ASTRAZENECA PLC

DIRECTORS' REPORT

DIRECTORS' REMUNERATION REPORT

AND

FINANCIAL STATEMENTS

For the year ended 31 December 2003

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 9 to 42, which are incorporated in this report by reference. Principal subsidiaries and their locations are given on page 112.

The Company's dividend for 2003 of $0.795 (45.3 pence, SEK 5.98) per Ordinary Share amounts to a total dividend payment to shareholders of $1,350 million.

The Directors believe that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements.

Changes in the Company's Ordinary Share capital during 2003, including details of the allotment of new shares under the Company's share plans, are given in Note 35 to the Financial Statements.

Board of Directors

Details of members of the Board at 31 December 2003 are set out on pages 6 and 7.

The Board met six times during 2003. Each meeting was attended by all of its members except that Michele Hooper, Joe Jimenez and Erna Möller were unable to attend the September meeting and Jane Henney was unable to attend the October meeting due to other commitments. The Board is currently scheduled to meet six times in 2004.

Board changes

Åke Stavling, Executive Director, left the Company at the end of January 2003.

In July 2003, the Board appointed Michele Hooper and Joe Jimenez as Non-Executive Directors.

At the end of August 2003, Håkan Mogren ceased to be Executive Deputy Chairman and became Non-Executive Deputy Chairman.

Election and re-election of Directors

All of the Directors will retire under Article 65 of the Company's Articles of Association at the Annual General Meeting (AGM) in April 2004. 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. All of the Directors comply 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 50 to 59.

Annual General Meeting

The Company's AGM will be held on 29 April 2004. 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. It applies for reporting years beginning on or after 1 November 2003.

Although the Company is not strictly required to report against the revised Combined Code until its Directors' Report for 2004, the Board did review the revised Combined Code at its meeting in October 2003 and has prepared this Directors' Report with reference to the revised Combined Code.

The Company is applying all of the main and supporting principles of good governance in the revised 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 revised Combined Code.

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.

Particular work relevant to the Act undertaken in the last 12 months included revisions to the AstraZeneca Code of Conduct, certain changes to the Company's disclosure controls and procedures, Disclosure Policy and the operation of the Disclosure Committee and various developments concerning the Audit Committee and its work. All of these matters are described in more detail below. The Company also started the work necessary to enable it to comply in due course with the SEC rules which implement section 404 of the Act. 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. These provisions become effective for the Company in 2005 and preparatory work will continue during 2004.

The New York Stock Exchange

In November 2003, the SEC approved the NYSE's new corporate governance listing standards. 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

Directors' Report continued

these 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 new listing standards and believes that its corporate governance practices are generally consistent with the standards, with one exception. The standards state that non-executive directors must have regularly scheduled meetings without the directors involved in the management of the company present. Other than meetings of those Board committees comprised only of Non-Executive Directors, the Company's Non-Executive Directors have not to date held scheduled, formal meetings without the Executive Directors of the Company present.

The Company's Audit Committee complies with the provisions of the listing standards which relate to the composition, responsibilities and operation of audit committees. More detailed information about the Audit Committee and its work during 2003 are set out in the Audit Committee's Report on pages 48 to 50.

Disclosure Policy
The Company's original Disclosure Policy approved by the Board in October 2002 principally provided a framework for the handling and disclosure of price sensitive information. The Chief Financial Officer, the Group Secretary and Solicitor and the Vice-President, Corporate Affairs are the members of the Disclosure Committee. During 2003, the Disclosure Committee met regularly to assist and inform the decisions of the Chief Executive concerning price sensitive information and its disclosure. Also during the year, the Company's disclosure controls and procedures, Disclosure Policy and the operation of the Disclosure Committee were reviewed. A number of changes were approved by the Board in January 2004. These changes were designed to enhance the role of the Senior Executive Team concerning disclosure controls and procedures and assist the Disclosure Committee's role in assuring that appropriate processes are operating for the Company's planned disclosures, such as its quarterly results announcements and annual business review days.

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 two Executive Directors (the Chief Executive and the Chief Financial Officer), Board meetings are attended by two members of the Senior Executive Team.

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. The Board met six times in 2003.

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.

At its meeting in December 2003, the Board reviewed and assessed how it operates. This 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 2003. The Chairman then left the meeting while Sir Peter Bonfield, senior Non-Executive Director, led a review of the Chairman's performance. On the Chairman's return to the meeting, the Board reviewed the performance of the Chief Executive and the Chief Financial Officer who, in each case, left the meeting while the review took place.

The Company maintained directors' and officers' liability insurance cover throughout 2003. Cover was renewed at the beginning of 2004.

Independence of Directors under the UK Combined Code
At its meeting to review the revised Combined Code in October 2003, 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.

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.

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 2003, had a 5% holding in 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 and Erna Möller. For the reasons explained below, it is the Board's view that Sir Peter and Professor Möller are independent. Both Directors 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 38% 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 two or three 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 which 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.

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; 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; John Patterson, Executive Vice-President, Product Strategy & Licensing and Business Development; Martin Nicklasson, Executive Vice-President, 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 which are of a size or importance to require the attention of, or which 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, 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 non-financial 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,

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their compliance with Company policies (including those relating to safety, health and the environment), local laws and regulations (including the industry's regulatory requirements) and report any control weaknesses identified in the past year. 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. Managing business risks to deliver opportunities is a key element of all activities. This is done using a simple and flexible framework which provides a consistent and sustained way of implementing the Company's values. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

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 is 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, identify 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.

Under the auspices of the Risk Advisory Group, the Company has developed and is establishing an integrated risk management framework with the aim of continuing to ensure that the business understands the key risks it faces, especially cross-functional risks, has an embedded risk management approach to all of its activities, links risk management to business performance reporting and seeks 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 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.

During the year, the Code of Conduct was reviewed and revised. The amended version was approved by the Board in July 2003. The revised AstraZeneca Code of Conduct is set out in full on pages 138 and 139. It is an important demonstration of the Company's uncompromising commitment to honesty and integrity. To coincide with the launch of the new Code of Conduct, the Company also updated and extended its procedures for raising integrity concerns which include a confidential helpline for employees worldwide. In September 2003, the Company adopted 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.

Group Internal Audit

Group Internal Audit (GIA) is an independent appraisal function which 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 and risk management.

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 which help to ensure that the Company's assets are properly safeguarded from losses, including fraud; reviewing the controls which help to ensure the reliability and integrity of management information systems; reviewing the processes which ensure compliance with corporate objectives, 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 that 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 business 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 29 April 2004 for the re-appointment of KPMG Audit Plc, London as auditor of the Company.

The external auditor has undertaken various non-audit work for the Company during 2003. More information about this work and the fees paid by the Company for it are set out in Note 33 to the Financial Statements on page 107. 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 48 to 50, 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 2003.

Board committees

Audit Committee

Full details about the Audit Committee, its composition, remit and work during 2003 can be found in the Audit Committee's Report on pages 48 to 50.

Remuneration Committee

The members of the Remuneration Committee are Sir Peter Bonfield (Chairman of the Committee), John Buchanan and Erna Möller. 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 50 to 59.

Nomination Committee
The members of the Nomination Committee are Percy Barnevik (Chairman of the Committee), Håkan Mogren, Sir Peter Bonfield, Jane Henney and Joe Jimenez. Mr Jimenez was appointed as a member of the Nomination Committee in December 2003. They are all 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. During 2003, the Nomination Committee held regular meetings. Each meeting was attended by all of its members. In particular, it considered the appointment to the Board of two additional Non-Executive Directors. External search consultants assisted with this work. The Nomination Committee unanimously recommended to the Board that Michele Hooper and Joe Jimenez be appointed as Non-Executive Directors.

As with all new Non-Executive Directors, a series of induction meetings with various senior managers were arranged for Ms Hooper and Mr Jimenez following their appointments to the Board.

Science Committee
In July 2003, the Board established a Science Committee. The members of the Science Committee are Jane Henney, Erna Möller and Dame Bridget Ogilvie.

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 to put questions to members of the Board on matters relating to the Company's operation and performance at the AGM.

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 30 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.

Other stakeholders
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 committee. The Company has established systems to monitor its performance. Policies and standards relating to corporate responsibility are maintained and widely communicated within the organisation. In 2003, the Company was again included in the FTSE4Good and the Dow Jones Sustainability Indexes. The Company publishes and sends to shareholders a separate Corporate Responsibility

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Summary Report. More detailed information about the Company's approach to this area of its business 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 75 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.

During 2003, the Company purchased 27.2 million of its own Ordinary Shares with a nominal value of $0.25 each for an aggregate cost of $1,154 million. Following the purchase of these shares, they were all cancelled as required by applicable English law. This number of shares represents 1.6% of the Company's total issued share capital at 31 December 2003.

Since the beginning of the re-purchase programme in 1999, the Company has purchased for cancellation in total 92.8 million of its own Ordinary Shares with a nominal value of $0.25 each for an aggregate cost of $3,959 million. This number of shares represents 5.5% of the Company's total issued share capital at 31 December 2003.

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 29 April 2004, 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 2003 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 29 April 2004 authorising the Company to make donations or incur expenditure in the European Union up to an aggregate limit of $150,000.

In 2003, AstraZeneca's US legal entities made contributions amounting in aggregate to $258,000 (2002 $275,000) 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 exercised decision-making over the contributions and the funds were not provided or reimbursed by any non-US corporation.

On behalf of the Board
G H R Musker
Group Secretary and Solicitor
29 January 2004

Audit Committee's Report

The members of the Audit Committee are Karl von der Heyden (Chairman of the Committee), John Buchanan, Jane Henney, Dame Bridget Ogilvie and Marcus Wallenberg. They are all Non-Executive Directors. With the exception of Mr Wallenberg for the reasons explained above, the Board considers them all to be independent under the UK's revised Combined Code.

The Board remains satisfied that various members of the Audit Committee have recent and relevant financial experience. At its meeting in December 2003, the Board determined that Mr von der Heyden and Dr Buchanan are audit committee financial experts for the purposes of the US Sarbanes-Oxley Act of 2002.

During the year, the remit of the Audit Committee was reviewed and revised. The amended version was approved by the Board in December 2003. The revisions did not introduce fundamental changes to the remit but rather clarified and set out more fully the existing responsibilities of the Audit Committee. The new 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; and
- 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; and
- any serious issues of non-compliance.

The Audit Committee also oversees the establishment, implementation and maintenance of the Code of Conduct and establishes procedures for the receipt and handling of complaints concerning accounting or audit matters; appoints and agrees the compensation for the external auditor subject, in each case, to the approval of the Company's shareholders in 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; and reviews and approves the appointment and any dismissal of the Chief Internal Auditor.

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

As a result of a significantly increased workload, due mainly to the implementation of the US Sarbanes-Oxley Act of 2002, the Audit Committee met seven times in 2003 compared to four meetings in 2002. It is currently scheduled to meet seven times in 2004. Each meeting of the Audit Committee in 2003 was attended by all five of its members except that Dr Buchanan was unable to attend the January meetings due to prior engagements. At the invitation of the Audit Committee, the Chairman of the Board, a Non-Executive Director, attended all of its meetings in 2003.
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, independent of the main sessions of the Audit Committee attended by the Chief Financial Officer and the Group Financial Controller.

During 2003, 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;
- reports from management on the Company's 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 2003 and reviews of quarterly activity reports from the internal audit function and the status of follow-up actions with management;
- the review of and revisions to the AstraZeneca Code of Conduct (described in more detail in the Directors' Report); the Audit Committee took a particular interest in the updated procedures for raising integrity concerns and the confidential helpline for employees worldwide; in July 2003, the Audit Committee approved procedures for the handling of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- a 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 2003;
- a review at the beginning of 2003 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 2003;
- the succession plans for the rotation of the global lead audit partner of the external auditor; in July 2003, the Audit Committee met and had discussions with a number of succession candidates proposed by the external auditor; the new lead audit partner selected following those discussions meets with the full approval of the Audit Committee and will succeed the current lead audit partner in April 2004;
- a report from the Company's Treasury function about its operations and approach to risk management;
- the pre-approval of all audit services and permitted non-audit services undertaken by the external auditor; in April 2003, the Audit Committee approved certain pre-approval policies and procedures for three categories of work – audit services, audit-related services and tax services – and a standing agenda item at Audit Committee meetings now covers the operation of these procedures;
- the amount of audit and non-audit fees of the external auditor; the Audit Committee was satisfied throughout the year that the objectivity and

Directors' Remuneration Report

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 33 to the Financial Statements; and

> the impact of the US Sarbanes-Oxley Act of 2002 on the Company and, in particular, on the operation of the Audit Committee and its relationship with the external auditor; this included periodic reviews of the Company's state of compliance with applicable provisions of the Act.

At the scheduled meeting of the Audit Committee held at the end of January 2004, the Chief Executive and the Chief Financial Officer presented to Audit Committee members 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. Based on their evaluation, the Chief Executive and the Chief Financial Officer concluded that the Company maintains an effective system of disclosure controls and procedures.

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
K M von der Heyden
Non-Executive Director and
Chairman of the Audit Committee
29 January 2004

At the Annual General Meeting on 29 April 2004, 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 and Erna Möller. 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 four times during 2003. Each meeting was attended by all three of its members. At the invitation of the Remuneration Committee, the Chairman of the Board, a Non-Executive Director, attended all of its meetings in 2003. At the request of the Remuneration Committee, Sir Tom McKillop, Chief Executive 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 and provided advice and services which materially assisted the Remuneration Committee during 2003. 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 2003, Towers Perrin also provided global share plan administration services to the Company and consultancy services to the Company's US business.

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; and
> 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; and
> 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; and
> to reflect market competitiveness taking account of the total value of all of the benefit components.

The principal components contained in the total remuneration package, for employees as a whole, are:

> 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 within a specific plan; the corporate goals are derived from the annual budget 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 market;
- other benefits such as holidays and sickness benefit which are cost-effective and compatible with the relevant national welfare arrangements; and
- share participation – various plans provide the opportunity for employees to take a personal stake in the Company's wealth as shareholders.

