's liabilities has increased to $6,126m from $5,232m in 2003. This increase has been driven in part by the changes in financial assumptions detailed on page 100. There has also been an exchange effect of approximately $45m on these liabilities during the year.

95% of the Group's liabilities at 31 December 2004 are in schemes within UK, US, Sweden, Germany and Japan.

Notes to the Financial Statements continued

28 Post-retirement benefits (continued)

Post-retirement benefits other than pensions

In the US, and to a lesser extent in some other countries, AstraZeneca's employment practices include the provision of healthcare and life insurance benefits for retired employees. Some 3,758 retired employees and covered dependants currently benefit from these provisions and some 14,554 current employees will be eligible on retirement. AstraZeneca accrues for the present value of such retiree obligations over the working life of the employee.

The cost of post-retirement benefits other than pensions for the Group in 2004 was $11m (2003 $10m, 2002 $22m). Provisions and creditors set aside for the benefit obligations at 31 December 2004 amounted to $22m (2003 $28m, 2002 $32m). Other than these provisions and creditors there were plan assets amounting to $217m in the US at 31 December 2004. These benefit plans have been included in the disclosure of post-retirement benefits under FRS 17.

FRS 17

Full implementation of FRS 17 had originally been intended for accounting periods ending on or after 22 June 2003 but has been deferred by the Accounting Standards Board until accounting periods commencing on or after 1 January 2005. However, the requirements for disclosure under FRS 17 between its issue and full implementation dates remain and this information is set out below. When fully adopted, the objective of FRS 17 is to reflect the fair value of post-retirement plan assets and liabilities and associated charges in the Financial Statements. FRS 17 specifies how key assumptions should be formulated and applied; these assumptions are often different to the funding bases established by the pension funds' trustees or actuaries. The accounting requirements of FRS 17 are broadly as follows:

> Post-retirement scheme assets are valued at market values at the balance sheet date;
> Post-retirement scheme liabilities are measured using a projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability; and
> The movement in the scheme surplus/deficit (excluding contributions) will be split between operating charges and financing items in the profit and loss account and, in the statement of total recognised gains and losses, actuarial gains and losses.

The FRS 17 financial information presented in AstraZeneca's 2003 Annual Report was based on the position and performance of the Group's main defined benefit schemes. Typically this included information for schemes in UK, US, Sweden, Germany and Japan. In order to provide a more complete presentation, AstraZeneca has collected information on all of the Group's global defined benefit schemes. The 2003 information presented below has been recalculated on that basis.

Financial assumptions

Qualified independent actuaries have updated the actuarial valuations of the major defined benefit schemes operated by the Group to 31 December 2004. The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions which, due to the long term nature of the scheme, may not necessarily be borne out in practice. These assumptions were as follows:

	2004		2003	
	UK	**Rest of Group**	UK	Rest of Group
Inflation assumption	**2.7%**	**2.4%**	2.6%	2.3%
Rate of increase in salaries	**3.9%**	**3.9%**	3.9%	4.3%
Rate of increase in pensions in payment	**2.7%**	**0.7%**	2.6%	0.6%
Discount rate	**5.3%**	**5.1%**	5.4%	5.3%
Long term rate of return expected at 31 December				
Equities	**8.3%**	**8.6%**	8.3%	8.7%
Bonds	**5.1%**	**5.3%**	5.1%	5.8%
Others	**5.6%**	**4.7%**	4.2%	3.9%

28 Post-retirement benefits

Pensions

Background

The Group continues to account for pension costs in its primary Financial Statements in accordance with the UK Statement of Standard Accounting Practice No.24 "Pension Costs" (SSAP 24). In addition, disclosures have been presented below in accordance with Financial Reporting Standard No.17 "Retirement Benefits" (FRS 17).

The Company and most of its subsidiaries offer retirement plans which cover the majority of employees in the Group. Many of these plans are "defined contribution" where the company contribution and resulting profit and loss account charge is fixed at a set level or is a set percentage of employees' pay. However, several plans, mainly in the UK, US and Sweden, are "defined benefit", where benefits are based on employees' length of service and average final salary (typically averaged over 1, 3 or 5 years). All of the major plans are funded through legally separate trustee administered funds. The major defined benefit plans, apart from the collectively bargained Swedish plan, have been closed to new entrants since 2000. The cash funding of the plans, which may from time to time involve special payments, is designed, in consultation with independent qualified actuaries, to ensure that the assets together with future contributions should be sufficient to meet future liabilities.

The Group is currently performing a global review of its asset strategies with a view to producing a more globally consistent investment strategy for each of the Group's major funds. This has been completed in the UK and is nearing completion in US, Sweden and Japan.

SSAP 24

The cost of defined benefit plan pensions in a year can notionally be divided into the regular cost and variations from the regular cost. Under SSAP 24 the regular cost is based on actuarial assumptions and charged to the profit and loss account in the year it is incurred whilst any variations, which arise where the experience of the scheme varies from the assumptions made by the actuary, are charged or credited over the estimated remaining service lives of the employees. Costs of defined contribution plan pensions are charged to the profit and loss account immediately. On these bases, the total pension cost for the Group under SSAP 24 for 2004 was $266m (2003 $272m, 2002 $220m). In the Group balance sheet at 31 December 2004, accrued pension costs included in other creditors amounted to $111m (2003 $143m); prepaid pension costs of $660m (2003 $628m) are included in debtors. Provisions for unfunded pension obligations, included in provisions, amounted to $304m (2003 $283m).

UK

With regard to the Group's main UK defined benefit fund, the latest full actuarial valuation was carried out at 31 March 2003 and the pension cost assessed using the projected unit credit method. The key accounting assumptions for the purposes of SSAP 24 were that, against a background of long term UK price inflation averaging 2.4% pa, investment returns would average 6.6% pa, salary increases 3.7% pa and pension increases 2.4% pa. The market value of the fund's assets at the valuation date was £2,043m ($3,640m equivalent), representing 89.1% of the liabilities using these assumptions. The cost for accounting purposes equates to 21.1% of pensionable salaries. At the same time, the valuation was carried out for ongoing funding purposes, with assumptions slightly more conservative than those used for SSAP 24 purposes. The market value of the fund's assets at the valuation date represents 87.4% of the liabilities on a funding basis. The Company had indicated to the trustee of the UK fund its intention to target a solvency ratio of 91% following the March 2003 actuarial valuation. A $165m contribution was made in November 2003 which took the solvency ratio to 95%. An interim valuation was performed by the funds actuaries, at 31 March 2004. The key accounting assumptions, set out in a manner consistent with the 2003 valuation, were revised having regard to the investment conditions at 31 March 2004. The long term UK price inflation was set at 2.75%, salary increases at 4.0%, pension increases at 2.75% and investment returns at 6.9%. The market value of the funds assets at the valuation date was £2,453 ($4,502 equivalent) representing a solvency ratio of 96.1% on the funds liabilities. The longer term aim is to restore solvency over a period of around 15 years. Any cash contributions made to the fund are treated as prepayments and taken into account in the actuarially assessed contributions to the fund charged to the profit and loss account.

US

The US defined benefits programme was actuarially revalued at 31 December 2004 when plan obligations were estimated to amount to $1,199m and plan assets were $1,064m. The US typically makes contributions to mitigate for plan benefit deficits on a regular basis.

Sweden

The Swedish defined benefits programme was actuarially revalued at 31 December 2004 when plan obligations were estimated to amount to $651m and plan assets were $539m.

Notes to the Financial Statements continued

25 Reconciliation of net cash flow to movement in net funds

	2004 $m	2003 $m	2002 $m
Increase/(decrease) in cash	**309**	(4)	(22)
Cash (inflow)/outflow from (increase)/decrease in loans and short term borrowings	**(727)**	345	118
Cash outflow/(inflow) from increase/(decrease) in short term investments	**862**	(771)	806
Change in net funds resulting from cash flows	**444**	(430)	902
Exchange movements	**34**	82	75
Movement in net funds	**478**	(348)	977
Net funds at 1 January	**3,496**	3,844	2,867
Net funds at 31 December	**3,974**	3,496	3,844

26 Analysis of net funds

	At 1 Jan 2004 $m	Cash flow $m	Other non-cash $m	Exchange movements $m	At 31 Dec 2004 $m
Loans due after one year	(303)	(725)	–	(2)	**(1,030)**
Current instalments of loans	–	–	–	–	**–**
Total loans	(303)	(725)	–	(2)	**(1,030)**
Short term investments	3,218	862	–	11	**4,091**
Cash	733	296	–	26	**1,055**
Overdrafts	(152)	13	–	(1)	**(140)**
Short term borrowings	–	(2)	–	–	**(2)**
	3,799	1,169	–	36	**5,004**
Net funds	3,496	444	–	34	**3,974**
Financing items included in cash movements above:					
Issue of AstraZeneca PLC Ordinary Shares		(102)			
Re-purchase of AstraZeneca PLC Ordinary Shares		2,212			
Net cash inflow before management of liquid resources and financing		2,554			

27 Financing

	Notes	2004 $m	2003 $m	2002 $m
Issues of AstraZeneca PLC Ordinary Shares	26	**102**	47	36
Re-purchase of AstraZeneca PLC Ordinary Shares	26	**(2,212)**	(1,154)	(1,190)
		(2,110)	(1,107)	(1,154)
New loans		**746**	–	–
Loans repaid		**(21)**	(345)	(105)
Net increase/(decrease) in short term borrowings		**2**	–	(13)
		727	(345)	(118)
Net cash outflow from financing		**(1,383)**	(1,452)	(1,272)

There were no major non-cash financing transactions in any year.

