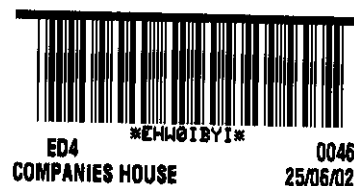


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ASTRAZENECA PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2001



Directors' Report

The Board in 2001

Details of the Board appear on pages 26 and 27. Sir David Barnes retired from the Board on 26 April 2001. Dr Jane Henney was appointed as a Non-Executive Director with effect from 24 September 2001.

Re-election of Directors

All of the Directors retire under Article 65 of the Articles of Association and all, with the exception of Lars Ramqvist, are presenting themselves for re-election at the Annual General Meeting on 25 April 2002. All of the Directors presenting themselves for re-election are recommended for re-election. Lars Ramqvist will retire from the Board with effect from the date of the Annual General Meeting.

Principal activities

AstraZeneca PLC (the Company) is the holding company for a group of subsidiaries (the Group) whose principal activities are described in the Operational and Financial Reviews, which are incorporated in this report by reference. Principal subsidiaries, joint ventures and associates and their locations are given on page 104.

Dividends

The Company's dividend for 2001 of \$0.70 (49.3pence, SEK 7.45) per Ordinary Share amounts to \$1,225 million.

Corporate governance

Throughout 2001, other than as set out in this report, the Company has applied all of the principles of good governance

- contained in Section 1 of the Combined
- Code published by the Hampel Committee
- on Corporate Governance and appended to the Listing Rules of the UK Listing
- Authority.

- Other than as set out in this report, the
- Company has also complied throughout
- the accounting period with the Code
- provisions set out in Section 1 of the
- Combined Code.

Directors and organisation

The Board is responsible for the Company's objectives and policies and Stewardship of the Company's resources. It concentrates mainly on strategy, financial performance and critical business issues and normally meets six times a year. Executive Directors have specific remits and areas of responsibility which are shown on page 26. The differing roles of Executive Directors and Non-Executive Directors are clearly delineated, both having fiduciary duties towards shareholders. 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. 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 Annual General Meeting and may offer themselves for re-election by shareholders.

The Chief Executive, 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. He is obliged to refer certain major matters (defined in the formal delegation of the Board's authority) back to the Board.

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 businesses (including Salick Health Care, Astra Tech and Marlow Foods). The other members of the Senior Executive Team are Åke Stavling, Jonathan Symonds, Claes Wilhelmsson (all Executive Directors); Bruno Angelici, Executive Vice-President, International Sales and Marketing; David Brennan, Executive Vice-President, North America and President and CEO, AstraZeneca LP (succeeding Carl-Gustaf Johansson who retired from that role at the end of June 2001); John Patterson, Executive Vice-President, Product Strategy and Licensing; Barrie Thorpe, Executive Vice-President, Operations; and Tony Bloxham, Executive Vice-President, Human Resources (succeeding Gunnar Christiani who retired from that role at the end of August 2001). The Senior Executive Team normally meets once a month to review all major business issues and decisions other than those considered to be of a size or importance to require the attention of, or which are reserved to, the Board.

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. The roles of the Board, the Chairman, the Deputy Chairman, the Chief Executive, the Senior Executive Team and their key committees 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.

Directors' remuneration

The Company's remuneration policy is described in the Report of the Board on Remuneration of Directors on pages 31 to 32. At the Annual General Meeting on 25 April 2002, shareholders will have the opportunity to vote on the Report.

Relations with shareholders

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 continually to individual ad hoc requests for discussions from institutional shareholders.

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 Annual General Meeting.

Internal control and risk management

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

Each area of business 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. Key business priorities are cascaded through the organisation and form part of the basis for the Company's employee incentive plans.

Performance reviews are undertaken in each part of the business at least once a year. The Company's quarterly business performance management system has moved away from the use of predominantly financial performance measures and is now based on a broader range of measures that link directly to the achievement of key business priorities. All material capital investments must be submitted for approval with supporting information. Treasury operations are centralised, operate within defined limits and are subject to regular reporting requirements and audit reviews.

The Board has overall responsibility for the Company's system of internal control 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 reliable. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulations, although any system of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Company has in place a range of procedures to monitor and control the risks associated with the achievement of its objectives. It has formed a Risk Advisory Committee comprised of representatives from each business function. The role of the Committee 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 agenda is geared towards critical business issues. It reports to the Senior Executive Team.

The members of the Audit Committee during 2001 were Karl von der Heyden (Chairman of the Committee), Dame Bridget Ogilvie and Marcus Wallenberg. They are all Non-Executive Directors. The Committee met four times during 2001 and is scheduled to meet on four occasions in 2002.