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

For each Executive Director, the individual components are:

- annual salary – the actual salary for each of the Executive Directors is determined by the Remuneration Committee on behalf of the Board; 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;

- short term bonus:

  - the Chief Executive is eligible for an annual bonus related solely to the achievement of the targeted performance of earnings per share; the bonus payable is on a scale of 0-100% of salary and 50% of salary is payable for the achievement of target performance; as referred to above, this is derived from the budget set by the Board and takes into account external expectations of performance;

  - the Deputy Chairman was also eligible for this annual bonus related solely to earnings per share for that part of 2003 during which he served as an Executive Director (1 January 2003 until 31 August 2003);

  - the Chief Financial Officer is 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 is on a scale of 0-100% of salary and 50% of salary is payable for the achievement of target business performance; 80% of the bonus relates to the achievement of the earnings per share target and 20% to the other performance measures;

- 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; and

- pension arrangements – the table on page 56 gives details of the changes in the value of the Executive Directors' accrued pensions during 2003:

  - 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 dependent; 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 dependent children; in the event of a senior employee becoming incapacitated from performing his work 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, dependents 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 56 as if the scheme was a defined benefit arrangement; the Company contribution in 2003 in respect of the pension element was $193,000;

Directors' Remuneration Report continued

> Swedish Executive Directors' pension arrangements – normally, Swedish Executive Directors participate in the collectively bargained ITP pension plan, which provides pensions, dependents' pensions and lump sums on death in service; in respect of those Swedish Directors or former Directors, namely Håkan Mogren and Åke Stavling, whose pensionable earnings are or were in excess of the earnings limit imposed by the Swedish Communal Tax Law (Kommunalskattelagen), supplementary pension commitments are made; the Company has agreed to pay 70% of pensionable salary from age 60 to age 65 and 50% of such earnings from age 65; the ITP provisions are included in this additional commitment; paid in pension capital may also be used in the event of retirement or termination before the age of 60; in the event of long term illness then a pension is payable immediately as if such person had reached the normal retirement age, of 70% of current pensionable salary; on death in retirement the accrued pension is payable to a surviving spouse or other dependent; in the event of death prior to retirement the accrued pension is payable to a surviving spouse or other dependent plus a capital sum of three times pensionable salary less $100,000 if married or two times pensionable salary less $100,000 if not.

Other customary benefits (such as a car and health benefits) are also made available. This happens by way of the Executive Directors' participation in the Company's flexible benefits arrangements, which apply 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. Performance against these objectives determines functional bonuses and, separately, whether or not share options will be granted.

In respect of bonuses in 2003, relevant factors considered included the delivery of higher earnings per share than had been anticipated both by the Board and externally at the start of the year, the sales performance of newer products, new product approvals and emerging benefits from 'efficiency and effectiveness' projects. Going forward, the corporate goals will reflect the Company's statement that financial performance over the next several years is likely to rank among the best in the global peer group of large capitalisation pharmaceutical companies.

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 2003, the Remuneration Committee took into account, in particular, very successful progress in the previous year in the transformation of the Company's product portfolio in view of the potential reduction in sales resulting from the loss of patent protection for key products. Against a background of increased regulatory demands and costs, the Company had set clear strategic targets to be achieved in the reference period: to increase sales of new and growth products; to extend the application of existing products; to launch new products and to achieve key milestones in making further new products ready for launch. These targets were achieved. For example: *Nexium*, launched in 2001, achieved sales of close to $2 billion in 2002 and *Seroquel* reached sales of over $1 billion for the first time; new indications or formulations for *Arimidex*, *Casodex* and *Zomig* were launched in 2002; *Iressa* and *Faslodex* were launched and key milestones were passed in respect of *Crestor* and *Exanta*.

The dilutive effect of the proposed grants of options on the Company's issued share capital was also considered by the Remuneration Committee, particularly in the light of the letter sent to shareholders in 2000 by the then Chairman of the Remuneration Committee ahead of the approval of the plan at the AGM in which it was stated 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.

Since the Company's AGM in 2003, a number of the Company's larger shareholders (particularly those who expressed concern in respect of the Directors' Remuneration Report for 2002) have been consulted about the Company's remuneration arrangements for its Executive Directors and senior employees, including the Company's use of employee share plans. While there are no apparent concerns on the overall levels of remuneration, concern has been expressed about the fact that the AstraZeneca Share Option Plan currently involves the consideration of performance criteria on grant, as described above, rather than the fulfilment of performance conditions before options can be exercised. The dialogue with shareholders will continue. In particular, in accordance with the arrangements agreed with shareholders in 2000, the Remuneration Committee intends to review the AstraZeneca Share Option Plan during 2004.

A graph is set out on page 57 illustrating the Company's total shareholder return (TSR) over the last five years against the FTSE 100 Index. Although the Company does not use TSR as a formal measure of performance for its share plans, it is an important measure used in the Company's overall business performance assessment process.

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 29 April 2004, 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 below.

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.

Leaving arrangements for Åke Stavling
Åke Stavling, Executive Director, left the Company at the end of January 2003. Mr Stavling's leaving arrangements were considered and approved by the Remuneration Committee, based on existing contracts and practice. These are summarised below.

> As disclosed in the Directors' Remuneration Report for 2002, Mr Stavling is receiving compensation from the Company which is being paid on a monthly basis from his leaving date 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.

> All other allowances, bonuses and benefits ceased on Mr Stavling leaving the Company at the end of January 2003.

> On leaving the Company, options held by Mr Stavling over 80,516 Ordinary Shares in the Company vested and became exercisable; these options had been granted to him since April 1999 at various prices in the normal course of operation of the Zeneca 1994 Executive Share Option Scheme and the AstraZeneca Share Option Plan; if not exercised, they will lapse on 31 January 2005.

> In May 2003, there were released to Mr Stavling from retention 7,624 Ordinary Shares in the Company which he was awarded in 2000 under the Zeneca Executive Performance Bonus Scheme in respect of his bonus for 1999.

> In November 2003, there were released to Mr Stavling 533 Ordinary Shares in the Company which were allocated to him in November 2000 on the demerger of Zeneca Agrochemicals in respect of executive share options he held on 10 November 2000.

> Share options held by Mr Stavling under the Astra Shareholder Value Incentive Plan were not affected by his leaving the Company and details are disclosed on page 59 in the normal way.

> From age 60, the pension arrangements previously disclosed by the Company in respect of Mr Stavling will apply.

Arrangements for Håkan Mogren ceasing to be an Executive Director
From April 1999, Håkan Mogren was Executive Deputy Chairman of the Company. At the end of August 2003, he ceased to be an Executive Director and employee of the Company and became Non-Executive Deputy Chairman. As a result, certain arrangements concerning Dr Mogren's remuneration were considered and approved by the Remuneration Committee, based on existing contracts and practice. These are summarised below.

> From 1 January 2003 until 31 August 2003, Dr Mogren received the emoluments to which he was entitled as Executive Deputy Chairman, the details of which are disclosed on pages 55 and 56 in the normal way; these included an annual bonus which was calculated pro rata for the period of his employment by the Company in 2003.

> Following his change in status to Non-Executive Deputy Chairman at the end of August 2003, Dr Mogren is receiving compensation from the Company which is being paid on a monthly basis from 1 September 2003 until the end of August 2004; the amount of this compensation is equivalent to one year's base annual salary which is derived from his service contract.

> All allowances, bonuses and benefits ended on Dr Mogren ceasing to be an Executive Director and employee of the Company at the end of August 2003 with the exception of his existing health insurance cover and life insurance arrangements which will continue until age 60.

> Although Dr Mogren ceased to be an employee of the Company on 31 August 2003, he has continued as a Director of the Company and consequently, under the relevant plan rules, options over Ordinary Shares previously granted to him at various

Details of Executive Directors' service contracts

Executive Director	Date of service contract	Unexpired term at 31 December 2003	Notice period
Sir Tom McKillop	11.01.96	One year	One year
Jonathan Symonds	20.05.98	One year	One year

Directors' Remuneration Report continued

prices in the normal course of operation of the Astra Shareholder Value Incentive Plan, the Zeneca 1994 Executive Share Option Scheme and the AstraZeneca Share Option Plan were not affected by his change of status to Non-Executive Deputy Chairman.

> The same applies to both the Ordinary Shares in the Company which he was awarded in 2000 under the Zeneca Executive Performance Bonus Scheme in respect of his bonus for 1999 and the Ordinary Shares in the Company which were allocated to him in November 2000 on the demerger of Zeneca Agrochemicals in respect of executive share options he held on 10 November 2000. These Ordinary Shares were released to him in May and November 2003 respectively. More details about share options and the releases of shares are disclosed on pages 57 to 59.

As a Non-Executive Director, Dr Mogren will not be entitled to any future performance related bonuses, grants of share options or pension contributions. From age 60, subject to his re-election as a Director at AGMs, Dr Mogren's fee as Non-Executive Deputy Chairman will be £100,000 per annum. From age 60, the pension arrangements previously disclosed by the Company in respect of Dr Mogren will apply.

During 2003, Dr Mogren purchased certain furnishings from the Company on arm's length terms. The total value of the transaction concerned was SEK618,000. The value of the items purchased was assessed by independent valuers.

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.

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 throughout 2003 and retained the fees paid to him for this service. In 2003, the total amount of such fees paid to him was £49,000.

Jonathan Symonds, Chief Financial Officer, served as a Non-Executive Director of QinetiQ Group plc throughout 2003 and retained the fees paid to him for this service. In 2003, the total amount of such fees paid to him was £33,000. With effect from 1 September 2003, 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 2003
The Directors' emoluments in 2003 are disclosed on pages 55 to 56.

Directors' interests in shares
Details of the Directors' interests in the Company's Ordinary Shares are disclosed on pages 57 to 59.

Audit
The Directors' emoluments in 2003 and the details of the Directors' interests in the Company's Ordinary Shares disclosed on pages 55 to 59 have been audited by the Company's external auditor.

Directors' emoluments in 2003

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 2003 was £11 million ($18 million) (including £250,000 ($403,000) to the Chairman). Remuneration of individual Directors is set out below in sterling and US dollars. Among those Directors who receive their remuneration in sterling are the Chairman, the Non-Executive Deputy Chairman, the senior Non-Executive Director, the Chief Executive and the Chief Financial Officer.

Sterling	Salary and fees £'000	Bonuses £'000	Taxable benefits £'000	Other £'000	**Total 2003 £'000**	Total 2002 £'000	Total 2001 £'000
Percy Barnevik	250	–	–	–	**250**	250	250
Håkan Mogren	461	450	51‡	284ø	**1,246**	1,347	1,104
Sir Tom McKillop	885	860	1	44*	**1,790**	1,479	1,304
Jonathan Symonds	534	451	6	80†	**1,071**	909	815
Sir Peter Bonfield	74	–	–	–	**74**	46	38
John Buchanan	53	–	–	–	**53**	33**	–
Jane Henney	49	–	–	–	**49**	60	9**
Karl von der Heyden	55	–	–	–	**55**	47	41
Michele Hooper	19**	–	–	–	**19**	–	–
Joe Jimenez	19**	–	–	–	**19**	–	–
Erna Möller	49	–	–	–	**49**	62	55
Dame Bridget Ogilvie	49	–	–	–	**49**	62	55
Marcus Wallenberg	46	–	–	–	**46**	42	38
Former Directors							
Åke Stavling	81+	–	6‡	402ø	**489**	835	712
Others	–	–	–	–	**–**	621	702
Total	2,624	1,761	64	810	**5,259**	5,793	5,123

* Relates to relocation allowances; † Payment for pension related tax liabilities; + Includes settlement on retirement of accrued holiday entitlement;
‡ Includes provision for accommodation in the UK; ø Compensation payment and for accommodation related tax liabilities; ** Part year only.

US dollars	Salary and fees $'000	Bonuses $'000	Taxable benefits $'000	Other $'000	**Total 2003 $'000**	Total 2002 $'000	Total 2001 $'000
Percy Barnevik	403	–	–	–	**403**	373	368
Håkan Mogren	743	725	82‡	458ø	**2,008**	2,010	1,623
Sir Tom McKillop	1,427	1,387	1	71*	**2,886**	2,208	1,918
Jonathan Symonds	861	727	9	129†	**1,726**	1,357	1,199
Sir Peter Bonfield	119	–	–	–	**119**	68	56
John Buchanan	86	–	–	–	**86**	49**	–
Jane Henney	79	–	–	–	**79**	90	13**
Karl von der Heyden	89	–	–	–	**89**	70	60
Michele Hooper	31**	–	–	–	**31**	–	–
Joe Jimenez	31**	–	–	–	**31**	–	–
Erna Möller	79	–	–	–	**79**	93	81
Dame Bridget Ogilvie	79	–	–	–	**79**	93	81
Marcus Wallenberg	74	–	–	–	**74**	63	56
Former Directors							
Åke Stavling	131+	–	9‡	648ø	**788**	1,246	1,047
Others	–	–	–	–	**–**	927	1,032
Total	4,232	2,839	101	1,306	**8,478**	8,647	7,534

* Relates to relocation allowances; † Payment for pension related tax liabilities; + Includes settlement on retirement of accrued holiday entitlement;
‡ Includes provision for accommodation in the UK; ø Compensation payment and for accommodation related tax liabilities; ** Part year only.

As described in the previous section, compensation payments to Håkan Mogren and Åke Stavling were £225,000 ($363,000) and £399,000 ($643,000) respectively and are included within Other in the above tables.

Directors' Remuneration Report continued

Directors' emoluments in 2003 (continued)

The remuneration of Directors is or was in the case of former Directors (with minor exceptions) established and paid in either Swedish kronor or sterling and has been converted into US dollars in the second table on page 55 at the average exchange rate for the year in question. These rates were:

	GBP/USD	SEK/USD
2001	0.68	10.79
2002	0.67	9.86
2003	0.62	8.30

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 pages 58 and 59.

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

Transactions with Directors
During the year there were no material recorded transactions between the Company and the Directors.

Executive Directors' Pension Arrangements (per annum)	Sir Tom McKillop $'000	Jonathan Symonds $'000	Håkan Mogren $'000	Åke Stavling $'000
Defined Benefit Arrangements				
1. Accrued pension at 1 January 2003	874	317	1,060	543
2. Increase in accrued pension during year as a result of inflation	24	9	20	–
3. Adjustment to accrued pension as a result of salary increase relative to inflation	2	1	–	–
4. Increase in accrued pension as a result of additional service	28	18	–	–
5. Accrued pension at 31 December 2003	928	345	1,080†*	543†+
6. Employee contributions during year	–	32	–	–
7. Transfer value of accrued pension at 31 December 2002	15,648	2,486	10,055	4,976
8. Transfer value of accrued pension at 31 December 2003	17,376	3,031	10,896*	5,003+
9. Change in transfer value during the period less employee contributions	1,728	513	841	27
10. Age at 31 December 2003	$60^{9}/_{12}$	$44^{10}/_{12}$	$58^{11}/_{12}$*	58+
11. Pensionable service (years)	$34^{3}/_{12}$	$23^{4}/_{12}$	$30^{11}/_{12}$*	30+

† Accrued pension payable between the age of 60 and 65. Once 65 the pension payable is reduced by 2/7ths (or 28.6%) from the figures shown.
* On leaving service at 31 August 2003
+ On leaving service at 31 January 2003

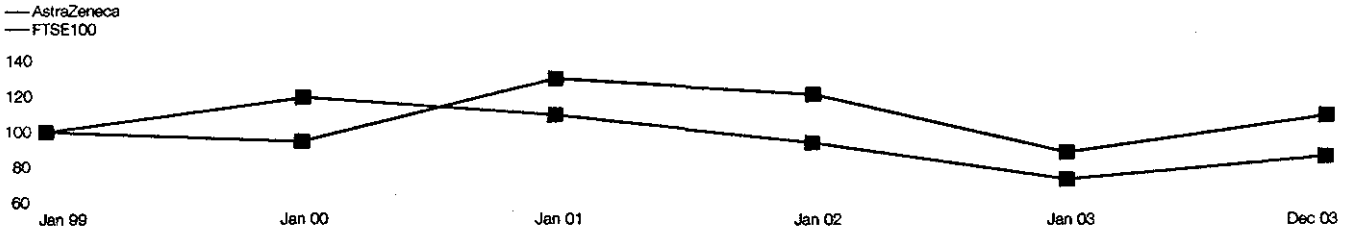
Pensions are payable to Directors in either Swedish kronor or sterling. For ease of understanding, the whole table has been presented using the exchange rates for 2003 set out above.