22 Net cash inflow from trading operations

	2004 $m	2003 $m	2002 $m
Operating profit before exceptional items	**4,770**	4,111	4,356
Depreciation, amortisation and impairment	**1,268**	1,290	960
Stocks decrease/(increase)	**129**	(131)	101
Debtors increase	**(209)**	(540)	(198)
Creditors increase/(decrease)	**71**	(430)	402
Other non-cash movements including exchange	**40**	317	65
	6,069	4,617	5,686

23 Cash outflow related to exceptional items

Current period cash flow related to exceptional items	2004 $m	2003 $m	2002 $m
Synergy and integration costs	**–**	(25)	(68)
Zoladex OIG settlement	**–**	(355)	–
Costs relating to disposals and demerger of other businesses	**(8)**	(11)	(25)
Outflow related to exceptional items	**(8)**	(391)	(93)

Details of the cash inflows in connection with the profit on the sale of an interest in a joint venture are set out in Note 24.

24 Disposal of business operations

	2004 $m	2003 $m	2002 $m
Fixed assets	**2**	70	–
Current assets	**17**	34	–
Creditors due within one year	**(7)**	(17)	–
Book value of net assets disposed	**12**	87	–
Disposal costs	**72**	–	–
Profit on disposals	**274**	–	–
Less:			
Cash included in undertakings disposed	**(3)**	(7)	–
Cash consideration	**355**	80	–

The cash consideration is in relation to the sale of the Group's share of the joint venture Advanta B.V., which was completed on 1 September 2004 ($284m) and the disposal of the Durascan business in the first half of the year ($71m). The profit on disposal is stated after transaction costs and warranty provisions.

The sale consideration received in 2003 was in relation to the sale of Marlow Foods Limited, which was completed on 23 May 2003.

Notes to the Financial Statements continued

21 Reserves

	Share premium account $m	Capital redemption reserve $m	Merger reserve $m	Other reserves $m	Joint ventures and associates $m	Profit and loss account $m	Total $m
At 31 December 2001	**334**	**9**	**433**	**1,653**	**(183)**	**6,904**	**9,150**
Profit retained for year						1,630	1,630
Share premiums	36						36
Transfer between reserves	33					(33)	–
Re-purchase of shares		7				(1,190)	(1,183)
Exchange adjustments:							
Goodwill				(30)		30	–
Foreign exchange adjustments on consolidation, net of tax						1,106	1,106
On foreign currency borrowings						6	6
Foreign currency borrowings tax effect						(2)	(2)
				(30)		1,140	1,110
Net movements	69	7	–	(30)	–	1,547	1,593
At 31 December 2002	**403**	**16**	**433**	**1,623**	**(183)**	**8,451**	**10,743**
Profit retained for year						1,686	1,686
Share premiums	46						46
Re-purchase of shares		7				(1,154)	(1,147)
Exchange adjustments:							
Goodwill				(39)		39	–
Foreign exchange adjustments on consolidation, net of tax						1,427	1,427
				(39)		1,466	1,427
Net movements	46	7	–	(39)	–	1,998	2,012
At 31 December 2003	**449**	**23**	**433**	**1,584**	**(183)**	**10,449**	**12,755**
Profit retained for year						2,258	2,258
Share premiums	101						101
Re-purchase of shares		13				(2,212)	(2,199)
Exchange adjustments:							
Goodwill				(19)		19	–
Foreign exchange adjustments on consolidation, net of tax						1,092	1,092
				(19)		1,111	1,092
Net movements	101	13	–	(19)	–	1,157	1,252
At 31 December 2004	**550**	**36**	**433**	**1,565**	**(183)**	**11,606**	**14,007**

The cumulative amount of goodwill written-off directly to reserves resulting from acquisitions, net of disposals, prior to the adoption of FRS 10 in 1998, amounted to $675m (2003 $656m, 2002 $617m) using year end rates of exchange. At 31 December 2004, under UITF 38, 1,137,335 treasury shares, at a cost of $45m, have been written-off to reserves.

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiaries, joint ventures or associates; undistributed profits of prior years are, in the main, permanently employed in the businesses of these companies. The undistributed income of AstraZeneca companies overseas may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends (see Note 5).

19 Provisions for liabilities and charges

	Employee benefits $m	Pensions $m	Environmental, litigation and other provisions $m	Deferred taxation $m	Total $m
At 1 January 2003	139	234	190	1,210	1,773
Profit and loss account	50	72	48	232	402
Net amounts paid or becoming current	(57)	(57)	(65)	–	(179)
Other movements, including exchange	58	34	30	148	270
At 31 December 2003	190	283	203	1,590	2,266
Profit and loss account	17	56	(2)	(46)	25
Net amounts paid or becoming current	(52)	(64)	(71)	–	(187)
Other movements, including exchange	22	29	15	37	103
At 31 December 2004	**177**	**304**	**145**	**1,581**	**2,207**

Employee benefit provisions comprise post-retirement and other employee benefit provisions. Further details of environmental provisions are given in Note 30.

No provision has been released or applied for any purpose other than that for which it was established.

20 Reconciliation of movements in shareholders' funds

	2004 $m	2003 $m	2002 $m
Shareholders' funds at beginning of year	**13,178**	11,172	9,586
Net profit for the financial year	**3,813**	3,036	2,836
Dividends	**(1,555)**	(1,350)	(1,206)
Profit retained for the financial year	**2,258**	1,686	1,630
Issues of AstraZeneca PLC Ordinary Shares	**102**	47	36
Re-purchase of AstraZeneca PLC Ordinary Shares	**(2,212)**	(1,154)	(1,190)
Foreign exchange adjustments on consolidation, net of tax	**1,092**	1,427	1,106
Translation differences on foreign currency borrowings	**–**	–	6
Tax on translation differences on foreign currency borrowings	**–**	–	(2)
Net addition to shareholders' funds	**1,240**	2,006	1,586
Shareholders' funds at end of year	**14,418**	13,178	11,172

Included in foreign exchange adjustments on consolidation, in 2004 is a tax credit of $357m in respect of foreign exchange loss deductions arising in 2000 (see Note 5).

Notes to the Financial Statements continued

18 Financial instruments (continued)

The methods and assumptions used to estimate the fair values of financial instruments are as follows:

a. Short term investments – the fair value of listed investments is based on year end quoted market prices. For unlisted investments carrying values approximate fair value.

b. Fixed asset investments (excluding equity investments in joint ventures and associates) – the fair value of listed investments is based on year end quoted market prices. For unlisted investments carrying values approximate fair value.

c. Loans – the fair value of publicly traded debt is based on year end quoted market prices; the fair value of floating rate debt is nominal value, as mark to market differences would be minimal given frequency of resets; the fair value of remaining debt is estimated using appropriate zero coupon valuation techniques based on rates current at year end.

d. Forward foreign exchange contracts – the Group has forward foreign exchange contracts to sell currency for the purpose of hedging non-dollar commercial transaction exposures which existed at the date of the balance sheet and to hedge anticipated, but not firmly committed, non-dollar commercial transactions for 2005. The majority of the contracts for existing transactions had a maturity of six months or less from year end. The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at year end.

e. Foreign currency option contracts – the Group has foreign currency option contracts to hedge anticipated, but not firmly committed, non-dollar commercial transactions for 2005. The fair value of option contracts is estimated using Black-Scholes valuation techniques.

f. Interest rate and cross-currency swaps – AstraZeneca uses interest rate and cross-currency swaps to hedge the Group's exposure to fluctuations in interest rates and foreign exchange movements on borrowings in accordance with a formal risk management strategy. The fair value is estimated using appropriate zero coupon valuation techniques based on rates current at year end.

The above financial instruments are subject to credit and market risk. AstraZeneca contains credit risk through the use of counterparty and product specific credit limits and by ongoing review procedures. All financial instruments are transacted with commercial banks and, in line with standard market practice, are not backed with cash collateral. The notional principal values of off balance sheet financial instruments do not represent amounts exchanged by the parties and are not a measure of the credit risk to the Group of these instruments. The credit risk of these instruments is limited to the positive fair values of such contracts.

Market risk is the sensitivity of the value of financial instruments to changes in related currency and interest rates. The Group is not exposed to material market risk because gains and losses on the derivative financial instruments are largely offset by gains and losses on the underlying assets, liabilities and transactions subject to hedge.