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. For the purposes of this graph, set out below, we have selected the FTSE 100 Index as the appropriate index.

Graph showing total shareholder return

1 January 1999 – 31 December 2003



Source: Thomson Financial Datastream

Directors' interests in shares

The interests at 31 December 2003 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, including shares held in trust, at 1 Jan 2003 or appointment date	Shares held in trust at 1 Jan 2003 or appointment date	Net shares acquired/ (disposed)	Interest in Ordinary Shares, including shares held in trust, at 31 Dec 2003 or resignation date	Shares held in trust at 31 Dec 2003 or resignation date
Percy Barnevik	100,000	–	(50,000)	50,000	–
Håkan Mogren	65,974	10,234	(3,810)	62,164	–
Sir Tom McKillop	74,443	13,424	3,392	77,835	–
Jonathan Symonds	13,828	7,788	(2,899)	10,929	–
Sir Peter Bonfield	500	–	–	500	–
John Buchanan	500	–	–	500	–
Jane Henney	500	–	–	500	–
Karl von der Heyden	20,000	–	–	20,000	–
Michele Hooper	–	–	500	500	–
Joe Jimenez	–	–	500	500	–
Erna Möller	2,718	–	–	2,718	–
Dame Bridget Ogilvie	500	–	–	500	–
Marcus Wallenberg	74,504	–	–	74,504	–
Former Directors					
Åke Stavling	9,139	8,157	–	9,139	8,157

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.

Shares held in trust at 1 January 2003 above include both long term incentive bonus shares appropriated under the Zeneca Executive Performance Bonus Scheme and also shares allocated on the demerger of Zeneca Agrochemicals, in respect of executive share options held on 10 November 2000. In respect of the latter, the shares were released and became beneficially owned by Directors on 13 November 2003.

Directors' Remuneration Report continued

Directors' interests in shares (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 2003	179,345	3073p		13.12.02	27.03.12
	– market price above option price	–				
	– market price below option price	179,345	3073p		13.12.02	27.03.12
	Granted	65,551	2231p		25.03.06	24.03.13
	At 31 Dec 2003	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
Sir Tom McKillop	At 1 Jan 2003	339,068	2604p		05.04.97	27.03.12
	– market price above option price	93,508	1236p		05.04.97	03.04.07
	– market price below option price	245,560	3125p		26.03.01	27.03.12
	Granted	128,498	2231p		25.03.06	24.03.13
	Exercised	1,900	748p	2840p	05.04.97	04.04.04
	Exercised	12,424	826p	2866p	17.08.97	16.08.04
	At 31 Dec 2003	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
Jonathan Symonds	At 1 Jan 2003	160,376	2828p		01.10.00	27.03.12
	– market price above option price	30,656	2055p		01.10.00	30.09.07
	– market price below option price	129,720	3011p		20.08.01	27.03.12
	Granted	48,012	2231p		25.03.06	24.03.13
	At 31 Dec 2003	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
Åke Stavling	At 1 Jan 2003	111,217	3014p		26.05.02	27.03.12
	– market price above option price	–				
	– market price below option price	111,217	3014p		26.05.02	27.03.12
	At 31 Jan 2003	111,217	3014p		26.05.02	31.01.05
	– market price above option price	–				
	– market price below option price	111,217	3014p		26.05.02	31.01.05

† Exercise prices are weighted averages.

* *First and last exercise dates of groups of options, within which periods there are shorter exercise periods.*

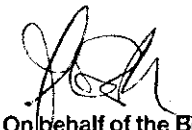
In addition to the above, the following Directors or former Directors held options under the Astra Shareholder Value Incentive Plan which were converted into options over AstraZeneca shares on completion of the merger based on an exchange ratio of 0.5045 AstraZeneca options for each Astra option held. 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 2003	25,080	389.68SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	25,080	389.68SEK		06.04.99	23.01.06
	Sold	8,792	316.13SEK	358.00SEK	06.04.99	09.01.04
	At 31 Dec 2003	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
Åke Stavling	At 1 Jan 2003	8,143	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	8,143	429.38SEK		06.04.99	23.01.06
	At 31 Jan 2003	8,143	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	8,143	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 $0.5 million (2002 $0.4 million, 2001 $0.02 million) and the gains made by the highest paid Director were $470,000 (2002 $nil, 2001 $13,000). The market price of shares trading on the London Stock Exchange at 31 December 2003 was 2680 pence and the range during 2003 was 1820 pence to 2868 pence. The market price of shares trading on the Stockholm Stock Exchange at 31 December 2003 was 350.50 SEK and the range during 2003 was 245.00 SEK to 382.00 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
29 January 2004

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 and apply consistently suitable accounting policies 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 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 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.

No new accounting standards have been adopted this year.

Independent Auditor's Report to the Members of AstraZeneca PLC

We have audited the Financial Statements on pages 62 to 123. 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 60 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 statement on page 45 reflects the Company's compliance with the seven provisions of the Combined 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 2003 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.

29 January 2004
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 complying with auditing standards generally accepted 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 113 to 123.

Group Profit and Loss Account for the year ended 31 December

	Notes	Before exceptional items $m	Exceptional items $m	2003 Total $m
Group turnover		18,849	–	**18,849**
Operating costs	1	(14,938)	–	**(14,938)**
Other operating income	1	200	–	**200**
Group operating profit	1	4,111	–	**4,111**
Share of operating profits of joint ventures and associates	2	–	–	**–**
Profits on sale of fixed assets	3	–	–	**–**
Dividend income		2	–	**2**
Profit on ordinary activities before interest		4,113	–	**4,113**
Net interest	4	89	–	**89**
Profit on ordinary activities before taxation		4,202	–	**4,202**
Taxation	5	(1,143)	–	**(1,143)**
Profit on ordinary activities after taxation		3,059	–	**3,059**
Attributable to minorities		(23)	–	**(23)**
Net profit for the financial year		3,036	–	**3,036**
Dividends to shareholders	6			**(1,350)**
Profit retained for the financial year				**1,686**
Earnings per $0.25 Ordinary Share before exceptional items	7	$1.78	–	**$1.78**
Earnings per $0.25 Ordinary Share (basic)	7	$1.78	–	**$1.78**
Earnings per $0.25 Ordinary Share (diluted)	7	$1.78	–	**$1.78**
Weighted average number of Ordinary Shares in issue (millions)	7			**1,709**

All activities were in respect of continuing activities. 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	2003 $m
Net profit for the financial year		**3,036**
Foreign exchange adjustments on consolidation	20	**1,361**
Tax on foreign exchange adjustments on consolidation	20	**66**
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		**4,463**

$m means millions of US dollars

Before exceptional items $m	Exceptional items $m	2002 Total $m	Before exceptional items $m	Exceptional items $m	2001 Total $m
17,841	–	17,841	16,222	–	16,222
(13,728)	(350)	(14,078)	(12,434)	(202)	(12,636)
243	–	243	368	–	368
4,356	(350)	4,006	4,156	(202)	3,954
–	–	–	–	–	–
–	–	–	–	10	10
1	–	1	8	–	8
4,357	(350)	4,007	4,164	(192)	3,972
30	–	30	105	–	105
4,387	(350)	4,037	4,269	(192)	4,077
(1,177)	–	(1,177)	(1,214)	54	(1,160)
3,210	(350)	2,860	3,055	(138)	2,917
(24)	–	(24)	(11)	–	(11)
3,186	(350)	2,836	3,044	(138)	2,906
		(1,206)			(1,225)
		1,630			1,681
$1.84	–	$1.84	$1.73	–	$1.73
$1.84	($0.20)	$1.64	$1.73	($0.08)	$1.65
$1.84	($0.20)	$1.64	$1.73	($0.08)	$1.65
		1,733			1,758

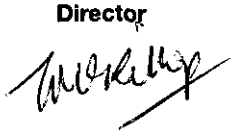
2002 $m	2001 $m
2,836	2,906
971	(466)
135	(36)
6	18
(2)	(6)
3,946	2,416

Group Balance Sheet at 31 December

	Notes	2003 $m	2002 $m
Fixed assets			
Tangible fixed assets	9	**7,536**	6,597
Goodwill and intangible assets	10	**2,884**	2,807
Fixed asset investments	11	**220**	46
		10,640	9,450
Current assets			
Stocks	12	**3,022**	2,593
Debtors	13	**5,960**	4,845
Short term investments	14	**3,218**	3,962
Cash		**733**	726
		12,933	12,126
Total assets		**23,573**	21,576
Creditors due within one year			
Short term borrowings and overdrafts	15	**(152)**	(202)
Current instalments of loans	17	**–**	(314)
Other creditors	16	**(7,543)**	(7,699)
		(7,695)	(8,215)
Net current assets		**5,238**	3,911
Total assets less current liabilities		**15,878**	13,361
Creditors due after more than one year			
Loans	17	**(303)**	(328)
Other creditors	16	**(52)**	(34)
		(355)	(362)
Provisions for liabilities and charges	19	**(2,266)**	(1,773)
Net assets		**13,257**	11,226
Capital and reserves			
Called-up share capital	35	**423**	429
Share premium account	21	**449**	403
Capital redemption reserve	21	**23**	16
Merger reserve	21	**433**	433
Other reserves	21	**1,401**	1,440
Profit and loss account	21	**10,449**	8,451
Shareholders' funds – equity interests	20	**13,178**	11,172
Minority equity interests		**79**	54
Shareholders' funds and minority interests		**13,257**	11,226

The Financial Statements on pages 62 to 123 were approved by the Board of Directors on 29 January 2004 and were signed on its behalf by:

Sir Tom McKillop
Director



Jonathan Symonds
Director

Statement of Group Cash Flow for the year ended 31 December

	Notes	2003 $m	2002 $m	2001 $m
Cash flow from operating activities				
Net cash inflow from trading operations	22	**4,617**	5,686	4,130
Outflow related to exceptional items	23	**(391)**	(93)	(368)
Net cash inflow from operating activities		**4,226**	5,593	3,762
Returns on investments and servicing of finance				
Interest received		**117**	142	232
Interest paid		**(32)**	(96)	(84)
Dividends received		**2**	–	8
Dividends paid by subsidiaries to minority interests		**(11)**	(11)	–
		76	35	156
Tax paid		**(886)**	(795)	(792)
Capital expenditure and financial investment				
Cash expenditure on tangible fixed assets	9	**(1,282)**	(1,340)	(1,385)
Cash expenditure on intangible assets		**(233)**	(268)	(197)
Cash expenditure on fixed asset investments		**(120)**	(1)	(5)
Disposals of fixed assets		**38**	66	44
		(1,597)	(1,543)	(1,543)
Acquisitions and disposals				
Acquisitions of subsidiaries and purchases of minority interests	24	**–**	–	(44)
Disposals of business operations	25	**80**	–	–
		80	–	(44)
Equity dividends paid to shareholders		**(1,222)**	(1,234)	(1,236)
Net cash inflow before management of liquid resources and financing	27	**677**	2,056	303
Management of liquid resources and financing				
Movement in short term investments and fixed deposits (net)	27	**771**	(806)	260
Financing	28	**(345)**	(118)	35
Net share re-purchases	28	**(1,107)**	(1,154)	(994)
Decrease in cash in the year	26	**(4)**	(22)	(396)
Cash outflow/(inflow) from decrease/(increase) in loans and short term borrowings		**345**	118	(35)
Cash outflow/(inflow) from increase/(decrease) in short term investments		**(771)**	806	(260)
Change in net funds resulting from cash flows		**(430)**	902	(691)
Exchange movements		**82**	75	(47)
Movement in net funds		**(348)**	977	(738)

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 113 to 123. The following paragraphs describe the main accounting policies under UK GAAP. 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.

Critical accounting policies
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
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.

Other accounting policies
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 profits 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 tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings, nor is provision made for rolled over capital gains. The deferred tax balances are not discounted.

Tangible fixed assets
AstraZeneca's policy is to write off the difference between the cost of each tangible fixed asset and its residual value evenly over its estimated remaining life. 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 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.

Notes to the Financial Statements

1 Group operating profit

	Before exceptional items $m	Exceptional items $m	2003 Total $m
Group turnover	18,849	–	**18,849**
Operating costs			
Cost of sales	(4,469)	–	**(4,469)**
Distribution costs	(162)	–	**(162)**
Research and development	(3,451)	–	**(3,451)**
Selling, general and administrative expenses	(6,856)	–	**(6,856)**
	(14,938)	–	**(14,938)**
Other operating income			
Royalties	90	–	**90**
Other income	110	–	**110**
	200	–	**200**
Group operating profit	4,111	–	**4,111**
Charges included above			
– for depreciation	(986)	–	**(986)**
– for amortisation	(304)	–	**(304)**
Gross profit, as defined by the Companies Act 1985	14,380	–	**14,380**

Other income includes gains arising from disposals under ongoing product rationalisation programmes.

2 Share of turnover and operating profits of joint ventures and associates

	Continuing operations $m	Exceptional items $m	2003 Total $m
Share of joint venture turnover	208	–	**208**

There was no share of operating profits of joint ventures or associates attributable to the Group.

Before exceptional items $m	Exceptional items $m	2002 Total $m	Before exceptional items $m	Exceptional items $m	2001 Total $m
17,841	–	17,841	16,222	–	16,222
(4,520)	–	(4,520)	(4,198)	(34)	(4,232)
(141)	–	(141)	(122)	–	(122)
(3,069)	–	(3,069)	(2,687)	(86)	(2,773)
(5,998)	(350)	(6,348)	(5,427)	(82)	(5,509)
(13,728)	(350)	(14,078)	(12,434)	(202)	(12,636)
113	–	113	154	–	154
130	–	130	214	–	214
243	–	243	368	–	368
4,356	(350)	4,006	4,156	(202)	3,954
(705)	–	(705)	(605)	(12)	(617)
(255)	–	(255)	(255)	–	(255)
13,321	–	13,321	12,024	(34)	11,990

Continuing operations $m	Exceptional items $m	2002 Total $m	Continuing operations $m	Exceptional items $m	2001 Total $m
191	–	191	183	–	183

Notes to the Financial Statements continued

3 Exceptional items

	2003 $m	2002 $m	2001 $m
Accrual related to *Zoladex* investigation	–	(350)	–
Integration and synergy costs	–	–	(202)
Exceptional items included in operating profit	–	(350)	(202)
Profit on sale of fixed assets	–	–	10
Total exceptional items before taxation	–	(350)	(192)
Net taxation credit	–	–	54
Total exceptional items after taxation	–	(350)	(138)

There were no exceptional items in 2003.

As set out in more detail in Note 31, 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. The difference between the final settlement of $355m and the 2002 exceptional charge of $350m amounting to $5m has been charged to operating profit before exceptional items in 2003.

The integration and synergy programme initiated in 1999 was completed during 2001, with final exceptional charges of $202m, principally for manpower related costs, IT costs and contractors. The cumulative charges were $1,388m.

4 Net interest

	2003 $m	2002 $m	2001 $m
Interest receivable and similar income from investments			
Securities	**21**	21	19
Short term deposits	**75**	90	179
Exchange gains	**19**	6	1
	115	117	199
Interest payable and similar charges			
Loan interest	**(7)**	(10)	(32)
Interest on short term borrowings and other financing costs	**(16)**	(51)	(35)
Discount on liability	**(3)**	(10)	(15)
Exchange losses	**–**	(16)	(12)
	(26)	(87)	(94)
Net interest receivable	**89**	30	105

5 Taxation

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

	2003 $m	2002 $m	2001 $m
UK	**879**	741	618
Overseas	**3,323**	3,296	3,459
	4,202	4,037	4,077

Taxes on profit on ordinary activities were as follows:

UK taxation			
Corporation tax	**142**	165	147
Double taxation relief	**(23)**	(29)	(37)
Deferred taxation	**102**	24	53
	221	160	163
Overseas taxation			
Overseas taxes	**783**	929	739
Adjustments in respect of prior periods	**26**	(51)	(17)
Deferred taxation	**113**	139	275
	922	1,017	997
Tax on profit on ordinary activities	**1,143**	1,177	1,160

UK and overseas taxation has been provided at current rates on the profits earned for the periods covered by the Group Financial Statements. 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 $9,381m at 31 December 2003 (2002 $9,141m). 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:

	2003 $m	2002 $m	2001 $m
Tax credit on exceptional items*	–	–	(54)

* *Includes deferred tax relief of $nil (2002 $nil, 2001 $23m).*

Statement of total recognised gains and losses

In certain circumstances, tax charges or credits on currency differences on 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 2003 (2002 $2m, 2001 $6m) 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 $66m (2002 $135m, 2001 charge of $36m).

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. In 2003, a settlement was negotiated with the UK and US governments covering all liabilities potentially arising from transfer pricing in respect of ex-Zeneca products for the years 1987 to 2001. The settlement had been provided for in previous years and had no impact on the 2003 tax charge.

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.

	2003 $m	2002 $m	2001 $m
Profit on ordinary activities before taxation	**4,202**	4,037	4,077
Notional taxation charge at UK corporation tax rate of 30% (30% for 2002, 30% for 2001)	**1,261**	1,211	1,223
Differences in effective overseas tax rates	**159**	141	108
Capital allowances/tax reliefs in excess of depreciation	**(291)**	(291)	(401)
Untaxed reserves	**(51)**	(75)	(11)
Other timing differences	**(168)**	35	(88)
Items not deductible for tax purposes	**80**	49	48
Items not chargeable for tax purposes	**(88)**	(110)	(58)
Adjustments in respect of prior periods	**26**	(51)	(17)
Exceptional items	**–**	105	28
Current tax charge for the year	**928**	1,014	832

Balance sheet

	2003 $m	2002 $m	2001 $m
Deferred taxation (liability)/asset movement			
At beginning of year	**(359)**	(212)	96
Profit and loss account	**(215)**	(163)	(328)
Statement of total recognised gains and losses	**–**	155	(19)
Disposal of subsidiary undertakings	**13**	–	–
Exchange	**(132)**	(139)	39
At end of year	**(693)**	(359)	(212)
Debtors – amount due within one year (Note 13)	**732**	625	550
Debtors – amount due after more than one year (Note 13)	**165**	226	146
Provisions (Note 19)	**(1,590)**	(1,210)	(908)
	(693)	(359)	(212)

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:

	2003 $m	2002 $m
Deferred tax liabilities		
UK fixed assets	**501**	429
Non-UK fixed assets	**735**	570
Interest accruals	**18**	13
Untaxed reserves	**137**	86
Pension and post-retirement benefits	**86**	46
Other	**175**	53
	1,652	1,197
Deferred tax assets		
Intercompany inventory transfers	**527**	496
Non-UK fixed assets	**28**	–
Merger, integration and restructuring charges	**–**	16
Accrued expenses	**238**	243
Pension and post-retirement benefits	**55**	26
Other	**111**	57
	959	838
Deferred tax liability (net)	**(693)**	(359)

No provision has been made, in accordance with FRS19, for rolled over gains amounting to $140m (2002 $126m, 2001 $75m).

Notes to the Financial Statements continued

6 Dividends to shareholders

	2003 Per share	2002 Per share	2001 Per share	2003 $m	2002 $m	2001 $m
Interim, paid on 6 October 2003	**$0.255**	$0.23	$0.23	**436**	398	405
Second interim, to be confirmed as final, payable 6 April 2004	**$0.540**	$0.47	$0.47	**914**	808	820
	$0.795	$0.70	$0.70	**1,350**	1,206	1,225

7 Earnings per $0.25 Ordinary Share

	2003	2002	2001
Net profit for the financial year before exceptional items ($m)	**3,036**	3,186	3,044
Exceptional items after tax ($m) (see Note 3)	**–**	(350)	(138)
Net profit for the financial year ($m)	**3,036**	2,836	2,906
Earnings per Ordinary Share before exceptional items	**$1.78**	$1.84	$1.73
Loss per Ordinary Share on exceptional items	**–**	($0.20)	($0.08)
Earnings per Ordinary Share	**$1.78**	$1.64	$1.65
Diluted earnings per Ordinary Share before exceptional items	**$1.78**	$1.84	$1.73
Diluted loss per Ordinary Share on exceptional items	**–**	($0.20)	($0.08)
Diluted earnings per Ordinary Share	**$1.78**	$1.64	$1.65
Weighted average number of Ordinary Shares in issue for basic earnings (millions)	**1,709**	1,733	1,758
Dilutive impact of share options outstanding (millions)	**3**	2	3
Diluted average number of Ordinary Shares in issue (millions)	**1,712**	1,735	1,761

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 30. 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.

8 Segment information

The Group's activities are predominantly 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
	2003 $m	2002 $m	2001 $m
UK			
External	**928**	872	954
Intra-Group	**3,060**	3,092	2,449
	3,988	3,964	3,403
Continental Europe			
Belgium	**260**	225	223
France	**1,420**	1,111	928
Germany	**852**	682	666
Italy	**824**	676	576
The Netherlands	**174**	226	307
Spain	**606**	461	352
Sweden	**685**	619	559
Others	**1,227**	1,028	868
Intra-Group	**2,606**	1,646	1,494
	8,654	6,674	5,973
The Americas			
Canada	**712**	570	525
US	**8,720**	9,325	8,465
North America	**9,432**	9,895	8,990
Others	**339**	334	315
Intra-Group	**375**	235	223
	10,146	10,464	9,528
Asia, Africa & Australasia			
Australia	**364**	273	221
Japan	**1,136**	960	830
Others	**602**	479	433
Intra-Group	**35**	30	160
	2,137	1,742	1,644
Continuing operations	**24,925**	22,844	20,548
Intra-Group eliminations	**(6,076)**	(5,003)	(4,326)
	18,849	17,841	16,222

Export sales from the UK totalled $3,490m for the year ended 31 December 2003 (2002 $3,368m, 2001 $2,664m). In the US, sales to five wholesalers accounted for 87% of our US sales.

Notes to the Financial Statements continued

8 Segment information (continued)

	Operating profit after exceptional items			Profit on ordinary activities before interest and taxation		
Profit from	**2003 $m**	2002 $m	2001 $m	**2003 $m**	2002 $m	2001 $m
UK	**810**	672	520	**812**	673	523
Continental Europe	**2,241**	1,689	1,400	**2,241**	1,689	1,405
The Americas	**816**	1,473	1,904	**816**	1,473	1,914
Asia, Africa & Australasia	**244**	172	130	**244**	172	130
Continuing operations	**4,111**	4,006	3,954	**4,113**	4,007	3,972

	Net operating assets*		
	2003 $m	2002 $m	2001 $m
UK	**4,146**	3,101	2,558
Continental Europe	**5,771**	4,805	4,940
The Americas	**1,931**	1,004	614
Asia, Africa & Australasia	**1,033**	958	696
Continuing operations	**12,881**	9,868	8,808

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

	Tangible fixed assets		
	2003 $m	2002 $m	2001 $m
UK	**2,502**	2,319	1,881
Sweden	**2,122**	1,626	1,251
US	**1,095**	1,031	895
Others	**1,817**	1,621	1,382
Continuing operations	**7,536**	6,597	5,409

Geographic markets

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

	2003 $m	2002 $m	2001 $m
UK	**532**	623	759
Continental Europe	**6,177**	5,072	4,477
The Americas	**9,835**	10,287	9,353
Asia, Africa & Australasia	**2,305**	1,859	1,633
Continuing operations	**18,849**	17,841	16,222

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	3,145	6,600	1,298	11,043
Exchange adjustments	448	904	133	1,485
Capital expenditure	67	208	964	1,239
Transfer of assets into use	510	915	(1,425)	–
Disposals and other movements	(42)	(663)	(22)	(727)
At end of year	4,128	7,964	948	13,040
Depreciation				
At beginning of year	895	3,551	–	4,446
Exchange adjustments	129	529	–	658
Charge for year	150	836	–	986
Disposals and other movements	(35)	(551)	–	(586)
At end of year	1,139	4,365	–	5,504
Net book value at 31 December 2003	**2,989**	**3,599**	**948**	**7,536**
Net book value at 31 December 2002	2,250	3,049	1,298	6,597

Capital expenditure in the year of $1,239m (2002 $1,342m) did not include any capitalised finance leases (2002 $nil).
Cash expenditure on tangible fixed assets was $1,282m (2002 $1,340m, 2001 $1,385m).

	2003 $m	2002 $m
The net book value of land and buildings comprised		
Freeholds	**2,956**	2,220
Long leases (over 50 years unexpired)	**32**	29
Short leases	**1**	1
	2,989	2,250

10 Goodwill and intangible assets

	Goodwill $m	Intangible assets $m	Total $m
Cost			
At beginning of year	1,102	3,117	4,219
Exchange adjustments	52	474	526
Additions	1	112	113
Disposals and other movements	–	(81)	(81)
At end of year	1,155	3,622	4,777
Amortisation			
At beginning of year	249	1,163	1,412
Exchange adjustments	14	238	252
Charge for year	59	245	304
Disposals and other movements	–	(75)	(75)
At end of year	322	1,571	1,893
Net book value at 31 December 2003	**833**	**2,051**	**2,884**
Net book value at 31 December 2002	853	1,954	2,807

Notes to the Financial Statements continued

11 Fixed asset investments

	Joint ventures $m	Other investments $m	Total $m
Cost			
At beginning of year	134	46	180
Additions	–	120	120
Disposals and other movements, including exchange	–	54	54
At end of year	134	220	354
Share of post-acquisition reserves			
At beginning and end of year	(134)	–	(134)
Net book value at 31 December 2003	**–**	**220**	**220**
Net book value at 31 December 2002	–	46	46

The fair values of other investments are not materially different from their carrying values. At 31 December 2003, the Group's share ownership trusts held 1,668,299 Ordinary Shares.

Share of joint venture assets and liabilities

	2003 $m	2002 $m
Gross assets	**174**	107
Gross liabilities	**(174)**	(107)
	–	–

12 Stocks

	2003 $m	2002 $m
Raw materials and consumables	**715**	756
Stocks in process	**1,206**	1,071
Finished goods and goods for resale	**1,101**	766
	3,022	2,593

The 2002 stock analysis has been recategorised.

13 Debtors

	2003 $m	2002 $m
Amounts due within one year		
Trade debtors	**3,260**	2,701
Less: Amounts provided for doubtful debts	**(57)**	(56)
	3,203	2,645
Deferred taxation (Note 5)	**732**	625
Other debtors	**508**	658
Prepayments and accrued income*	**1,093**	519
	5,536	4,447
Amounts due after more than one year		
Deferred taxation (Note 5)	**165**	226
Other debtors	**32**	16
Prepayments and accrued income*	**227**	156
	424	398
	5,960	4,845

* Figures include prepaid pension costs (Note 29).

Provisions for doubtful debts

	2003 $m	2002 $m	2001 $m
Balance at beginning of year	**56**	42	39
Profit and loss account charge	**8**	11	4
Amounts utilised and other movements	**(7)**	3	(1)
Balance at end of year	**57**	56	42

14 Short term investments

	2003 $m	2002 $m
Listed debt securities	**3**	144
Other listed investments	**54**	46
Investment securities	**57**	190
Fixed deposits	**3,161**	3,772
	3,218	3,962

The Group's insurance subsidiaries hold cash and short term investments totalling $298m (2002 $173m), of which $195m (2002 $120m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.
At 31 December 2002 $126m of short term investments shown above were committed as security against deferred payments due under a contractual obligation of the Group (see Note 31). The obligation was settled in 2003. The market value of other listed investments was $140m (2002 $137m) at the year end.

15 Short term borrowings and overdrafts

	2003 $m	2002 $m
Bank borrowings		
Fixed securities	**7**	11
Unsecured	**145**	191
	152	202

Notes to the Financial Statements continued

16 Other creditors

	2003 $m	2002 $m
Amounts due within one year		
Trade creditors	**3,086**	3,171
Corporate taxation	**1,353**	1,191
Value added and payroll taxes and social security	**255**	167
Other creditors	**946**	1,507
Accruals	**989**	855
Dividends to shareholders	**914**	808
	7,543	7,699
Amounts due after more than one year		
Other creditors	**52**	34

Included in other creditors are amounts totalling $59m (2002 $189m) 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 $54m (2002 $61m) in respect of the Agrochemicals demerger and Specialties disposal.