Hedges

As noted on page 94, the Group's policy is to hedge 100% of transactional currency exposures and approximately 95% of forecast future transaction exposures using forward foreign exchange contracts and foreign currency option contracts. It also uses cross-currency and interest rate swaps to manage its borrowings' profile.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging are as follows:

	Gains $m	Losses $m	Total net gains $m
Unrecognised gains and losses on hedges at 1 January 2004	129	(21)	108
Gains and losses arising in previous years that were recognised in 2004	105	(21)	84
Gains and losses arising in previous years that were not recognised in 2004	24	–	24
Unrecognised gains and losses on hedges at 31 December 2004	**83**	**(1)**	**82**
Gains and losses expected to be recognised in 2005	33	(1)	32
Gains and losses expected to be recognised in 2006 or later	50	–	50

18 Financial instruments (continued)

Borrowing facilities

The Group currently relies on its cash balances and short term investments (excluding investment securities) of $4,990m and long term debt of $1,030m to manage liquidity risk.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying values and fair values of all the Group's financial assets and financial liabilities as at 31 December 2004 and 31 December 2003.

	2004 Carrying value $m	2004 Fair value $m	2003 Carrying value $m	2003 Fair value $m
Primary financial instruments				
Short term borrowings and overdrafts	**(142)**	**(142)**	(152)	(152)
Loans	**(1,030)**	**(1,126)**	(303)	(371)
Cash	**1,055**	**1,055**	733	733
Short term investments	**4,091**	**4,095**	3,218	3,306
Fixed asset investments	**267**	**262**	220	217
Derivative financial instruments held to manage the interest rate and currency profile				
Cross-currency swaps and interest rate swaps	**–**	**71**	–	56
Derivative financial instruments held or issued to hedge the currency exposure on existing transactions				
Forward foreign exchange contracts	**9**	**10**	12	12
Derivative financial instruments held or issued to hedge the currency exposure on expected future transactions				
Forward foreign exchange contracts	**–**	**–**	–	(19)
Foreign currency option contracts	**22**	**32**	77	148

Notes to the Financial Statements continued

18 Financial instruments (continued)

Currency exposures

100% of the Group's major transactional currency exposures on working capital balances, which typically extend for up to three months, are hedged using forward foreign exchange contracts. As a result, as at 31 December 2004 and 31 December 2003, there were no material monetary assets or liabilities in currencies other than the functional currencies of the Group companies concerned, having taken into account the effect of forward exchange currency contracts that have been used to match foreign currency exposures.

Additionally, approximately 95% of forecast future foreign currency transaction exposures on major currencies extending for 12 months were hedged to cover movements outside specified limits. The principal currency exposures (sterling, Swedish kronor (SEK) and euros) were hedged using a mixture of purchased currency options and forward foreign exchange contracts. As at 31 December 2004, the forecast future foreign currency transaction exposures were:

	2004 Forecast exposures $m	2003 Forecast exposures $m
Sterling payables	**2,553**	2,517
SEK payables	**1,551**	1,442
Euro receivables	**1,926**	2,194

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, other than short term creditors such as trade creditors and accruals, at 31 December 2004 was as follows:

			2004			2003
Analysis by year of repayment	**Loans $m**	**Other $m**	**Total $m**	Loans $m	Other $m	Total $m
After five years	**1,030**	**–**	**1,030**	303	–	303
From five to four years	**–**	**–**	**–**	–	–	–
From four to three years	**–**	**–**	**–**	–	–	–
From three to two years	**–**	**–**	**–**	–	–	–
From two to one years	**–**	**–**	**–**	–	–	–
Due after more than one year	**1,030**	**–**	**1,030**	303	–	303
Due within one year	**–**	**142**	**142**	–	152	152
	1,030	**142**	**1,172**	303	152	455

Other financial liabilities comprise short term bank borrowings and overdrafts.

17 Loans

	Repayment dates	2004 $m	2003 $m
Unsecured loans			
US dollars			
7% Guaranteed debentures	2023	**283**	295
5.4% Callable bond	2014	**747**	–
Others	2013	**–**	8
Total unsecured		**1,030**	303
Less: current instalments of loans		**–**	–
Loans due after more than one year		**1,030**	303

In the above table, loans are shown after taking account of associated cross-currency swaps (see Note 18). During the year, a 5.4% callable bond was issued for proceeds, net of expense, of $747m.

There are no loans from banks included in the table above (2003 $nil).

18 Financial instruments

The Group's objectives, policies and strategy in respect of risk management and the use of financial instruments are described in the Financial Review on pages • to •. The following disclosures exclude all short term, trade related debtors and creditors.

Interest rate risks of financial assets and liabilities

The interest rate profile, after taking into account interest and cross-currency swaps, of the financial assets and liabilities of the Group as at 31 December 2004 was:

	Floating rate $m	Fixed rate $m	Financial assets/liabilities on which no interest is paid/received $m	**Total $m**	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
Financial liabilities						
US dollar	1,159	–	–	**1,159**	–	–
Other	13	–	–	**13**	–	–
	1,172	–	–	**1,172**	–	–
Financial assets						
US dollar	4,772	–	10	**4,782**	–	–
Euro	4	–	–	**4**	–	–
Sterling	127	–	252	**379**	–	–
SEK	2	–	18	**20**	–	–
Other	228	–	–	**228**	–	–
	5,133	–	280	**5,413**	–	–

The floating rate financial liabilities comprise largely of fixed rate debt that has been swapped into floating rate debt. During the year, the Group restructured its external debt. A $300m US dollar bond was partially repurchased and cancelled, with the remaining balance swapped into floating rate until maturity. In addition, the Group issued a $750m US dollar fixed rate bond under a $4bn SEC registered shelf programme. The bond matures in 2014 and has been swapped to floating rate until maturity. The financial liabilities also include $142m of short term bank borrowings and overdrafts, bearing interest at rates fixed by reference to local interbank rates.

The financial assets principally comprise cash on overnight deposit or held directly with third party fund managers and short term investments with an average maturity of 27 days. These include deposits where the interest rate is fixed until maturity but, as the original maturity is less than one year, they are classified as floating rate financial instruments. The main benchmark rates for euro and US dollar financial assets are the relevant LIBID rates. *Financial assets include $267m of other fixed asset investments on which no interest is received.*

Notes to the Financial Statements continued

14 Short term investments

	2004 $m	2003 $m
Listed debt securities	–	3
Other listed investments	14	54
Investment securities	14	57
Fixed deposits	4,077	3,161
	4,091	3,218

The Group's insurance subsidiaries hold cash and short term investments totalling $326m (2003 $298m), of which $207m (2003 $195m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

15 Short term borrowings and overdrafts

	2004 $m	2003 $m
Bank borrowings		
Fixed securities	12	7
Unsecured	130	145
	142	152

16 Other creditors

	2004 $m	2003 $m
Amounts due within one year		
Trade creditors	3,125	3,086
Corporate taxation	967	1,353
Value added and payroll taxes and social security	282	255
Other creditors	1,008	946
Accruals	1,197	989
Dividends to shareholders	1,061	914
	7,640	7,543
Amounts due after more than one year		
Other creditors	78	52

Included in other creditors are amounts totalling $138m (2003 $104m) to meet insurance obligations of the Group's insurance subsidiaries. Also in other creditors are amounts due within one year in connection with the Group's exceptional charges including $39m (2003 $54m) in respect of the Agrochemicals demerger and Specialties disposal.

11 Fixed asset investments (continued)

Share of joint venture assets and liabilities

	2004 $m	2003 $m
Gross assets	–	174
Gross liabilities	–	(174)
	–	–

The group disposed of its joint venture Advanta B.V. on 1 September 2004. The profit on disposal is disclosed in Note 3.

12 Stocks

	2004 $m	2003 $m
Raw materials and consumables	**646**	715
Stocks in process	**970**	1,206
Finished goods and goods for resale	**1,404**	1,101
	3,020	3,022

13 Debtors

	2004 $m	2003 $m
Amounts due within one year		
Trade debtors	**3,636**	3,260
Less: Amounts provided for doubtful debts	**(46)**	(57)
	3,590	3,203
Deferred taxation (Note 5)	**623**	732
Other debtors	**492**	508
*Prepayments and accrued income**	**1,110**	1,093
	5,815	5,536
Amounts due after more than one year		
Deferred taxation (Note 5)	**159**	165
Other debtors	**78**	32
Prepayments and accrued income*	**222**	227
	459	424
	6,274	5,960

* Figures include prepaid pension costs (Note 28).

Provisions for doubtful debts

	2004 $m	2003 $m	2002 $m
Balance at beginning of year	**57**	56	42
Profit and loss account charge	**–**	8	11
Amounts utilised and other movements	**(11)**	(7)	3
Balance at end of year	**46**	57	56

Notes to the Financial Statements continued

10 Goodwill and intangible assets

	Goodwill $m	Intangible assets $m	Total $m
Cost			
At beginning of year	1,155	3,622	4,777
Additions	–	151	151
Exchange and other movements	18	204	222
At end of year	1,173	3,977	5,150
Amortisation			
At beginning of year	322	1,571	1,893
Charge for year	49	262	311
Impairment	10	–	10
Exchange and other movements	2	108	110
At end of year	383	1,941	2,324
Net book value at 31 December 2004	**790**	**2,036**	**2,826**
Net book value at 31 December 2003	833	2,051	2,884

The impairment is in relation to the write-off of goodwill associated with *Exanta*.

11 Fixed asset investments

	Joint venture $m	Other investments $m	Total $m
Cost			
At beginning of year	134	220	354
Additions	–	117	117
Disposals and other movements, including exchange	(134)	(63)	(197)
At end of year	–	274	274
Provisions			
At beginning of year	–	–	–
Additions	–	(5)	(5)
Disposals and other movements, including exchange	–	(2)	(2)
At end of year	–	(7)	(7)
Share of post-acquisition reserves			
At beginning of year	(134)	–	(134)
Disposals and other movements, including exchange	134	–	134
At end of year	–	–	–
Net book value at 31 December 2004	**–**	**267**	**267**
Net book value at 31 December 2003	–	220	220

9 Tangible fixed assets

	Land and buildings $m	Plant and equipment $m	Assets in course of construction $m	Total tangible assets $m
Cost				
At beginning of year	4,128	7,964	948	13,040
Capital expenditure	17	195	851	1,063
Transfer of assets into use	430	641	(1,071)	–
Disposals and other movements	(55)	(329)	(6)	(390)
Exchange adjustments	281	589	45	915
At end of year	4,801	9,060	767	14,628
Depreciation				
At beginning of year	1,139	4,365	–	5,504
Charge for year	172	744	–	916
Impairment	–	31	–	31
Disposals and other movements	(37)	(299)	–	(336)
Exchange adjustments	86	344	–	430
At end of year	1,360	5,185	–	6,545
Net book value at 31 December 2004	**3,441**	**3,875**	**767**	**8,083**
Net book value at 31 December 2003	2,989	3,599	948	7,536

The impairment charge in the year was made to write-off assets associated with *Iressa*.

Capital expenditure in the year of $1,063m (2003 $1,239m) did not include any capitalised finance leases (2003 $nil).
Cash expenditure on tangible fixed assets was $1,063m (2003 $1,282m, 2002 $1,340m).

	2004 $m	2003 $m
The net book value of land and buildings comprised		
Freeholds	**3,424**	2,988
Short leases	**7**	1
	3,431	2,989

Notes to the Financial Statements continued

8 Segment information (continued)

Profit from	Operating profit after exceptional items			Profit on ordinary activities before interest and taxation		
	2004 $m	2003 $m	2002 $m	**2004 $m**	2003 $m	2002 $m
UK	**1,074**	810	672	**1,076**	812	673
Continental Europe	**2,229**	2,241	1,689	**2,452**	2,241	1,689
The Americas	**1,192**	816	1,473	**1,192**	816	1,473
Asia, Africa & Australasia	**275**	244	172	**275**	244	172
Continuing operations	**4,770**	4,111	4,006	**4,995**	4,113	4,007

	Net operating assets*		
	2004 $m	2003 $m	2002 $m
UK	**4,429**	4,146	3,101
Continental Europe	**5,483**	5,771	4,805
The Americas	**2,359**	1,931	1,004
Asia, Africa & Australasia	**1,916**	1,033	958
Continuing operations	**13,442**	12,881	9,868

* Net operating assets exclude short term investments, cash, short term borrowings, loans and non-operating debtors and creditors.

	Tangible fixed assets		
	2004 $m	2003 $m	2002 $m
UK	**2,655**	2,502	2,319
Sweden	**2,359**	2,122	1,626
US	**1,153**	1,095	1,031
Others	**1,916**	1,817	1,621
Continuing operations	**8,083**	7,536	6,597

Geographic markets

The table below shows turnover in each geographic market in which customers are located.

	2004 $m	2003 $m	2002 $m
UK	**590**	532	623
Continental Europe	**7,060**	6,177	5,072
The Americas	**10,971**	9,835	10,287
Asia, Africa & Australasia	**2,805**	2,305	1,859
Continuing operations	**21,426**	18,849	17,841

8 Segment information

The Group's activities are in one class of business, pharmaceuticals. There are no other significant classes of business, either singularly or in aggregate.

Geographic areas

The tables below show information by geographic area and, for turnover and tangible fixed assets, material countries. The figures show the turnover, operating profit and profit on ordinary activities before interest and taxation made by companies located in that area/country, together with net operating assets and tangible fixed assets owned by the same companies; export sales and the related profit are included in the areas/country from which those sales were made.

	Turnover		
	2004	2003	2002
	$m	$m	$m
UK			
External	**1,108**	928	872
Intra-Group	**4,927**	3,060	3,092
	6,035	3,988	3,964
Continental Europe			
Belgium	**325**	260	225
France	**1,569**	1,420	1,111
Germany	**961**	852	682
Italy	**922**	824	676
The Netherlands	**205**	174	226
Spain	**709**	606	461
Sweden	**723**	685	619
Others	**1,419**	1,227	1,028
Intra-Group	**3,545**	2,606	1,646
	10,378	8,654	6,674
The Americas			
Canada	**876**	712	570
US	**9,604**	8,720	9,325
North America	**10,480**	9,432	9,895
Others	**420**	339	334
Intra-Group	**484**	375	235
	11,384	10,146	10,464
Asia, Africa & Australasia			
Australia	**451**	364	273
Japan	**1,364**	1,136	960
Others	**770**	602	479
Intra-Group	**39**	35	30
	2,624	2,137	1,742
Continuing operations	**30,421**	24,925	22,844
Intra-Group eliminations	**(8,995)**	(6,076)	(5,003)
	21,426	18,849	17,841

Export sales from the UK totalled $5,489m for the year ended 31 December 2004 (2003 $3,490m, 2002 $3,368m). In the US, sales to three wholesalers accounted for approximately 80% of our US sales.

Notes to the Financial Statements continued

6 Dividends to shareholders

	2004 Per share	2003 Per share	2002 Per share	2004 $m	2003 $m	2002 $m
Interim, paid on 20 September 2004	**$0.295**	$0.255	$0.230	**494**	436	398
Second interim, to be confirmed as final, payable 21 March 2005	**$0.645**	$0.540	$0.470	**1,061**	914	808
	$0.940	$0.795	$0.700	**1,555**	1,350	1,206

7 Earnings per $0.25 Ordinary Share

	2004	2003	2002
Net profit for the financial year before exceptional items ($m)	**3,527**	3,036	3,186
Exceptional items after tax ($m) (see Note 3)	**286**	–	(350)
Net profit for the financial year ($m)	**3,813**	3,036	2,836
Earnings per Ordinary Share before exceptional items	**$2.11**	$1.78	$1.84
Earnings/(loss) per Ordinary Share on exceptional items	**$0.17**	–	($0.20)
Earnings per Ordinary Share	**$2.28**	$1.78	$1.64
Diluted earnings per Ordinary Share before exceptional items	**$2.11**	$1.78	$1.84
Diluted earnings/(loss) per Ordinary Share on exceptional items	**$0.17**	–	($0.20)
Diluted earnings per Ordinary Share	**$2.28**	$1.78	$1.64
Weighted average number of Ordinary Shares in issue for basic earnings (millions)	**1,673**	1,709	1,733
Dilutive impact of share options outstanding (millions)	**2**	3	2
Diluted average number of Ordinary Shares in issue (millions)	**1,675**	1,712	1,735

There are no options, warrants or rights outstanding in respect of unissued shares except for employee share option schemes. The number of options outstanding and the weighted average exercise price of these options is shown in Note 29. The earnings figures used in the calculations above are unchanged for diluted earnings per Ordinary Share. Earnings per Ordinary Share before exceptional items have been calculated to eliminate the impact of exceptional items on the results of the business.

5 Taxation (continued)

Deferred taxation

The amounts of deferred taxation accounted for in the Group balance sheet, before netting off of balances within countries, comprised the following deferred tax liabilities and assets:

	2004 $m	2003 $m
Deferred tax liabilities		
UK fixed assets	**609**	501
Non-UK fixed assets	**767**	735
Interest accruals	**28**	18
Untaxed reserves	**360**	137
Pension and post-retirement benefits	**194**	86
Other	**89**	175
	2,047	1,652
Deferred tax assets		
Intercompany inventory transfers	**643**	527
Non-UK fixed assets	**44**	28
Accrued expenses	**384**	238
Pension and post-retirement benefits	**94**	55
Other	**83**	111
	1,248	959
Deferred tax liability (net)	**(799)**	(693)

No provision has been made, in accordance with FRS19, for rolled over gains amounting to $106m (2003 $131m, 2002 $118m).

Notes to the Financial Statements continued

5 Taxation (continued)

Tax reconciliation to UK statutory rate

The table shown below reconciles the UK statutory tax charge to the Group's current tax charge on profit on ordinary activities before taxation.