17 Loans

	Repayment dates	2003 $m	2002 $m
Secured loans			
Secured by fixed charge	2007	**–**	19
Total secured		**–**	19
Unsecured loans			
US dollars			
6.3% Guaranteed notes	2003	**–**	284
7% Guaranteed debentures	2023	**295**	295
Others	2003/2013	**8**	44
Total unsecured		**303**	623
Total loans		**303**	642
Less: current instalments of loans		**–**	(314)
Loans due after more than one year		**303**	328

In the above table loans are shown after taking account of associated cross-currency swaps (see Note 18).

Loans from banks included in the table above amounted to $nil (2002 $40m) of which $nil (2002 $19m) was secured.

18 Financial instruments

A discussion of the Group's objective, policy and strategy in respect of risk management and the use of financial instruments is included in the Financial Review on pages 31 to 42. 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 2003 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	430	8	–	**438**	11.5	9.7
Other	17	–	–	**17**	–	–
	447	8	–	**455**	–	–
Financial assets						
US dollar	3,542	–	111	**3,653**	–	–
Euro	8	–	–	**8**	–	–
Sterling	176	–	141	**317**	–	–
SEK	43	–	22	**65**	–	–
Other	128	–	–	**128**	–	–
	3,897	–	274	**4,171**	–	–

The floating rate financial liabilities comprise largely of fixed rate debt that has been swapped into floating rate debt. The long dated $300m US dollar bond reverts back to a fixed rate in 2009. The financial liabilities also include $152m 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 and short term investments with an average maturity of 29 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 $220m of other fixed asset investments on which no interest is received.

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 2003 and 31 December 2002, 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, in 2003 and 2002, approximately 50% of forecast future foreign currency transaction exposures extending for 12 months were selectively hedged. The policy has been modified in 2004 to cover movements outside specified limits on 95% of these transaction exposures. The principal currency exposures (sterling, Swedish kronor (SEK), euros, Australian dollars (AUD), Canadian dollars (CAD) and Japanese yen) were hedged using a mixture of purchased currency options and forward foreign exchange contracts. As at 31 December 2003, the forecast future foreign currency transaction exposures were:

	2003 Forecast exposures $m	2002 Forecast exposures $m
Sterling payables	**2,517**	2,374
SEK payables	**1,422**	1,006
Euro receivables	**2,194**	1,780
Yen receivables	**444**	306
AUD receivables	**255**	201
CAD receivables	**482**	336

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 2003 was as follows:

			2003			2002
Analysis by year of repayment	**Loans $m**	**Other $m**	**Total $m**	Loans $m	Other $m	Total $m
After five years	**303**	**–**	**303**	308	–	308
From five to four years	**–**	**–**	**–**	13	–	13
From four to three years	**–**	**–**	**–**	–	–	–
From three to two years	**–**	**–**	**–**	–	–	–
From two to one years	**–**	**–**	**–**	7	–	7
Due after more than one year	**303**	**–**	**303**	328	–	328
Due within one year	**–**	**152**	**152**	314	328	642
	303	**152**	**455**	642	328	970

Other financial liabilities comprise short term borrowings and, at 31 December 2002, deferred payments to re-acquire certain distribution rights.

18 Financial instruments (continued)

Borrowing facilities

The Group currently relies on its cash balances and short term investments of $3,742m and long term debt of $303m to manage liquidity risk. As a consequence, all committed bank lines have been cancelled.

	2003 $m	2002 $m
Expiring in one year or less	**–**	75
Expiring in more than one year but not more than two years	**–**	–
Expiring in more than two years	**–**	–
	–	75

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 2003 and 31 December 2002.

	2003 Carrying value $m	**2003 Fair value $m**	2002 Carrying value $m	2002 Fair value $m
Primary financial instruments				
Short term borrowings and overdrafts	**(152)**	**(152)**	(202)	(202)
Loans	**(303)**	**(371)**	(657)	(733)
Cash	**733**	**733**	726	726
Short term investments	**3,218**	**3,306**	3,962	4,067
Fixed asset investments	**220**	**217**	46	46
Derivative financial instruments held to manage the interest rate and currency profile				
Cross-currency swaps and interest rate swaps	**–**	**56**	15	82
Derivative financial instruments held or issued to hedge the currency exposure on existing transactions				
Forward foreign exchange contracts	**12**	**12**	(9)	(9)
Derivative financial instruments held or issued to hedge the currency exposure on expected future transactions				
Forward foreign exchange contracts	**–**	**(19)**	–	–
Foreign currency option contracts	**77**	**148**	56	97

In addition to the primary financial instruments above, at 31 December 2002 the Group had financial liabilities of $126m comprising deferred payments due ($129m before discounting). The Group had a standby letter of credit covering these financial liabilities which was collateralised by high grade government securities. The liabilities were settled in 2003 and the standby letter of credit cancelled at the same time.

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 2004. 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 2004. The fair value of option contracts is estimated using Black-Scholes valuation techniques as adapted by Garman and Kohlhagen.

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

The Group's policy was to hedge 100% of transactional currency exposures and approximately 50% 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 2003	108	–	108
Gains and losses arising in previous years that were recognised in 2003	57	–	57
Gains and losses arising in previous years that were not recognised in 2003	51	–	51
Unrecognised gains and losses on hedges at 31 December 2003	**129**	**(21)**	**108**
Gains and losses expected to be recognised in 2004	89	(21)	68
Gains and losses expected to be recognised in 2005 or later	40	–	40

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 2002	172	357	163	908	1,600
Profit and loss account	–	89	43	305	437
Net amounts paid or becoming current	(44)	(235)	(42)	–	(321)
Other movements, including exchange	11	23	26	(3)	57
At 31 December 2002	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**

Employee benefit provisions comprise post-retirement and other employee benefit provisions. Further details of environmental provisions are given in Note 31.

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

	2003 $m	2002 $m	2001 $m
Shareholders' funds at beginning of year	**11,172**	9,586	9,389
Net profit for the financial year	**3,036**	2,836	2,906
Dividends	**(1,350)**	(1,206)	(1,225)
Profit retained for the financial year	**1,686**	1,630	1,681
Issues of AstraZeneca PLC Ordinary Shares	**47**	36	86
Re-purchase of AstraZeneca PLC Ordinary Shares	**(1,154)**	(1,190)	(1,080)
Foreign exchange adjustments on consolidation, net of tax	**1,427**	1,106	(502)
Translation differences on foreign currency borrowings	**–**	6	18
Tax on translation differences on foreign currency borrowings	**–**	(2)	(6)
Net addition to shareholders' funds	**2,006**	1,586	197
Shareholders' funds at end of year	**13,178**	11,172	9,586

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 2000	**235**	**3**	**433**	**1,634**	**(183)**	**6,825**	**8,947**
Profit retained for year						1,681	1,681
Share premiums	86						86
Transfer between reserves	13					(13)	–
Re-purchase of shares		6				(1,080)	(1,074)
Exchange adjustments:							
Goodwill				19		(19)	–
Foreign exchange adjustments on consolidation, net of tax						(502)	(502)
On foreign currency borrowings						18	18
Foreign currency borrowings tax effect						(6)	(6)
				19		(509)	(490)
Net movements	99	6	–	19	–	79	203
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**

The cumulative amount of goodwill resulting from acquisitions, net of disposals, prior to the adoption of FRS 10 in 1998, amounted to $656m (2002 $617m, 2001 $587m) using year end rates of exchange.

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).

22 Net cash inflow from trading operations

	2003 $m	2002 $m	2001 $m
Operating profit before exceptional items	**4,111**	4,356	4,156
Depreciation and amortisation	**1,290**	960	860
Stocks (increase)/decrease	**(131)**	101	(417)
Debtors (increase)/decrease	**(540)**	(198)	138
Creditors increase/(decrease)	**(430)**	402	(727)
Other non-cash movements	**317**	65	120
	4,617	5,686	4,130

23 Cash flows related to exceptional items

Current period cash flow related to exceptional items and merger related payments, before associated tax charge/relief	2003 $m	2002 $m	2001 $m
Synergy and integration costs	**(25)**	(68)	(312)
Zoladex OIG settlement	**(355)**	–	–
Costs relating to disposals and demerger of other businesses	**(11)**	(25)	(56)
Outflow related to exceptional items	**(391)**	(93)	(368)
Proceeds from disposal of fixed assets accounted for as exceptional	**–**	–	10
Exceptional items cash flow	**(391)**	(93)	(358)

24 Acquisitions of subsidiaries and purchases of minority interests

There were no significant business acquisitions in any of the years presented. All acquisitions have been accounted for by the purchase method of accounting.

	2003 Total fair value $m	2002 Total fair value $m	2001 Total fair value $m
Fixed assets	**–**	–	4
Current assets	**–**	–	26
Creditors due within one year	**–**	–	(16)
Provisions for liabilities and charges	**–**	–	(1)
Fair value of net assets acquired	**–**	–	13
Goodwill acquired	**–**	–	41
Consideration for subsidiaries and operations acquired	**–**	–	54
Purchases of minority interests	**–**	–	(7)
	–	–	47
Less:			
Cash included in undertaking acquired	**–**	–	(3)
Net cash consideration	**–**	–	44

Assets and liabilities were adjusted to their fair values based on external valuations and internal assessments. There were no significant differences between book and fair values in respect of the acquisitions made.

Notes to the Financial Statements continued

25 Disposal of business operations

	2003 $m	2002 $m	2001 $m
Fixed assets	**70**	–	–
Current assets	**34**	–	–
Creditors due within one year	**(17)**	–	–
Book value of net assets disposed	**87**	–	–
Less:			
Cash included in undertakings disposed	**(7)**	–	–
Cash consideration	**80**	–	–

The sale consideration received is in relation to the sale of Marlow Foods Limited, which was completed on 23 May 2003. Marlow Foods Limited results have been consolidated for the period up to disposal. Prior to its disposal, Marlow Foods Limited contributed $6m to operating cash flows and absorbed $1m in respect of fixed capital expenditure. There was no gain or loss on disposal.

26 Reconciliation of net cash flow to movement in net funds

	2003 $m	2002 $m	2001 $m
Decrease in cash	**(4)**	(22)	(396)
Cash outflow/(inflow) from decrease/(increase) in loans and short term borrowings	**345**	118	(35)
Cash outflow/(inflow) from increase/(decrease) in short term investments	**(771)**	806	(260)
Change in net funds resulting from cash flows	**(430)**	902	(691)
Exchange movements	**82**	75	(47)
Movement in net funds	**(348)**	977	(738)
Net funds at 1 January	**3,844**	2,867	3,605
Net funds at 31 December	**3,496**	3,844	2,867

27 Analysis of net funds

	At 1 Jan 2003 $m	Cash flow $m	Other non-cash $m	Exchange movements $m	**At 31 Dec 2003 $m**
Loans due after one year	(328)	25	–	–	**(303)**
Current instalments of loans	(314)	320	–	(6)	**–**
Total loans	(642)	345	–	(6)	**(303)**
Short term investments	3,962	(771)	–	27	**3,218**
Cash	726	(55)	–	62	**733**
Short term borrowings and overdrafts	(202)	51	–	(1)	**(152)**
	4,486	(775)	–	88	**3,799**
Net funds	3,844	(430)	–	82	**3,496**
Financing items included in cash movements above:					
Issue of AstraZeneca PLC Ordinary Shares		(47)			
Re-purchase of AstraZeneca PLC Ordinary Shares		1,154			
Net cash inflow before management of liquid resources and financing		677			

28 Financing

	Notes	**2003 $m**	2002 $m	2001 $m
Issues of AstraZeneca PLC Ordinary Shares	27	**47**	36	86
Re-purchase of AstraZeneca PLC Ordinary Shares	27	**(1,154)**	(1,190)	(1,080)
		(1,107)	(1,154)	(994)
New loans		**–**	–	220
Loans repaid		**(345)**	(105)	(192)
Net (decrease)/increase in short term borrowings		**–**	(13)	7
		(345)	(118)	35
Net cash outflow from financing		**(1,452)**	(1,272)	(959)

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

Notes to the Financial Statements continued

29 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 final pensionable pay. All of the major plans are funded through legally separate trustee administered funds. The major defined benefit plans, apart from the 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 present and future contributions should be sufficient to meet future liabilities.

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 2003 was $272m (2002 $220m, 2001 $194m). In the Group balance sheet at 31 December 2003, accrued pension costs included in other creditors amounted to $143m (2002 $53m); prepaid pension costs of $628m (2002 $268m) are included in debtors. Provisions for unfunded pension obligations, included in provisions, amounted to $283m (2002 $235m).

With regard to the Group's main UK defined benefit fund, the latest 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, and this has been exceeded with a $165m cash contribution in 2003. At the time the contribution was made in November, the solvency ratio was 95%. 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.

The US defined benefits programme was actuarially revalued at 31 December 2003 when plan obligations were estimated to amount to $925m and plan assets were $1,079m. The US typically makes contributions to mitigate for plan benefit deficits on a regular basis.

The Swedish defined benefits programme was actuarially revalued at 31 December 2003 when plan obligations were estimated to amount to $440m and plan assets were $441m.

29 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 5,478 retired employees and covered dependants currently benefit from these provisions and some 14,176 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 2003 was $10m (2002 $22m, 2001 $16m). Provisions and creditors set aside for the benefit obligations at 31 December 2003 amounted to $28m (2002 $32m, 2001 $248m). Other than these provisions and creditors there were plan assets amounting to $194m in the US at 31 December 2003. 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.

Financial assumptions

Qualified independent actuaries have updated the actuarial valuations of the major defined benefit schemes operated by the Group to 31 December 2003. The assumptions used by the actuaries are the best estimates 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:

	2003		2002	
	UK	**Rest of Group**	UK	Rest of Group
Inflation assumption	**2.6%**	**2.3%**	2.2%	2.1%
Rate of increase in salaries	**3.9%**	**4.3%**	4.0%	4.0%
Rate of increase in pensions in payment	**2.6%**	**0.6%**	2.2%	0.5%
Discount rate	**5.4%**	**5.3%**	5.6%	5.8%
Long term rate of return expected at 31 December				
Equities	**8.3%**	**8.7%**	8.3%	8.4%
Bonds	**5.1%**	**5.8%**	4.9%	6.1%
Others	**4.2%**	**3.9%**	3.7%	3.6%

Notes to the Financial Statements continued

29 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 2003 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 2003 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 2003, the Group's reported net assets (see page 64) would be reduced by $1,057m (7.9%) to $12,200m. Further explanation of this adjustment is included below:

	Value at 31 December 2003			*Value at 31 December 2002*		
	UK $m	Rest of Group $m	**Total $m**	UK $m	Rest of Group $m	Total $m
Scheme assets						
Equities	1,779	1,157	**2,936**	1,186	708	1,894
Bonds	2,430	485	**2,915**	2,097	464	2,561
Others	109	74	**183**	75	102	177
Total fair value of assets	4,318	1,716	**6,034**	3,358	1,274	4,632
Present value of scheme liabilities	(5,232)	(2,115)	**(7,347)**	(4,200)	(1,665)	(5,865)
Deficit in the scheme	(914)	(399)	**(1,313)**	(842)	(391)	(1,233)
Related deferred tax asset	274	156	**430**	253	151	404
Net post-retirement deficit under FRS 17	(640)	(243)	**(883)**	(589)	(240)	(829)
Adjustments for assets and provisions under SSAP 24						
Prepayment, net of related deferred tax	(203)	(203)	**(406)**	(70)	(107)	(177)
Accrual, net of deferred tax	19	58	**77**	–	36	36
Provision, net of deferred tax	–	*155*	**155**	*12*	*116*	*128*
Adjusted post-retirement deficit, net of related deferred tax	(824)	(233)	**(1,057)**	(647)	(195)	(842)
Net assets as currently disclosed (see page 64)			**13,257**			11,226
Net assets as adjusted if FRS 17 were fully adopted			**12,200**			10,384

The present value of the UK scheme's liabilities has increased to $5,232m from $4,200m in 2002. This increase has been driven in part by the changes in financial assumptions detailed on page 91. There has also been an adverse exchange effect of approximately $320m on these liabilities during the year.