	2004 $m	2003 $m	2002 $m
Profit on ordinary activities before taxation	**5,085**	4,202	4,037
Notional taxation charge at UK corporation tax rate of 30% (30% for 2003, 30% for 2002)	**1,525**	1,261	1,211
Differences in effective overseas tax rates	**55**	159	141
Capital allowances/tax reliefs in excess of depreciation	**(33)**	(291)	(291)
Untaxed reserves	**(186)**	(51)	(75)
Other timing differences	**145**	(168)	35
Items not deductible for tax purposes	**38**	80	49
Items not chargeable for tax purposes	**(71)**	(88)	(110)
Adjustments in respect of prior periods	**(171)**	26	(51)
Exceptional items	**(124)**	–	105
Current tax charge for the year	**1,178**	928	1,014

Balance sheet

	2004 $m	2003 $m	2002 $m
Deferred taxation (liability)/asset movement			
At beginning of year	**(693)**	(359)	(212)
Profit and loss account	**(76)**	(215)	(163)
Statement of total recognised gains and losses	**78**	–	155
Disposal of subsidiary undertakings	**4**	13	–
Exchange	**(112)**	(132)	(139)
At end of year	**(799)**	(693)	(359)
Debtors – amount due within one year (Note 13)	**623**	732	625
Debtors – amount due after more than one year (Note 13)	**159**	165	226
Provisions (Note 19)	**(1,581)**	(1,590)	(1,210)
	(799)	(693)	(359)

5 Taxation

Profit on ordinary activities before taxation, as shown in the Group profit and loss account, was as follows:

	2004 $m	2003 $m	2002 $m
UK	**1,123**	879	741
Overseas	**3,962**	3,323	3,296
	5,085	4,202	4,037

Taxes on profit on ordinary activities were as follows:

UK taxation			
Corporation tax	**379**	142	165
Double taxation relief	**(22)**	(23)	(29)
Adjustments in respect of prior periods	**(178)**	–	–
Deferred taxation	**45**	102	24
	224	221	160
Overseas taxation			
Overseas taxes	**992**	783	929
Adjustments in respect of prior periods	**7**	26	(51)
Deferred taxation	**31**	113	139
	1,030	922	1,017
Tax on profit on ordinary activities	**1,254**	1,143	1,177

UK and overseas taxation has been provided at current rates on the profits earned for the periods covered by the Group Financial Statements. The prior period adjustment in respect of UK taxation relates to the settlement of a number of tax issues covering several accounting periods including merger costs, divestment provisions and fixed asset valuations. Deferred tax profit and loss account amounts arise principally in respect of the origination and reversal of timing differences. To the extent that dividends remitted from overseas subsidiaries, joint ventures and associates are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for unremitted earnings of Group companies overseas as these are, in the main, considered permanently employed in the businesses of these companies and, in the case of joint ventures and associates, the taxes would not be material. Cumulative unremitted earnings of overseas subsidiaries and related undertakings totalled approximately $11,073m at 31 December 2004 (2003 $9,381m). Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends.

Exceptional items included in tax on ordinary activities:

	2004 $m	2003 $m	2002 $m
Tax credit on exceptional items*	**(67)**	–	–

* Includes deferred tax relief of $9m (2003 $nil, 2002 $nil).

The tax credit on exceptional items includes an amount of $58m arising from an agreement with the US tax authority to allow $170m of the $355m *Zoladex* settlement (originally accrued in 2002 and paid in 2003) as deductible for tax. There is also a tax credit of $9m arising on costs associated with the disposal of Advanta B.V..

Statement of total recognised gains and losses

In certain circumstances, tax charges or credits on currency translation differences on foreign currency borrowings are taken to reserves via the statement of total recognised gains and losses. The tax charge on such currency translation differences amounted to $nil in 2004 (2003 $nil, 2002 $2m) and has been reported in the statement of total recognised gains and losses. The tax credit on other consolidation exchange adjustments taken to reserves amounted to $22m (2003 $66m, 2002 $135m).

The movement in reserves via the statement of total recognised gains and losses, also includes a tax credit of $357m arising from agreement with the tax authority to allow a proportion of certain foreign exchange losses arising on intra-group balances in 2000.

Factors affecting future tax charges

As a group involved in worldwide operations, AstraZeneca is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different jurisdictions, transfer pricing policies and tax levels imposed. A number of material items currently under audit and negotiation are set out in detail in Note 30.

Notes to the Financial Statements continued

2 Share of turnover and operating profits of joint venture

	2004 $m	2003 $m	2002 $m
Share of joint venture turnover	**227**	208	191

There was no share of operating profits of the joint venture attributable to the Group.

On 1 September 2004 the Group disposed of its interest in the ordinary share capital of Advanta B.V., its only major joint venture. The profit on disposal is shown in Note 3.

3 Exceptional items

	2004 $m	2003 $m	2002 $m
Accrual related to *Zoladex* investigation	**–**	–	(350)
Exceptional items included in operating profit	**–**	–	(350)
Profit on sale of interest in joint venture	**219**	–	–
Total exceptional items before taxation	**219**	–	(350)
Net taxation credit	**67**	–	–
Total exceptional items after taxation	**286**	–	(350)

The profit on sale of interest in joint venture relates to the disposal of the Group's interest in the ordinary share capital of Advanta B.V. There is a tax credit of $9m arising on costs associated with the disposal.

As set out in more detail in Note 5, the Company announced on 20 June 2003 a settlement of the US Department of Justice investigation into the US sales and marketing practices for *Zoladex* (goserelin acetate implant). Negotiations towards this settlement were sufficiently advanced to recognise an exceptional charge of $350m at 31 December 2002. An agreement has been reached with the US tax authorities that $170m of the settlement is deductible for tax purposes. Consequently an exceptional tax credit of $58m has been recorded in 2004.

These items are regarded as exceptional due to their unusual and non-recurring nature. There were no exceptional items in 2003.

4 Net interest

	2004 $m	2003 $m	2002 $m
Interest receivable and similar income from investments			
Securities	**10**	21	21
Short term deposits	**81**	75	90
Gain on disposal of interest rate swap	**30**	–	–
Exchange gains	**15**	19	6
	136	115	117
Interest payable and similar charges			
Loan interest	**(30)**	(7)	(10)
Interest on short term borrowings and other financing costs	**(16)**	(16)	(51)
Discount on liability	**–**	(3)	(10)
Exchange losses	**–**	–	(16)
	(46)	(26)	(87)
Net interest receivable	**90**	89	30

Before exceptional items $m	Exceptional items $m	2003 Total $m	Before exceptional items $m	Exceptional items $m	2002 Total $m
18,849	–	18,849	17,841	–	17,841
(4,469)	–	(4,469)	(4,520)	–	(4,520)
(162)	–	(162)	(141)	–	(141)
(3,451)	–	(3,451)	(3,069)	–	(3,069)
(6,856)	–	(6,856)	(5,998)	(350)	(6,348)
(14,938)	–	(14,938)	(13,728)	(350)	(14,078)
90	–	90	113	–	113
110	–	110	130	–	130
200	–	200	243	–	243
4,111	–	4,111	4,356	(350)	4,006
(986)	–	(986)	(705)	–	(705)
(304)	–	(304)	(255)	–	(255)
–	–	–	–	–	–
14,380	–	14,380	13,321	–	13,321

Notes to the Financial Statements

1 Group operating profit

	Before exceptional items $m	Exceptional items $m	2004 Total $m
Group turnover	21,426	–	**21,426**
Operating costs			
Cost of sales	(5,150)	–	**(5,150)**
Distribution costs	(177)	–	**(177)**
Research and development	(3,803)	–	**(3,803)**
Selling, general and administrative expenses	(7,841)	–	**(7,841)**
	(16,971)	–	**(16,971)**
Other operating income			
Royalties	95	–	**95**
Other income	220	–	**220**
	315	–	**315**

Cost of sales includes charges against inventory and prepayments in respect of *Exanta* and *Iressa* totalling $195m. Other income includes gains arising from disposals under ongoing product and investment rationalisation programmes.

Group operating profit	4,770	–	**4,770**
Charges included above			
– for depreciation	(916)	–	**(916)**
– for amortisation	(311)	–	**(311)**
– for impairment	(41)	–	**(41)**
Gross profit, as defined by the Companies Act 1985	16,276	–	**16,276**

The charge for impairment arises from writing off fixed assets and goodwill associated with *Iressa* and *Exanta*.

policy it becomes impracticable to calculate average asset lives exactly. However, the total lives range from approximately 13 to 50 years for buildings, and three to 15 years for plant and equipment. All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable.

Leases
Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under creditors due within, or creditors due after, one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to the profit and loss account as incurred.

Investments
An associate is an undertaking, not being a subsidiary or joint venture, in which AstraZeneca has a participating interest and over whose commercial and financial policy decisions AstraZeneca exercises significant influence.

A joint venture is an entity in which AstraZeneca holds an interest on a long term basis and which is jointly controlled by AstraZeneca and one or more other venturers under a contractual arrangement.

AstraZeneca's share of the profits less losses of all significant joint ventures and associates is included in the Group profit and loss account on the equity accounting basis or, in the case of joint ventures, the gross equity accounting basis. The holding value of significant associates and joint ventures in the Group balance sheet is calculated by reference to AstraZeneca's equity in the net assets of such associates and joint ventures, as shown by the most recent accounts available, adjusted where appropriate and including goodwill on acquisitions made since 1 January 1998.

Fixed asset investments are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Current asset investments held by the Group's insurance company subsidiaries, to the extent that they are actively matched against insurance liabilities, are valued at market value and unrealised gains and losses are taken directly to reserves via the statement of total recognised gains and losses. Realised gains and losses are taken to the profit and loss account.

Contingent liabilities
Through the normal course of business, AstraZeneca is involved in legal disputes the settlement of which may involve cost to the Group. Provision is made where an adverse outcome is probable and associated costs can be estimated reliably.

AstraZeneca is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when there is a present obligation, it is probable that expenditure on remedial work will be required and a reliable estimate can be made of the cost.