29 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 2003 are set out below:

	2003			2002		
	UK $m	Rest of Group $m	**Total $m**	UK $m	Rest of Group $m	Total $m
Operating profit						
Current service cost	(110)	(88)	**(198)**	(100)	(69)	(169)
Past service costs	–	–	**–**	(2)	8	6
Settlement and curtailment	–	–	**–**	–	24	24
Total operating charge	(110)	(88)	**(198)**	(102)	(37)	(139)
Finance expense						
Expected return on post-retirement scheme assets	211	87	**298**	197	52	249
Interest on post-retirement scheme liabilities	(239)	(108)	**(347)**	(210)	(98)	(308)
Net return	(28)	(21)	**(49)**	(13)	(46)	(59)
Loss before taxation	(138)	(109)	**(247)**	(115)	(83)	(198)
Consolidated statement of total recognised gains and losses						
Actual return less expected return on the post-retirement schemes' assets	210	86	**296**	(301)	(91)	(392)
Experience (losses)/gains arising on the post-retirement schemes' liabilities	(6)	(33)	**(39)**	(108)	8	(100)
Changes in assumptions underlying the present value of the post-retirement schemes' liabilities	(350)	(116)	**(466)**	58	(27)	31
Actuarial loss recognised	(146)	(63)	**(209)**	(351)	(110)	(461)

Notes to the Financial Statements continued

29 Post-retirement benefits (continued)

Additional disclosures for the year ended 31 December 2003

	2003			2002		
	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	210	86	**296**	(301)	(91)	(392)
Percentage of scheme assets	4.9%	5.0%	**4.9%**	9.0%	7.1%	8.5%
Experience gains and losses on scheme liabilities:						
Amount	(6)	(33)	**(39)**	(108)	8	(100)
Percentage of the present value of scheme liabilities	0.1%	1.6%	**0.5%**	2.6%	0.5%	1.7%
Total amount recognised in statement of total recognised gains and losses:						
Amount	(146)	(63)	**(209)**	(351)	(110)	(461)
Percentage of the present value of scheme liabilities	2.8%	3.0%	**2.8%**	8.4%	6.6%	7.9%

Movement in post-retirement scheme deficit during the year ended 31 December 2003

	2003			2002		
	UK $m	Rest of Group $m	**Total $m**	UK $m	Rest of Group $m	Total $m
Deficits in schemes at beginning of the year	(842)	(391)	**(1,233)**	(424)	(718)	(1,142)
Current service cost	(110)	(88)	**(198)**	(100)	(69)	(169)
Contributions	299	207	**506**	125	567	692
Past service cost	–	–	**–**	(2)	8	6
Settlement and curtailment	–	–	**–**	–	24	24
Other finance income	(28)	(21)	**(49)**	(13)	(46)	(59)
Actuarial loss	(146)	(63)	**(209)**	(351)	(110)	(461)
Exchange	(87)	(43)	**(130)**	(77)	(47)	(124)
Deficits in schemes at end of the year	(914)	(399)	**(1,313)**	(842)	(391)	(1,233)
Adjusted post-retirement deficit, net of deferred tax			**(1,057)**			(842)

The increase in the deficit during 2003 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 2003

	2003 Total $m	2002 Total $m
Profit and loss reserve excluding post-retirement liability	**10,449**	8,451
Post-retirement reserve	**(1,057)**	(842)
Profit and loss reserve under FRS17	**9,392**	7,609

30 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	2003	2002	2001
Average number of people employed by the Group in:			
UK	**10,800**	10,700	10,200
Continental Europe	**23,600**	23,300	19,900
The Americas	**17,900**	17,800	16,700
Asia, Africa & Australasia	**8,100**	7,200	5,800
Continuing operations	**60,400**	59,000	52,600

The number of people employed by the Group at the end of 2003 was 61,900 (2002 59,700, 2001 54,600).

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

	2003 $m	2002 $m	2001 $m
Salaries	**3,587**	3,022	2,701
Social security costs	**526**	505	465
Pension costs	**272**	220	194
Other employment costs	**360**	246	182
	4,745	3,993	3,542

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 good performance at corporate, function/business and individual/team levels. Depending upon performance and upon which level it is measured, bonuses may be 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. In 2002, for the first time the Company offered UK employees the opportunity to buy Partnership Shares (Ordinary Shares) under the All-Employee Share Plan. Employees may invest up to £125 per month 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.

Notes to the Financial Statements continued

30 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 2003 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 good 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 100 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 2003, there were options outstanding under the Zeneca 1993 Senior Staff Share Option Scheme, 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 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. Options are satisfied by the issue of new Ordinary Shares. All remaining options will lapse in April 2004 if not exercised before then.

(2) 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.

(3) 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.

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

(4) 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).

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.

Notes to the Financial Statements continued

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

(5) 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 on the date of grant 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.

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.

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

	AstraZeneca Share Option Plan		1994 Scheme		SAYE Scheme		ASVIP	
	Options '000	WAEP* pence	Options '000	WAEP* pence	Options '000	WAEP* pence	Shares under option '000	WAEP* SEK
At 1 January 2001								
Options outstanding	712	3093	10,987	2588	3,826	2074	1,090	370
Movements during 2001								
Options granted	10,984	3245	–	–	649	2971	–	–
Options exercised	(1)	3093	(592)	1687	(1,125)	1583	(117)	328
Options forfeited	(296)	3231	(457)	2709	(551)	2181	(8)	306
Options lapsed	–	–	–	–	–	–	–	–
Weighted average fair value of options granted during the year		653				495		
At 31 December 2001								
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
Range of exercise prices		1913p to 3487p		891p to 2749p		1756p to 2971p		316SEK to 442SEK
Weighted average remaining contractual life		3,054 days		2,184 days		1,272 days		521 days
Options exercisable	1,670	3150	8,360	2654	90	2568	607	411

* Weighted average exercise price

In addition to the schemes disclosed above at 31 December 2003 there were 750 options outstanding issued under the Zeneca 1993 Senior Staff Share Option Scheme with a weighted average exercise price of 748p.

Notes to the Financial Statements continued

31 Assets pledged, commitments and contingent liabilities

	2003 $m	2002 $m	2001 $m
Assets pledged			
Mortgages and other assets pledged	–	90	118
Commitments			
Contracts placed for future capital expenditure not provided for in these accounts	**421**	500	515

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. 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 rights 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, 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 2003 and 2002 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 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.

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 re-purchase Merck's interest in these products. 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 and the Appraised Value will not be paid.

31 Assets pledged, commitments and contingent liabilities (continued)

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 have no further rights to contingent payments from AstraZeneca.

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 2001, 2002 or 2003.

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 and Europe.

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.

We have 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 we will incur such costs and we can estimate such costs reliably. With respect to such estimated, future costs, we had provisions at 31 December 2003 in the aggregate of approximately $145m, of which approximately $122m 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). We are not presently aware of any circumstances or uncertainties regarding the viability of liable third parties, indemnitors or insurers that would cause us to alter these provisions.

Notes to the Financial Statements continued

31 Assets pledged, commitments and contingent liabilities (continued)

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; (5) the length of time that the environmental investigation, remediation and liability allocation process can take; and (6) the nature of any future environmental legal or regulatory changes that affect the operation of our pharmaceuticals business. Notwithstanding and subject to the foregoing, we estimate 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 $30m to $50m.

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.

***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 and now defendant in AstraZeneca's suit is Mayne Pharma (USA) Inc. (formerly called Faulding Pharmaceutical Co.). Faulding/Mayne responded to AstraZeneca's complaint and filed counterclaims alleging non-infringement and invalidity. Discovery is scheduled to close in June 2004. The trial is expected to be held no earlier than the fourth quarter of 2004.

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

In June 1997, the German Federal Patent Court declared invalid a previously granted supplementary protection certificate which extended protection for omeprazole, the active ingredient contained in *Losec*, from 1999 to 2003. The decision was appealed and in February 2000, at AstraZeneca's request, the German Supreme Court decided to refer the case to the European Court of Justice (ECJ) for a preliminary ruling. In December 2003, the ECJ ruled against AstraZeneca on all questions. Consequently, the German omeprazole supplementary protection certificate is confirmed invalid. The case did not involve any financial claims.

In March 2000, the German Federal Patent Court declared that AstraZeneca's formulation patent for omeprazole was invalid. The decision has been appealed to the German Supreme Court, which will hear the case in March 2004. As a consequence, all pending infringement actions in Germany have been stayed awaiting the outcome of the appeal. There is one interlocutory injunction in force against ratiopharm GmbH based on the formulation patent. If the final decision on the validity of the formulation patent goes against AstraZeneca, ratiopharm may claim damages for lost sales due to the interlocutory injunction.

In 1998, Astra filed suits in the US against Andrx Pharmaceuticals, Inc. and Genpharm, Inc. This followed the filing of abbreviated new drug applications by Andrx and Genpharm with the US Food and Drug Administration (FDA) concerning the two companies' intention to market generic omeprazole products in the US. During 1999, Astra also filed suits against Kremers Urban Development Company and Schwarz Pharma, Inc., and against Cheminor Drugs Ltd., Reddy-Cheminor Inc. and Schein Pharmaceuticals, Inc. During 2000, AstraZeneca filed further suits against Lek Pharmaceutical and Chemical Company d.d., Impax Laboratories Inc., Eon Labs Manufacturing Inc. and Mylan Pharmaceuticals Inc. During 2001, AstraZeneca filed further suits against Torpharm, Inc. and Zenith Goldline Pharmaceuticals, Inc. (now known as Ivax Pharmaceuticals, Inc.). The basis for the proceedings is that the actions of all the companies infringe several patents relating to omeprazole (*Prilosec* in the US). The cases are proceeding under the US Hatch-Waxman legislation. Anti-trust counterclaims have been filed by Andrx, Torpharm, Impax, Eon and Lek.

The trial against Andrx, Genpharm, Kremers Urban Development Company and Cheminor started in December 2001 and ended in July 2002. In October 2002, the US District Court for the Southern District of New York ruled that two AstraZeneca patents ('230 and '505) relating to the formulation of omeprazole are valid until 2007, that Andrx, Genpharm and Cheminor all infringed both patents but that Kremers Urban Development Company did not infringe either patent. The court did not rule on the '281 patent relating to a manufacturing process for omeprazole formulations in respect of which AstraZeneca has sued Andrx only. AstraZeneca appealed the judgement with regard to non-infringement and Kremers Urban Development Company, Andrx, Genpharm and Cheminor appealed the decision with regard to infringement and validity of the patents. The appeal hearings took place in December 2003 and the original decision of the lower court was affirmed by the appeal court in all respects.

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 FDA 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 seeks injunctive relief compelling the parties to delist omeprazole-related patents it claims 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 ANDA for omeprazole. AstraZeneca and Merck have filed motions to dismiss the case, which are pending.

31 Assets pledged, commitments and contingent liabilities (continued)

In October 2000, the Federal Court of Australia (Full Court) handed down a patent ruling pertaining to omeprazole in connection with a dispute between AstraZeneca and the generic company, Alphapharm Pty Ltd. The court declared that AstraZeneca's formulation patent was invalid. In November 2001, AstraZeneca applied for special leave to appeal the decision to the High Court of Australia and this application was granted in December 2001. The appeal was heard by the High Court in May 2002 and in December 2002 the High Court reversed the judgement of the lower court. The High Court ruled that AstraZeneca's formulation patent is valid and that the case should be returned to the lower court for determination of the remaining issues. In July 2003, the case was settled.

During 2000, AstraZeneca was granted interlocutory injunctions based on certain of AstraZeneca's omeprazole patents and supplementary protection certificates 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. 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.

In the Netherlands, Pharmachemie BV filed a claim against two AstraZeneca companies in 2002 alleging that AstraZeneca had misused its exclusive rights in the Netherlands in relation to the expiration date for AstraZeneca's supplementary protection certificate for omeprazole. AstraZeneca denied the allegations. In February 2003, the case was withdrawn by Pharmachemie.

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.

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 has replied fully to the Commission, explaining why its actions were in AstraZeneca's view lawful. The Commission is considering AstraZeneca's submission, and an oral hearing is scheduled to take place. 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 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).

***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 have appealed the decision.

In August 2002, AstraZeneca's US distribution agreement with Barr Laboratories, Inc. for non-branded tamoxifen expired, as did AstraZeneca's patent for *Nolvadex* (tamoxifen). At the same time, a six month period of market exclusivity, awarded by the US Food and Drug Administration in connection with the successful completion of certain paediatric testing with the product, commenced. Barr thereafter commenced litigation against the FDA in the US District Court for the District of Columbia, challenging the FDA's refusal to grant Barr final approval for its own generic tamoxifen prior to expiration of AstraZeneca's exclusivity period. Barr also declined AstraZeneca's offer to extend the distribution agreement through the end of the exclusivity period. Therefore, in October 2002, AstraZeneca began shipping its own non-branded tamoxifen to customers to ensure an uninterrupted supply to patients. In December 2002, the Court held that Barr could not obtain final FDA approval for its own generic tamoxifen prior to the expiration of AstraZeneca's paediatric exclusivity for *Nolvadex*. In January 2003,

Notes to the Financial Statements continued

31 Assets pledged, commitments and contingent liabilities (continued)

Barr made a claim that AstraZeneca improperly thwarted Barr's entry into the tamoxifen market and caused Barr monetary damages. AstraZeneca disputes the claim.

***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* extended release tablets (felodipine) 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 has filed a notice of appeal as to both of these decisions to the US District Court of Appeals for the Federal Circuit.

***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 the Company failed to provide adequate warnings in connection with an alleged association between *Seroquel* and the onset of diabetes. AstraZeneca denies the material allegations of the plaintiffs' complaint and is vigorously defending the litigation.

***Toprol-XL* (metoprolol succinate)**
In March 2003, AstraZeneca LP received a letter from KV Pharmaceutical Company informing AstraZeneca of KV's intent to market a generic version of *Toprol-XL* tablets in the 200mg dosage prior to the expiration of AstraZeneca's patents covering the substance and its formulation, the latest of which expires in March 2008. AstraZeneca filed a patent infringement action against KV in the US District Court for the Eastern District of Missouri. KV responded and filed counterclaims alleging non-infringement and invalidity. Discovery is scheduled to close in August 2004. The trial is scheduled for April 2005.

In July 2003, AstraZeneca received a similar letter from KV with respect to the 100mg dosage of *Toprol-XL* tablets. AstraZeneca filed another patent infringement complaint against KV in the same court. KV filed counterclaims alleging non-infringement and invalidity. This case has been consolidated with the initial case.

In December 2003, AstraZeneca received a letter from Andrx Pharmaceuticals LLC with notification that Andrx has filed an abbreviated new drug application to market a generic form of *Toprol-XL* extended release tablets in the 50mg dose which it intends to sell prior to the expiration of AstraZeneca's patents listed in the FDA's Orange Book, the latest of which expires in March 2008. Andrx claims that each of the listed patents are invalid and/or not infringed. AstraZeneca is considering whether to file a suit for patent infringement against Andrx.

***Zestril* (lisinopril)**
In 1986, AstraZeneca's predecessor company and Merck & Co., Inc. entered into licence agreements under which AstraZeneca was granted the right to make, use and sell lisinopril (*Zestril*), in return for which AstraZeneca agreed to pay royalties to Merck. In April 2002, AstraZeneca commenced arbitration proceedings against Merck under one of the licence agreements. In the arbitration, AstraZeneca sought repayment of approximately $38m of prior royalty amounts and a prospective reduction in the royalty rate going forward. The case was settled in May 2003. Under the settlement agreement, Merck paid $37m to AstraZeneca and the parties agreed that the royalty rate going forward would not be reduced.

***Zoladex* (goserelin acetate implant) investigation**
In June 2003, AstraZeneca announced the settlement of a multi-year investigation into US sales and marketing practices for *Zoladex*, a treatment for prostate cancer. Under the terms of the settlement, AstraZeneca Pharmaceuticals LP admitted to having violated the Prescription Drug Marketing Act by providing free samples of *Zoladex* to physicians during the period 1993 to 1996, with the understanding that these physicians would bill Medicare for reimbursement. AstraZeneca also settled, without admitting liability, civil claims involving allegations that the Company provided inducements to physicians to purchase *Zoladex* and for improperly setting and reporting its price. The total payment associated with the settlement was $355m. This amount included funds set aside to cover individual settlement agreements with the states involving related claims. As previously disclosed by the Company, in 2002 it accrued $350m to cover these settlement costs.

The settlement also provides for a five-year Corporate Integrity Agreement with the Office of Inspector General (OIG) for the Department of Health and Human Services under which AstraZeneca Pharmaceuticals LP is required, among other obligations, to keep in place its current compliance programme and provide periodic reports to the OIG on the status of compliance activities.

31 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 seven other states. Most of these suits have been consolidated with the Massachusetts action for pre-trial purposes pursuant to federal multi-district litigation procedures. AstraZeneca believes that it has meritorious defences to all of these claims.

Notice of state Attorneys General investigations into Medicaid price reporting
In December 2003, AstraZeneca received notices from multiple US state Attorney General Offices requiring the Company to retain records relating to Medicaid average manufacturer price and best price calculations. Similar notices have been received by other manufacturer co-defendants in the average wholesale price class action litigation referred to above. These notices appear to have been intended to address proposed regulations (42 CFR Part 447.534(h)) limiting a manufacturer's record retention obligations for government price reporting data to a three year period. The notices from the Attorneys General indicate that the states are investigating the accuracy of AstraZeneca's average manufacturer price and best price disclosures and request that the Company retains relevant records beyond the three year limit of the proposed regulations.

US Federal Trade Commission *Nexium* investigation
As previously disclosed by the Company, in January 2003 AstraZeneca received a Civil Investigative Demand from the US Federal Trade Commission (FTC) for certain information concerning AstraZeneca's advertising and marketing of *Nexium*. In July 2003, the FTC closed its investigation without action.

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 January 2003, an Alabama state court granted AstraZeneca's motion to dismiss the consumer action pending in Alabama. The plaintiffs' time to appeal that order of dismissal has expired. AstraZeneca has settled or been dismissed from all of the cases except for a retail case pending in the Northern District of Illinois. AstraZeneca has consistently denied liability and continues to believe it has meritorious defences to the remaining claims.

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. AstraZeneca has received subpoenas from the US Attorney's Office in Boston requesting production of documents relating to the sale and promotion of *Prilosec* to the New England Medical Center in Boston. A separate 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. AstraZeneca has also 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. AstraZeneca has received an investigative demand from the Missouri Attorney General's Office seeking documents and information relating to agreements with drug retailers doing business within Missouri. AstraZeneca is co-operating with 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.

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 31 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

32 Leases

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

	2003 $m	2002 $m	2001 $m
Hire of plant and machinery	**21**	23	25
Other	**73**	96	76
	94	119	101

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*	
	2003 $m	2002 $m	**2003 $m**	2002 $m
Expiring within one year	**9**	5	**13**	11
Expiring in years two to five	**23**	25	**26**	15
Expiring thereafter	**38**	32	**3**	2
	70	62	**42**	28

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year at 31 December 2003 were as follows:

	Operating leases	
	2003 $m	2002 $m
Obligations under leases comprise		
Rentals due within one year	**112**	90
Rentals due after more than one year		
After five years from balance sheet date	**80**	94
From four to five years	**25**	21
From three to four years	**28**	27
From two to three years	**40**	38
From one to two years	**56**	47
	229	227
	341	317

The Group had no commitments (2002 $nil) under finance leases at the balance sheet date which were due to commence thereafter.

33 Statutory and other information

	2003 $m	2002 $m	2001 $m
Audit fees – KPMG Audit Plc and its associates			
Audit services	**5.4**	3.5	2.5
Further assurance services	**2.1**	1.5	1.8
Taxation services	**1.8**	1.8	2.1
Others services	**–**	0.2	1.3
	9.3	7.0	7.7
Audit fees – others	**–**	0.1	0.1
	9.3	7.1	7.8

Audit services include $4.9m for the audit of the Group, of which $1,600 is in respect of the parent company (2002 $1,600, 2001 $1,600), and a further $0.5m for other services required by statute or regulation. 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. Other services in prior years consist principally of consulting projects and support.

$0.5m (2002 $0.4m, 2001 $3.2m) 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

34 Company information

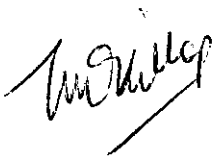
Company Balance Sheet

At 31 December	Notes	2003 $m	2002 $m
Fixed assets			
Fixed asset investments	34	**6,940**	7,236
Current assets			
Debtors – other		**7**	–
Debtors – amounts owed by subsidiaries		**25,339**	27,104
		25,346	27,104
Total assets		**32,286**	34,340
Creditors due within one year			
Non-trade creditors	34	**(3,120)**	(2,961)
Net current assets		**22,226**	24,143
Total assets less current liabilities		**29,166**	31,379
Creditors due after more than one year			
Loans – owed to subsidiaries	34	**(295)**	(295)
Net assets		**28,871**	31,084
Capital and reserves			
Called-up share capital	35	**423**	429
Share premium account	34	**449**	403
Capital redemption reserve	34	**23**	16
Other reserves	34	**1,841**	1,841
Profit and loss account	34	**26,135**	28,395
Shareholders' funds – equity interests		**28,871**	31,084

The financial statements on pages 62 to 123 were approved by the Board of Directors on 29 January 2004 and were signed on its behalf by:

Sir Tom McKillop
Director

Jonathan Symonds
Director



34 Company information (continued)

Deferred taxation

The parent company had no deferred tax assets or liabilities (actual or potential) at 31 December 2003.

Fixed asset investments	Investments in subsidiaries: Shares $m	Loans $m	Total $m
Cost at beginning of year	6,645	591	7,236
Additions	–	–	–
Disposals and other movements	–	(296)	(296)
Net book value at 31 December 2003	**6,645**	**295**	**6,940**
Net book value at 31 December 2002	6,645	591	7,236

Non-trade creditors	2003 $m	2002 $m
Amounts due within one year		
Short term borrowings (unsecured)	**3**	3
Other creditors	**154**	50
Amounts owed to subsidiaries	**2,049**	2,100
Dividends to shareholders	**914**	808
	3,120	2,961

Loans – owed to subsidiaries	Repayment Dates	2003 $m	2002 $m
Loans (unsecured)			
US dollars			
6.58% loan	2003	–	295
7.2% loan	2023	**295**	295
Total loans		**295**	590
Loans or instalments thereof are repayable:			
After five years from balance sheet date		**295**	295
From two to five years		–	–
From one to two years		–	–
Total unsecured		**295**	295
Total due within one year		–	295
Total loans		**295**	590

Notes to the Financial Statements continued

34 Company information (continued)

Reserves	Share premium account $m	Capital redemption reserve $m	Other reserves $m	Profit and loss account $m	**2003 Total $m**	2002 Total $m
At beginning of year	403	16	1,841	28,395	**30,655**	32,873
Net profit for the year	–	–	–	244	**244**	102
Dividends	–	–	–	(1,350)	**(1,350)**	(1,206)
Share re-purchase	–	7	–	(1,154)	**(1,147)**	(1,183)
Share premiums	46	–	–	–	**46**	69
At end of year	449	23	1,841	26,135	**28,448**	30,655
Distributable reserves at end of year	–	–	489	1,103	**1,592**	2,057

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

At 31 December 2003 $25,032m (31 December 2002 $26,781m) 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 in cash. During 2003, $1,749m of the profit was realised by repayment. Subsequent to the year end a further $1,124m was repaid on 27 January 2004 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	**2003 $m**	2002 $m
Shareholders' funds at beginning of year	**31,084**	33,309
Net profit for the financial year	**244**	102
Dividends	**(1,350)**	(1,206)
Issues of AstraZeneca PLC Ordinary Shares	**47**	69
Re-purchase of AstraZeneca PLC Ordinary Shares	**(1,154)**	(1,190)
Net reduction in shareholders' funds	**(2,213)**	(2,225)
Shareholders' funds at end of year	**28,871**	31,084

35 Called-up share capital of parent company

	Authorised	Allotted, called-up and fully paid	
	2003 $m	**2003 $m**	2002 $m
Ordinary Shares ($0.25 each)	**423**	**423**	429
Unissued Ordinary Shares ($0.25 each)	**177**	**–**	–
Redeemable Preference Shares (£1 each – £50,000)	**–**	**–**	–
	600	**423**	429

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	1,719	429
Issues of shares	1	1
Re-purchase of shares	(27)	(7)
At 31 December 2003	**1,693**	**423**

Share buy-back
During the year the Company purchased, and subsequently cancelled, 27,211,500 Ordinary Shares at an average price of 2535 pence per share for a consideration, including expenses, of $1,154m. The excess of the consideration over the nominal value has been charged against the profit and loss account reserve.

Share schemes
A total of 1,240,117 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 30; details of options granted to Directors are shown in the Directors' Remuneration Report.

Principal Subsidiaries

At 31 December 2003	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	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 2003. Products are manufactured in some 20 countries worldwide and are sold in over 100 countries.

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 113 to 123, additional information under US GAAP is set out as follows:

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, existing products and assembled workforce, 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 and the resulting goodwill.

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. The intangible recognised as assembled workforce has been reclassified as goodwill.

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 2003 and 2002, shareholders' equity includes capitalised goodwill of $15,306m and $13,647m respectively (net of amortisation and impairment of $2,596m and $2,314m) and capitalised identifiable intangible assets of $9,536m and $9,526m respectively (net of amortisation and impairment of $6,739m and $4,807m). 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;

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.

Software costs
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.

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.

Derivative 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.

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.

Current assets and liabilities
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 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
SFAS 143 'Accounting for Asset Retirement Obligation' addresses the accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. It is effective for accounting periods beginning on or after 15 June 2002. The adoption of SFAS 143 did not have a material effect on the results or net assets of AstraZeneca.

SFAS 146 'Accounting for Costs Associated with Exit or Disposal Activities', issued on 30 July 2002, requires costs associated with exit or disposal activities to be recognised when the costs are incurred rather than at the date of commitment to an exit or disposal plan. The provisions are effective for disposals initiated after 31 December 2002 and restatement of prior periods is not required. The adoption of SFAS 146 did not have a material effect on the results or net assets of AstraZeneca and there was no impact on prior periods.

New accounting standards (continued)

SFAS No. 148 'Accounting for Stock Based Compensation – Transition and Disclosure – an Amendment of FASB Statement No. 123' permits two additional transition methods for entities that change from the intrinsic method to the fair value based method of accounting for stock-based employee compensation. The statement also requires new disclosures (including the ramp-up effect of adopting fair value based accounting for stock-based employee compensation on reported results) and that those effects be disclosed more prominently by specifying the form, content and location of those disclosures. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after 15 December 2002. AstraZeneca has not adopted the fair value based method of accounting for stock-based employee compensation and, therefore, is not subject to the transition provisions of SFAS No. 148.

SFAS No. 149 'Amendment of Statement 133 on Derivative Instruments and Hedging Activities' that was issued on 30 April 2003, amends and clarifies accounting for certain derivative instruments (particularly contracts with certain embedded derivative instruments) and hedging activities under SFAS No. 133 'Accounting for Derivative Instruments and Hedging Activities'. Except where its provisions clarify SFAS No. 133 implementation issues previously effective, the standard applies prospectively for contracts entered into, and hedging activities designated after, 30 June 2003. The adoption of SFAS No. 149 did not have a material effect on the results or net assets of AstraZeneca.

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 party with a controlling financial interest resulting from arrangements or financial interests as opposed to voting rights. If a party has a controlling financial interest in a variable interest entity ('VIE') 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 is required for periods ending on or after 15 March 2004. FIN46R has not, and is not expected to have, a material effect on the results or net assets of AstraZeneca.

SFAS No. 132 (Revised 2003) 'Employers' Disclosures about Pensions and Other Post-Retirement Benefits' was issued on 23 December 2003 and is effective, subject to certain exemptions, for fiscal years ending on or after 15 December 2003. AstraZeneca has complied with the new requirements in this Annual Report and Form 20-F Information.