Stock valuation
Stocks are stated at the lower of cost or net realisable value. The first in, first out or an average method of valuation is used. In determining cost, depreciation is included but selling expenses and certain overhead expenses (principally central administration costs) are excluded. Net realisable value is determined as estimated selling price less costs of disposal.

Principal financial instruments
Forward foreign exchange contracts for existing transactions are revalued to year end spot rates and the gains/losses arising are recognised in the Group profit and loss account. Interest differentials are amortised on a straight line basis over the life of the contract.

The gains/losses on forward foreign exchange contracts and currency option contracts hedging anticipated exposures are deferred until the date the underlying transaction being hedged is completed.

Interest rate swaps are accounted for on an accruals basis. Cross-currency swaps are translated at year end exchange rates; gains/losses arising are included in the measurement of the related liabilities and dealt with in the Group profit and loss account or reserves as appropriate.

Accounting Policies

Basis of accounting
The Financial Statements are prepared under the historical cost convention, modified to include the revaluation to market value of certain current asset investments held by Group subsidiaries as described below, in accordance with the Companies Act 1985 and UK generally accepted accounting principles (UK GAAP). Where there are significant differences to US GAAP these have been described in the US GAAP section on pages 125 to 135. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently. The accounting policies of some overseas subsidiaries and associated undertakings do not conform with UK GAAP and, where appropriate, adjustments are made on consolidation in order to present the Group Financial Statements on a consistent basis.

AstraZeneca's management considers the following to be the most important accounting policies in the context of the Group's operations.

Turnover
Turnover excludes intercompany turnover and value added taxes and represents net invoice value less estimated rebates, returns and settlement discounts. Revenue is recognised at the point at which title passes.

Research and development
Internally generated research and development expenditure is charged to profit in the year in which it is incurred.

Goodwill and intangible assets
On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. Goodwill arising on acquisitions since 1998 is capitalised and amortised over its estimated useful life (generally not exceeding 20 years). Goodwill is reviewed for impairment when there are indications that the carrying value may not be recoverable. The Group's policy up to and including 1997 was to eliminate goodwill arising upon acquisitions against reserves. Such goodwill will remain eliminated against reserves until disposal or termination of the previously acquired business (including the planned disposal or termination when there are indications that the value of the goodwill has been permanently impaired), when the profit or loss on disposal or termination will be calculated after charging the gross amount, at current exchange rates, of any such goodwill.

Intangible assets, including patents acquired, are capitalised and amortised over their estimated useful lives (generally not exceeding 20 years), in line with the benefits accruing. If related products fail, the remaining unamortised amounts are immediately written-off to revenue expense. Finance costs and internally developed intangible assets are not capitalised. All intangible assets are reviewed for impairment when there are indications that the carrying value may not be recoverable.

Post-retirement benefits
The pension costs relating to UK retirement plans are assessed in accordance with the advice of independent qualified actuaries. The amounts so determined include the regular cost of providing the benefits under the plans which it is intended should remain as a level percentage of current and expected future earnings of the employees covered under the plans. Variations from the regular pension cost are spread on a systematic basis over the estimated average remaining service lives of current employees in the plans. Retirement plans of non-UK subsidiaries are accounted for in accordance with local conditions and practice. With minor exceptions, these subsidiaries recognise the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of independent qualified actuaries. The costs of providing post-retirement benefits other than pensions, principally healthcare, are charged to the profit and loss account on a consistent basis over the average service lives of employees. Such costs are assessed in accordance with the advice of independent qualified actuaries. AstraZeneca has adopted the disclosure requirements of FRS 17.

Foreign currencies
Profit and loss accounts in foreign currencies are translated into US dollars at average rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates prevailing at the date of the Group balance sheet.

Exchange gains and losses on short term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit. In the consolidated Financial Statements exchange differences arising on consolidation of the net investments in subsidiaries, joint ventures and associates together with those on relevant foreign currency loans are taken directly to reserves via the statement of total recognised gains and losses.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the effects of these differences. Deferred tax asset valuation allowances are made where it is more likely than not that the asset will not be realised in the future. These valuations require judgements to be made including the forecast of future taxable income. Deferred tax balances are not discounted.

Accruals for tax contingencies require management to make judgments and estimates of ultimate exposures in relation to tax audit issues and exposures. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of that benefit on the basis of potential settlement through negotiation and/or litigation.

Any recorded exposure to interest on tax liabilities is provided for in the tax charge. All provisions are included in creditors due within one year.

No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings and where there is a plan to permanently reinvest such earnings. No provision is made for rolled over capital gains.

Tangible fixed assets
AstraZeneca's policy is to write-off the difference between the cost of each tangible fixed asset in use and its residual value evenly over its estimated remaining life. Assets under construction are not depreciated. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this

Statement of Group Cash Flow for the year ended 31 December

	Notes	2004 $m	2003 $m	2002 $m
Cash flow from operating activities				
Net cash inflow from trading operations	22	**6,069**	4,617	5,686
Cash outflow related to exceptional items	23	**(8)**	(391)	(93)
Net cash inflow from operating activities		**6,061**	4,226	5,593
Returns on investments and servicing of finance				
Interest received		**119**	117	142
Interest paid		**(62)**	(32)	(96)
Dividends received		**6**	2	–
Dividends paid by subsidiaries to minority interests		**(5)**	(11)	(11)
		58	76	35
Tax paid		**(1,246)**	(886)	(795)
Capital expenditure and financial investment				
Cash expenditure on tangible fixed assets	9	**(1,063)**	(1,282)	(1,340)
Cash expenditure on intangible assets		**(151)**	(233)	(268)
Cash expenditure on fixed asset investments		**(117)**	(120)	(1)
Disposals of fixed assets		**35**	38	66
		(1,296)	(1,597)	(1,543)
Acquisitions and disposals				
Disposals of business operations	24	**355**	80	–
Equity dividends paid to shareholders		**(1,378)**	(1,222)	(1,234)
Net cash inflow before management of liquid resources and financing	26	**2,554**	677	2,056
Management of liquid resources and financing				
Movement in short term investments and fixed deposits (net)	26	**(862)**	771	(806)
Financing	27	**727**	(345)	(118)
Net share re-purchases	27	**(2,110)**	(1,107)	(1,154)
Increase/(decrease) in cash in the year	25	**309**	(4)	(22)
Cash (inflow)/outflow from (increase)/decrease in loans and short term borrowings		**(727)**	345	118
Cash outflow/(inflow) from increase/(decrease) in short term investments		**862**	(771)	806
Change in net funds resulting from cash flows		**444**	(430)	902
Exchange movements		**34**	82	75
Movement in net funds		**478**	(348)	977

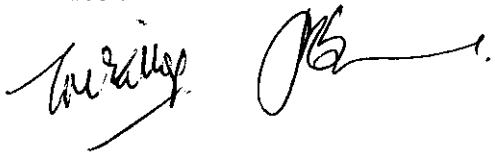
Group Balance Sheet at 31 December

	Notes	2004 $m	2003 $m
Fixed assets			
Tangible fixed assets	9	**8,083**	7,536
Goodwill and intangible assets	10	**2,826**	2,884
Fixed asset investments	11	**267**	220
		11,176	10,640
Current assets			
Stocks	12	**3,020**	3,022
Debtors	13	**6,274**	5,960
Short term investments	14	**4,091**	3,218
Cash		**1,055**	733
		14,440	12,933
Total assets		**25,616**	23,573
Creditors due within one year			
Short term borrowings and overdrafts	15	**(142)**	(152)
Other creditors	16	**(7,640)**	(7,543)
		(7,782)	(7,695)
Net current assets		**6,658**	5,238
Total assets less current liabilities		**17,834**	15,878
Creditors due after more than one year			
Loans	17	**(1,030)**	(303)
Other creditors	16	**(78)**	(52)
		(1,108)	(355)
Provisions for liabilities and charges	19	**(2,207)**	(2,266)
Net assets		**14,519**	13,257
Capital and reserves			
Called-up share capital	34	**411**	423
Share premium account	21	**550**	449
Capital redemption reserve	21	**36**	23
Merger reserve	21	**433**	433
Other reserves	21	**1,382**	1,401
Profit and loss account	21	**11,606**	10,449
Shareholders' funds – equity interests	20	**14,418**	13,178
Minority equity interests		**101**	79
Shareholders' funds and minority interests		**14,519**	13,257

The Financial Statements on pages 72 to 135 were approved by the Board of Directors on 27 January 2005 and were signed on its behalf by:

Sir Tom McKillop
Director

Jonathan Symonds
Director



Before exceptional items $m	Exceptional items $m	2003 Total $m	Before exceptional items $m	Exceptional items $m	2002 Total $m
18,849	–	18,849	17,841	–	17,841
(14,938)	–	(14,938)	(13,728)	(350)	(14,078)
200	–	200	243	–	243
4,111	–	4,111	4,356	(350)	4,006
–	–	–	–	–	–
–	–	–	–	–	–
2	–	2	1	–	1
4,113	–	4,113	4,357	(350)	4,007
89	–	89	30	–	30
4,202	–	4,202	4,387	(350)	4,037
(1,143)	–	(1,143)	(1,177)	–	(1,177)
3,059	–	3,059	3,210	(350)	2,860
(23)	–	(23)	(24)	–	(24)
3,036	–	3,036	3,186	(350)	2,836
		(1,350)			(1,206)
		1,686			1,630
$1.78	–	$1.78	$1.84	–	$1.84
$1.78	–	$1.78	$1.84	($0.20)	$1.64
$1.78	–	$1.78	$1.84	($0.20)	$1.64
		1,709			1,733

2003 $m	2002 $m
3,036	2,836
1,361	971
66	135
–	6
–	(2)
4,463	3,946

Group Profit and Loss Account for the year ended 31 December

	Notes	Before exceptional items $m	Exceptional items $m	2004 Total $m
Group turnover		21,426	–	**21,426**
Operating costs	1	(16,971)	–	**(16,971)**
Other operating income	1	315	–	**315**
Group operating profit	1	4,770	–	**4,770**
Share of operating profits of joint venture	2	–	–	**–**
Profit on sale of interest in joint venture	3	–	219	**219**
Dividend income		6	–	**6**
Profit on ordinary activities before interest		4,776	219	**4,995**
Net interest	4	90	–	**90**
Profit on ordinary activities before taxation		4,866	219	**5,085**
Taxation	5	(1,321)	67	**(1,254)**
Profit on ordinary activities after taxation		3,545	286	**3,831**
Attributable to minorities		(18)	–	**(18)**
Net profit for the financial year		3,527	286	**3,813**
Dividends to shareholders	6			**(1,555)**
Profit retained for the financial year				**2,258**
Earnings per $0.25 Ordinary Share before exceptional items	7	$2.11	–	**$2.11**
Earnings per $0.25 Ordinary Share (basic)	7	$2.11	$0.17	**$2.28**
Earnings per $0.25 Ordinary Share (diluted)	7	$2.11	$0.17	**$2.28**
Weighted average number of Ordinary Shares in issue (millions)	7			**1,673**

All activities were in respect of continuing operations. There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before taxation.

Group Statement of Total Recognised Gains and Losses for the year ended 31 December

	Notes	2004 $m
Net profit for the financial year		**3,813**
Foreign exchange adjustments on consolidation	20	**713**
Tax on foreign exchange adjustments on consolidation	20	**379**
Translation differences on foreign currency borrowings	20	**–**
Tax on translation differences on foreign currency borrowings	20	**–**
Total recognised gains and losses relating to the financial year		4,905

Tax on foreign exchange adjustments on consolidation in 2004 includes a credit of $357m in respect of foreign exchange losses arising in 2000 (see Note 5).

$m means millions of US dollars

Independent Auditor's Report to the Members of AstraZeneca PLC

We have audited the Financial Statements on pages 72 to 135. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor
The Directors are responsible for preparing the Annual Report and Form 20-F Information and the Directors' Remuneration Report. As described on page 70 this includes responsibility for preparing the Financial Statements in accordance with applicable UK law and accounting standards; the Directors have also presented additional information under US requirements. Our responsibilities, as independent auditor, are established in the UK by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance statement on page 52 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and Form 20-F Information, including the corporate governance statement and consider whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion

- the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit of the Group for the year then ended; and
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

27 January 2005

KPMG Audit Plc KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

The above opinion is provided in compliance with UK requirements. An opinion in accordance with auditing standards of the Public Company Accounting Oversight Board in the US will be included in the Annual Report on Form 20-F filed with the US Securities and Exchange Commission.

Accounting principles generally accepted in the UK vary in certain significant respects from accounting principles generally accepted in the US. Information relating to the nature and effect of such differences is presented on pages 125 to 135.

Code	Name	Country of Incorporation	Effective Equity
234			
1002	AstraZeneca UK Limited	England and Wales	100
1004	Zeneca Limited	England and Wales	100
1005	ZENCO (No 6) Limited	England and Wales	100
1006	AstraZeneca Quest Limited	England and Wales	100
1007	Wilmington Pharmaceuticals Limited	England and Wales	100
1012	AstraZeneca Employee Share Trust Limited	England and Wales	100
1013	AstraZeneca Share Trust Limited	England and Wales	100
1017	Zenco (No 8) Limited	England and Wales	100
1018	Zenco (No 9) Limited	England and Wales	100
1019	AstraZeneca Treasury Limited	England and Wales	100
1020	AstraZeneca US Investments Limited	England and Wales	100
1025	AstraZeneca Sweden Investments	England	100
3302	Avlex Limited	England and Wales	100
3303	Stuart Pharmaceuticals Limited	England and Wales	100
3330	IC Insurance Limited	England and Wales	51
3348	Care Laboratories Limited	England and Wales	100
3350	Care Products Limited	England and Wales	100
3395	ZENCO (No. 12) Limited	England and Wales	100
3700	AstraZeneca China UK Limited	England and Wales	100
3915	AYZEE 1 Limited	England and Wales	100
3916	AYZEE 2 Limited	England and Wales	100
3917	AYZEE 3 Limited	England and Wales	100
3918	AYZEE 4 Limited	England and Wales	100
3919	AYZEE 5 Limited	England and Wales	100
3920	AYZEE 6 Limited	England and Wales	100
3921	AYZEE 7 Limited	England and Wales	100
3922	AYZEE 8 Limited	England and Wales	100
3923	AYZEE 9 Limited	England and Wales	100
3924	AYZEE 10 Limited	England and Wales	100
4170	Pharmaceutical Manufacturing Company Pty Limited	Australia	100
4171	J Glover Laboratories Pty Limited	Australia	100
4181	AstraZeneca Superannuation Plan Pty Limited	Australia	100
4182	AstraZeneca Executive Superannuation Plan Pty Limited	Australia	100
4183	J Glover Distributors Pty Limited	Australia	100
4184	Zeneca Australia Superannuation Pty Limited	Australia	100
4185	ZENECA PHARMACEUTICALS AUSTRALIA PTY LTD	Australia	100
4186	AstraZeneca Holdings Pty Limited	Australia	100
4188	AstraZeneca PTY Limited	Australia	100
4189	AstraZeneca Limited	New Zealand	100
4190	ZENECA HOLDINGS AUSTRALIA PTY LTD	Australia	100
5036	Comprehensive Cancer Corporation of New York Inc	United States of America	100
5283	Zeneca Delaware Holdings Inc.	United States of America	100
5286	Atkemix Nine Inc.	United States of America	100
5301	Atkemix Ten Inc.	United States of America	100
5302	CCC Management Company of California, Inc.	United States of America	100
5303	Atkemix Twelve Inc.	United States of America	100
5304	Zeneca International Inc.	United States of America	100
5305	CCC Management Company, Inc.	United States of America	100
5308	The Breast Center, Inc	United States of America	100
5309	CCC Management Company of New York, Inc.	United States of America	100
5310	AstraZeneca Latin America Inc	United States of America	100
5313	Zeneca Ag Products Holdings Inc. II	United States of America	100
5315	Stauffer Management Company LLC	United States of America	100
5332	Stauffer Chemical Co. Canada Limited	Canada	100
5336	AZ Reinsurance Limited	Cayman Islands	100
5406	Zeneca Holdings Financial Corp.	United States of America	100
5418	Zeneca Resins Holdings Inc.	United States of America	100
5500	Zeneca Holdings Inc.	United States of America	100
5501	Zeneca Inc.	United States of America	100