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 material adjustments to net income and shareholders' equity which would have been required if US GAAP had been applied instead of UK GAAP.

	2003 $m	2002 $m	2001 $m
Net income, as shown in the consolidated statements of income before exceptional items	**3,036**	3,186	3,044
Exceptional items after tax	**–**	(350)	(138)
Net income for the period under UK GAAP	**3,036**	2,836	2,906
Adjustments to conform to US GAAP			
Purchase accounting adjustments (including goodwill and intangibles)			
Deemed acquisition of Astra			
Amortisation and other acquisition adjustments	**(952)**	(864)	(1,514)
Others	**59**	55	–
Capitalisation, less disposals and amortisation of interest	**17**	46	57
Deferred taxation			
On fair values of Astra	**266**	239	249
Others	**(91)**	(99)	(198)
Pension and other post-retirement benefits expense	**(43)**	(46)	(29)
Software costs	**(18)**	(46)	(10)
Restructuring costs	**–**	–	(22)
Share based compensation	**(12)**	33	(7)
Fair value of derivative financial instruments	**10**	93	18
Deferred income recognition	**14**	61	(75)
Unrealised losses on foreign exchange and others	**(18)**	(1)	(10)
Net income before cumulative effect of change in accounting policy	**2,268**	2,307	1,365
Cumulative effect of change in accounting policy, net of tax, on adoption of SFAS No. 133	**–**	–	32
Net income in accordance with US GAAP	**2,268**	2,307	1,397

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Operations

For the years ended 31 December	2003 $m	2002 $m	2001 $m
Sales	**18,849**	17,841	16,222
Cost of sales	**(4,469)**	(4,520)	(4,198)
Distribution costs	**(162)**	(141)	(122)
Research and development	**(3,451)**	(3,069)	(2,687)
Selling, general and administrative expenses	**(6,941)**	(6,165)	(5,219)
Acquisition related costs	**–**	–	(224)
Amortisation of intangibles and goodwill	**(881)**	(1,052)	(1,769)
Other income	**225**	308	283
Operating income	**3,170**	3,202	2,286
Net interest income	**63**	140	188
Income from continuing operations before taxation	**3,233**	3,342	2,474
Taxes on income from continuing operations	**(965)**	(1,035)	(1,109)
Net income from continuing operations	**2,268**	2,307	1,365
Net income before cumulative effect of change in accounting policy	**2,268**	2,307	1,365
Cumulative effect of change in accounting policy on adoption of SFAS No. 133	**–**	–	32
Net income for the year	**2,268**	2,307	1,397
Weighted average number of $0.25 Ordinary Shares in issue (millions)	**1,709**	1,733	1,758
Dilutive impact of share options outstanding (millions)	**3**	2	3
Diluted weighted average number of $0.25 Ordinary Shares in accordance with US GAAP (millions)	**1,712**	1,735	1,761
Net income per $0.25 Ordinary Share and ADS before change in accounting policy in accordance with US GAAP – basic and diluted	**$1.33**	$1.33	$0.77
Net income per $0.25 Ordinary Share and ADS after change in accounting policy in accordance with US GAAP – basic and diluted	**$1.33**	$1.33	$0.79

US GAAP Statement of Comprehensive Income

For the years ended 31 December	2003 $m	2002 $m	2001 $m
Net income for the year	**2,268**	2,307	1,397
Exchange gains/(losses) net of tax	**3,635**	2,919	(1,473)
Other movements, net of tax	**(100)**	(73)	–
Total Comprehensive Income	**5,803**	5,153	(76)

Other movements in 2003 include the recognition of a minimum liability under SFAS No. 87 'Employers' Accounting for Pensions' of $177m. Tax effects on exchange gains/(losses) were $(297)m and on other movements $67m.

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	2003 $m	2002 $m	2001 $m
Balance at 1 January	**(1,399)**	(4,318)	(2,845)
Movement in year	**3,635**	2,919	(1,473)
Balance at 31 December	**2,236**	(1,399)	(4,318)

The cumulative other movements (net of tax) at 31 December 2003 was a charge of $154m (2002 $73m, 2001 $nil).

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:

	2003 $m	2002 $m	2001 $m
Net income under US GAAP as reported	**2,268**	2,307	1,397
Compensation cost under APB No. 25	**12**	(33)	7
Compensation cost under SFAS No. 123	**(154)**	(122)	(83)
Pro forma net income	**2,126**	2,152	1,321
Pro forma net income per $0.25 Ordinary Share and *ADS in accordance with US GAAP (basic and diluted):*			
As reported	**$1.33**	$1.33	$0.79
Pro forma	**$1.24**	$1.24	$0.75

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:

	2003	2002	2001
Dividend yield	**2.0%**	1.6%	1.5%
Expected volatility	**25.0%**	30.0%	20.0%
Risk-free interest rate	**4.3%**	5.2%	4.2%
Expected lives: AstraZeneca Share Option Plan	**6.0 years**	6.0 years	6.0 years
Expected lives: SAYE Plan	**4.3 years**	4.3 years	4.3 years

In the initial phase-in period, the effects of applying SFAS No.123 for disclosing compensation cost may not be representative of the effects on pro forma net income and earnings per share for future years.

Differences between UK and US accounting principles (continued)

Pension and post-retirement benefits

For the purposes of US GAAP, the pension costs of the major UK retirement plan and of the retirement plans of the major non-UK subsidiaries have been restated in the following tables in accordance with the requirements of SFAS 132. These plans comprise a substantial portion 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	**2003 $m**	2002 $m	**2003 $m**	2002 $m
Benefit obligation at beginning of year	**5,026**	4,337	**210**	205
Service cost	**123**	114	**9**	8
Interest cost	**290**	263	**14**	14
Participant contributions	**22**	18	**1**	–
Actuarial loss	**508**	80	**24**	23
Special termination benefits	**–**	12	**–**	–
Settlement and curtailment	**4**	–	**–**	(24)
Benefits paid	**(226)**	(206)	**(19)**	(19)
Exchange	**495**	408	**3**	3
Benefit obligation at end of year	**6,242**	5,026	**242**	210

	Pension benefits		Other post-retirement benefits	
Change in plan assets	**2003 $m**	2002 $m	**2003 $m**	2002 $m
Fair value at beginning of year	**4,038**	3,753	**133**	–
Actual return on plan assets	**551**	(142)	**35**	(16)
Group contribution	**383**	284	**43**	161
Participant contributions	**22**	18	**1**	–
Settlement and curtailment	**–**	–	**–**	–
Benefits paid	**(226)**	(206)	**(17)**	(12)
Exchange	**406**	331	**–**	–
Fair value of plan assets at end of year	**5,174**	4,038	**195**	133
Funded status of plans	**(1,068)**	(988)	**(47)**	(77)
Unrecognised net loss	**1,220**	938	**65**	–
Prior service cost not recognised	**35**	29	**(9)**	–
Unrecognised net obligation on implementation	**–**	3	**–**	–
	187	(18)	**9**	(77)
Adjustments to recognise minimum liability:				
Intangible assets	**(39)**	(45)	**–**	–
Accumulated other comprehensive income	**(221)**	(45)	**–**	–
Accrued benefit asset/(liability)	**(73)**	(108)	**9**	(77)

At 31 December 2003, 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 $5,287m, $4,524m and $4,249m, (2002 $4,249m, $3,557m and $3,296m) respectively. The total accumulated benefit obligations for the pension plans was $5,318m (2002 $4,214m). The measurement date for the plan assets and benefit obligations set out above was 31 December 2003. Contributions to the plans in 2004 are estimated to be $111m.

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 main retirement plans and other benefit obligations for SFAS 132 purposes were as follows:

	Pension benefits			Other post-retirement benefits		
	2003	2002	2001	**2003**	2002	2001
	%	%	%	**%**	%	%
Discount rate	**5.5**	5.8	6.0	**5.9**	6.6	7.1
Long term rate of increase in remuneration	**4.0**	4.1	4.4	**5.0**	4.8	n/a
Expected long term return on assets	**6.6**	6.4	6.5	**7.8**	7.8	n/a

The Group has assumed a long term rate of increase in healthcare costs of 10%, reducing to 5%.

	Pension benefits			Other post-retirement benefits		
	2003	2002	2001	**2003**	2002	2001
	$m	$m	$m	**$m**	$m	$m
Net periodic cost						
Service cost – present value of benefits accruing during the year	**123**	114	102	**9**	8	7
Interest cost on projected benefit obligations	**290**	263	243	**14**	14	14
Expected return on assets	**(280)**	(263)	(242)	**(14)**	–	–
Net amortisation and deferral	**34**	28	39	**2**	(1)	(2)
Net periodic cost for the year	**167**	142	142	**11**	21	19

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 2003:

	One percentage point	
	Increase	Decrease
	$m	$m
Accumulated benefit obligation	13	(11)
Net periodic cost	2	(2)

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

	2003	2002
	%	%
Equities	**49.2**	40.6
Bonds	**48.8**	56.5
Other	**2.0**	2.9

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

	$m
2004	267
2005	275
2006	284
2007	293
2008	302
2009 – 2013	1,695

Differences between UK and US accounting principles (continued)

Taxation

Years ended 31 December	2003 $m	2002 $m	2001 $m
Taxes on income from continuing operations			
UK taxation			
Corporation tax	**138**	165	147
Double taxation relief	**(23)**	(7)	(4)
Deferred taxation	**88**	40	10
Overseas taxation			
Overseas taxes	**878**	921	831
Adjustments in respect of prior periods	**35**	(51)	30
Deferred taxation	**(151)**	(33)	95
Share of taxation of joint ventures and associates	**–**	–	–
Taxes on income from continuing operations	**965**	1,035	1,109

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

Years ended 31 December	2003 $m	2002 $m	2001 $m
Income on continuing operations	**3,233**	3,342	2,506
Taxation charge at UK corporation tax rate of 30% for 2003 (30% for 2002, 30% for 2001)	**970**	1,002	751
Differences in effective overseas tax rates	**(41)**	6	48
Items not deductible for tax purposes	**89**	83	352
Items not chargeable for tax purposes	**(88)**	(110)	(76)
Adjustments in respect of prior periods	**35**	(51)	30
Exceptional items	**–**	105	4
Tax on income from continuing operations	**965**	1,035	1,109

In 2003, claims amounting to $95m (2002 $43m) 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)

Shareholders' equity	**2003 $m**	2002 $m
Total shareholders' equity under UK GAAP	**13,178**	11,172
Adjustments to conform to US GAAP		
Purchase accounting adjustments (including goodwill and intangibles)		
Deemed acquisition of Astra		
Goodwill	**14,311**	12,692
Tangible and intangible fixed assets	**7,661**	7,707
Others	**145**	86
Capitalisation, less disposals and amortisation of interest	**255**	238
Deferred taxation		
On fair value of Astra	**(2,313)**	(2,305)
Others	**(207)**	(159)
Dividend	**914**	808
Pension and other post-retirement benefits expense	**(534)**	(295)
Software costs capitalised	**46**	64
Fair value of derivative financial instruments	**109**	99
Deferred income recognition	**–**	(14)
Others	**89**	90
Shareholders' equity in accordance with US GAAP	**33,654**	30,183

Acquired intangible assets

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

	2003		2002	
	Gross carrying amount $m	**Accumulated amortisation $m**	Gross carrying amount $m	Accumulated amortisation $m
Product rights	**13,733**	**(5,274)**	12,058	(3,672)
Marketing and distribution rights	**1,659**	**(831)**	1,513	(600)
Software	**462**	**(305)**	354	(241)
Others	**421**	**(329)**	408	(294)
Total	**16,275**	**(6,739)**	14,333	(4,807)

Aggregate amortisation expense

	$m
For year ended 31 December 2003	1,245
For year ended 31 December 2002	1,154
For year ended 31 December 2001	1,135

Estimated amortisation expense

	$m
For year ended 31 December 2004	1,228
For year ended 31 December 2005	1,228
For year ended 31 December 2006	1,216
For year ended 31 December 2007	1,128
For year ended 31 December 2008	1,128

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 2003 were as follows:

	$m
Balance as at 1 January 2002	11,943
Acquired	62
Reclassification of assembled workforce (on adoption of SFAS 141)	364
Exchange adjustments	1,278
Balance as at 1 January 2003	**13,647**
Acquired	1
Exchange adjustments	1,658
Balance as at 31 December 2003	**15,306**

Adoption of SFAS 142 in 2002 resulted in the cessation of amortisation of goodwill. Had goodwill not been amortised in 2001, net income would have increased from $1,397m to $2,125m with a corresponding increase in basic and diluted earnings per share from $0.77 to $1.21.

US GAAP Condensed Consolidated Statement of Cash Flows

For the years ended 31 December	2003 $m	2002 $m	2001 $m
Cash flows from operating activities	**3,416**	4,833	3,126
Cash flows from investing activities			
Movement in short term investments and fixed deposits	**771**	(806)	260
New fixed asset investments	**(120)**	(1)	(5)
Disposal of fixed assets	**38**	66	44
Acquisitions and disposals	**80**	–	(44)
Capital expenditure	**(1,515)**	(1,608)	(1,582)
Net cash outflows from investing activities	**(746)**	(2,349)	(1,327)
Net cash flow before financing	**2,670**	2,484	1,799
Cash flows from financing activities			
Equity dividends paid	**(1,222)**	(1,234)	(1,236)
Re-purchase of AstraZeneca PLC Ordinary Shares	**(1,107)**	(1,154)	(994)
Net (decrease)/increase in short term borrowings	**–**	(13)	7
Loans (repaid)/new loans	**(345)**	(105)	28
Net cash outflows from financing activities	**(2,674)**	(2,506)	(2,195)
Decrease in cash	**(4)**	(22)	(396)
Cash:			
At 1 January	**524**	510	908
Decrease in cash	**(4)**	(22)	(396)
Exchange movements	**61**	36	(2)
At 31 December	**581**	524	510

Interest paid was $32m in 2003, $96m in 2002 and $84m in 2001. Interest received was $117m in 2003, $142m in 2002 and $232m in 2001. Tax paid was $886m in 2003, $795m in 2002 and $792m in 2001.

	Company Name	Country of Incorporation	Effective Equity
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
5339	Arbil International Insurance Limited	Cayman Islands	51
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 Dominguez, M.D., FACP, Inc.,	United States of America	100
5518	Enrique Davilla, M.D., FACP, Inc.,	United States of America	100
5519	Michael A. Schwartz, MC., 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
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 SAS	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
6267	AstraZeneca Holdings A/S	Denmark	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	AstraZeneca Development 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
6959	Astra Tech AB	Austria	100
6960	AstraZeneca 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.	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
6988	AstraZeneca Alpha 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	AZ Pharmaceuticals (M) 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 A.S.	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
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
8915	Stauffer Chemical Company Trust	United States of America	100