5502 AZ-Mont Insurance Company	United States of America	100
5511 Comprehensive Cancer Centers Inc.	United States of America	100
5512 Ushawl Inc.	United States of America	100
5514 OAMG, Inc.,	United States of America	100
5515 Salick MG, Inc.,	United States of America	100
5516 SHC - NY Consulting Services, Inc.,	United States of America	100
5517 Carlos J.Dominguez, M.D., FACP, Inc.,	United States of America	100
5518 Enrique Davila, M.D., FACP, Inc.,	United States of America	100
5519 Michael A. Schwartz, MD., Inc.,	United States of America	100
5521 Nixon, Blaustein, Tuchman-Ratzan & Lutzky, M.D.'s, Inc.,	United States of America	100
5524 SHC Cancer Care LLC	United States of America	100
5530 Corpus Christi Holdings Inc.	United States of America	100
5541 Century Dialysis Corporation	United States of America	100
5544 Ambulatory Diagnostic Testing Services, Inc.	United States of America	100
5545 SHC Laboratories, Inc.	United States of America	100
5550 Infusx, Inc.	United States of America	100
5553 CCC of North Miami Beach Inc.	United States of America	100
5554 Logic Health Systems, Inc.	United States of America	100
5556 Salicknet Inc.	United States of America	100
5560 Salick Health Care, Inc.	United States of America	100
5561 Astra U.S. Holdings Corporation	United States of America	100
5562 Astra USA, Inc.	United States of America	100
5563 AstraZeneca Pharmaceuticals, LP	United States of America	100
5564 AstraZeneca, LP	United States of America	100
5567 Astra Tech Ltd	England and Wales	100
5568 Astra Tech Oy	Finland	100
5569 AstraZeneca, S.A. de C.V.	Mexico	100
5570 Astra Tech, Inc.	United States of America	100
5603 Zeneca Pharma Inc.	United States of America	100
5667 Astra-Thai Holdings	United States of America	100
5668 AstraZeneca Canada Inc.,	Canada	100
6003 Laboratorio Atenea, S.A.	Spain	100
6004 Laboratorio Lailan, S.A.	Spain	100
6005 Laboratorio Epsilon, S.A.	Spain	100
6013 AstraZeneca Holding GmbH	Germany	100
6020 AstraZeneca B.V.	HOLLAND	100
6030 Zeneca Italia S.r.l.	Italy	100
6078 STUART - PRODUTOS FARMACEUTICOS, LDA	Portugal	100
6080 Laboratorio Tau S.A.	Spain	100
6083 Laboratorio Beta, S.A.	Spain	100
6084 Laboratorio Icaro SA	Spain	100
6085 Laboratorio Odin, S.A.	Spain	100
6103 AstraZeneca GmbH	Germany	100
6104 Rhein-Pharma Arzneimittelwerk GmbH	Germany	100
6105 Ivamed GmbH	Germany	100
6108 Pharma-Stern GmbH	Germany	100
6109 Promed Arzneimittel GmbH	Germany	100
6117 AstraZeneca Dunkerque Production SCS	France	95
6119 AstraZeneca S.A.S.	France	100
6120 AstraZeneca Reims SAS	France	100
6125 AstraZeneca SpA	Italy	100
6127 NV AstraZeneca SA	Belgium	100
6142 AstraZeneca AS	Norway	100
6143 Zeneca Lakemedel AB	Sweden	100
6145 AstraZeneca Holding AktieBolag	Sweden	100
6159 AstraZeneca Farmaceutica Holding Spain SA	Spain	100
6206 AstraZeneca Zeta B.V.	HOLLAND	100
6208 AstraZeneca Jota B.V.	HOLLAND	100
6209 AstraZeneca Rho B.V.	HOLLAND	100
6210 AstraZeneca Sigma B.V.	HOLLAND	100
6213 AstraZeneca Omega B.V.	HOLLAND	100
6218 Stuart Pharma AB	Sweden	100
6219 AstraZeneca Farmaceutica Spain S.A.	Spain	100

6221	AstraZeneca Gamma B.V.	HOLLAND	100
6222	AstraZeneca Theta B.V.	HOLLAND	100
6224	AstraZeneca Lambda B.V.	HOLLAND	100
6226	AstraZeneca Holdings B.V.	HOLLAND	100
6227	AstraZeneca Pi B.V.	HOLLAND	100
6305	AstraZeneca Österreich GmbH	Austria	100
6328	AstraZeneca Pharma Poland Sp.z.o.o.	Poland	100
6329	AstraZeneca Sp. z.o.o.	Poland	100
6332	Novastra	Portugal	100
6440	AstraZeneca AG	Switzerland	100
6793	AstraZeneca Sverige AB	Sweden	100
6892	AstraZeneca AB	Sweden	99.99
6893	Aktiebolaget Rila	Sweden	100
6894	Hassle Research Aktiebolag	Sweden	100
6895	Astra Biotech AB	Sweden	100
6899	Astra Arcus AB	Sweden	100
6900	Swedish Graft Technique Aktiebolag	Sweden	100
6901	Aktiebolaget Medena	Sweden	100
6902	Astra Tech International Aktiebolag	Sweden	100
6903	Crafon Aktiebolag	Sweden	100
6904	Imeco Aktiebolag	Sweden	100
6905	Astra Middle East AB	Sweden	100
6906	Durapharm Aktiebolag	Sweden	100
6908	Aktiebolaget Astromen	Sweden	100
6909	AstraZeneca Fondaktiebolag	Sweden	100
6910	AstraZeneca International Holdings AB	Sweden	100
6911	Astra Pharma AB	Sweden	100
6912	Nietorp AB	Sweden	100
6913	Aktiebolaget Hassle	Sweden	100
6914	Aktiebolaget Draco	Sweden	100
6916	Astra Tech GmbH	Germany	100
6917	Astra Pharmaceuticals AB	Sweden	100
6918	Astra Tech Aktiebolag	Sweden	100
6919	Astra Export & Trading AB	Sweden	100
6920	Hassle Lakemedel Aktiebolag	Sweden	100
6921	Tika Lakemedel Aktiebolag	Sweden	100
6922	Draco Lakemedel Aktiebolag	Sweden	100
6923	Astra Lakemedel AB	Sweden	100
6925	Symbicom Aktiebolag	Sweden	100
6932	Astra Tech AB	Norway	100
6933	Astra Tech B.V.	HOLLAND	100
6938	Carl Schneider ApS	Denmark	100
6939	Astra Tech A/S	Denmark	100
6941	AstraZeneca Finance SAS	France	100
6943	AstraZeneca Czech Republic, s.r.o.	Czech-Republic	100
6944	Astra Tech France SAS	France	100
6945	AstraZeneca Kft	Hungary	100
6955	AstraZeneca d.o.o	Croatia	100
6959	Astra Tech GesmbH	Austria	100
6960	AstraZeneca Produtos Farmaceuticos Lda	Portugal	100
6961	AZ Farma - Produtos Farmaceuticos, Lda	Portugal	100
6962	Astra Tech S.A.	Spain	100
6964	Astra Alpha Produtos Farmaceuticos Lda	Portugal	100
6965	Zeneca Eplison Farmaceuticos Lda	Portugal	100
6970	Biothera SA	Belgium	100
6971	AstraZeneca S.A.	Greece	100
6972	Astra Tech Italy SpA	Italy	100
6974	Simesa SpA	Italy	100
6976	AstraZeneca Luxembourg SA	Luxembourg	100
6977	N.V. Vitalpharma S.A.	Belgium	100
6980	AstraZeneca Monts S.A.S.	France	100
6982	AstraZeneca Holding France SAS	France	100
6983	AstraZeneca Pharmaceuticals (Ireland) Limited	Republic of Ireland	100

6984	Astra Pharmaceuticals Limited	England and Wales	100
6985	AstraPharm	England and Wales	100
6986	AstraZeneca Continent B.V.,	HOLLAND	100
6989	Copthorne AG	Switzerland	100
6990	AstraZeneca Management Resources AG	Switzerland	100
6995	AstraZeneca OY.	Finland	100
6996	DuraNor AS,	Norway	100
6999	AstraZeneca A/S	Denmark	100
7117	AstraZeneca do Brasil Limitada	Brazil	100
7120	AstraZeneca Venezuela SA	Venezuela	100
7137	IPR Pharmaceuticals, Inc.	Puerto Rico	100
7161	AstraZeneca Farmaceutica Chile Limitada	Chile	100
7170	AstraZeneca Colombia S.A.	Colombia	100
7176	AstraZeneca Sdn Bhd	Malaysia	100
7194	AstraZeneca SA	Uruguay	100
7262	AstraZeneca Pharma India Limited	India	91.48
7264	AstraZeneca India Private Limited	India	100
7270	AstraZeneca Pharmaceuticals (Phils.) Inc.,	Philippines	100
7275	AstraZeneca KK	Japan	80
7290	Astra Pharmaceuticals Pakistan (Private) Limited	Pakistan	100
7318	AstraZeneca Singapore Pte Limited	Singapore	100
7319	AstraZeneca Pharmaceutical Co., Limited.	China - People's Republic of China	100
7326	AstraZeneca Hong Kong Limited	Hong Kong	100
7327	AstraZeneca Korea Limited	South Korea	100
7330	ASTRAZENECA TAIWAN LIMITED	Taiwan, Republic of China	100
7333	AstraZeneca Japan Limited	England and Wales	100
7335	AstraZeneca Ilac Sanayi ve Ticaret Limited Sirketi	Turkey	100
7336	P.T. AstraZeneca Indonesia	Indonesia	95
7344	AstraZeneca China Limited	Hong Kong	100
7348	Zeneca Pharma Asiatic Limited	Thailand	100
7357	Zeneca Ilac Sanayi Ve Ticaret A.S.	Turkey	100
7358	AstraZeneca (Thailand) Limited	Thailand	100
7378	Zeneca Sino-pharm Development Consulting Company Limited	China - People's Republic of China	75
7400	AstraZeneca Pharmaceuticals (Pty) Limited	South Africa	100
7405	Astra Pharmaceuticals (Pty) Limited	South Africa	100
7421	Stuart Pharmaceuticals (South Africa) (Pty) Limited	South Africa	100
7431	AstraZeneca Egypt for Pharmaceutical Industries JSC	Egypt	100
7960	AstraZeneca S.A.	Argentina	99.9
8007	Zeneca Pharmaceuticals (Number 2) Limited	England and Wales	100
8035	I.C. Insurance Holdings Limited	England and Wales	51
8044	AstraZeneca Insurance Company Limited	England and Wales	100
8094	ZENCO (No. 11) Limited	England and Wales	100
8097	AstraZeneca Investments Limited	England and Wales	100
8098	AstraZeneca Nominees Limited	England and Wales	100
8907	Zeneca Wilmington Inc.	United States of America	100
8910	Zeneca Finance (Netherlands) Company	England and Wales	100
8911	AstraZeneca Finance Limited	England and Wales	100
8913	Zeneca Holdings Limited	England and Wales	100
8914	Zeneca Bioscience Limited	England and Wales	100