The remit of the Audit Committee is to review and report to the Board on the annual and other published financial reporting carried out by the Group, the accounting policies of the Group, the scope and audit programmes of the Company's internal and external auditors and any material issues arising from these audits and the effectiveness of the Group's systems of financial reporting and internal financial controls and the framework for risk management, with particular emphasis on financial risks. The Committee is also responsible for the appointment of the Company's chief internal auditor and recommends to the Board the appointment of the external auditor and the level of its audit and non-audit remuneration.

The Audit Committee has received and considered reports on the effectiveness of the Company's system of internal financial control. These include an annual assessment of internal financial control from the internal audit function, reports from the external auditor on matters identified in the course of its statutory audit work and management assurance of the maintenance of control. The latter is based on an annual 'letter of assurance' by which responsible managers confirm the adequacy of their systems of internal financial and non-financial control, their compliance with Company policies, local laws and regulations and report any control weaknesses identified in the past year.

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

It remains the policy of the Company that all of its subsidiaries and their employees observe high standards of integrity 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 detailed standards issued in support of it.

Non-compliance with the Combined Code

The items in the Combined Code with which the Company did not comply in full throughout the period are the appointment of a senior Non-Executive Director and service contracts' notice periods. The reasons for non-compliance are stated below.

To date, members of the Board have not considered that the appointment of a senior Non-Executive Director would enhance the manner in which they discharge their duties.

The service contracts of Executive Directors provide for a notice period of two years. In the case of a number of Directors who were formerly employed by Astra AB, this has involved a reduction in the notice period to which they were previously entitled. It is not currently proposed that notice periods should be reduced further for existing service contracts. However, for new Executive Directors, although the initial notice period may be for a longer period, it is the Board's intention that it should be reduced to one year subsequently. The Board recognises that market conditions may not make this easy to achieve in the near term and the Board has retained the flexibility to offer whatever is necessary to make appropriate new appointments.

Going concern

The Directors have a reasonable expectation 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 accounts.

Auditor

A resolution will be proposed at the Annual General Meeting on 25 April 2002 for the re-appointment of KPMG Audit Plc, London as auditor of the Company.

Purchase of own shares

At the Annual General Meeting, the Company will be seeking a renewal of its current permission from shareholders to purchase its own shares.

The Company's stated distribution policy contains both a regular dividend cash flow and a share repurchase component to give the Company more flexibility in managing its capital structure over time. During 2001, in line with this policy, the Company purchased for cancellation 23 million of its own Ordinary Shares with a nominal value of \$0.25 each for an aggregate sum of \$1,080 million. This number of shares represents 1.3% of the Company's total issued share capital.

Allotments

Changes in the Company's Ordinary Share capital during the year, including allotments of plans under the Company share schemes, are given in Note 40 to the Financial Statements.

Political donations and expenditure

Following the coming into effect of the relevant provisions of the Political Parties Elections and Referendums Act 2000 (the Act), 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 2001 in the European Union in respect of which shareholder authority or disclosure in this 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 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 definition. To enable the Company to continue to support such organisations without inadvertently breaching the Act, a resolution will be proposed at the Annual General Meeting on 25 April 2002.

Directors' Report (continued)

authorising the Company to make donations or incur expenditure up to an aggregate limit of \$150,000.

In 2001, AstraZeneca's US legal entities made contributions amounting in aggregate to \$115,000 to state and national political party committees and to campaign committees of various state candidates affiliated with the major parties. These contributions were made only where allowed by state and federal law, American nationals exercised decision-making over the contributions and the funds were not provided or reimbursed by any non-US corporation.

Payment of suppliers

Although 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 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 owed by the Company's subsidiaries to trade creditors at the balance sheet date was equivalent to 61 days' average purchases. No equivalent disclosure is provided in respect of the Company as it has no external creditors.

Employee involvement

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. In line with legal requirements and cultural standards, more formal national and business level employee consultation arrangements exist in some countries, including the UK. A forum for employee consultation at European level, chaired by the Chief Executive, was introduced in 1995. Details of employees' share plans appear in Note 33 to the Financial Statements. The Company has a variety of constructive relationships with trade unions across its worldwide operations including formal recognition and active dialogue where appropriate.

Equal opportunities

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 that is not relevant to the effective performance of their job. 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.

Employment of people with disabilities

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.

Nomination Committee

Following the retirement of Sir David Barnes from the Board on 26 April 2001, the members of the Nomination Committee are now Percy Barnevik (Chairman of the Committee), Håkan Mogren and Sir Peter Bonfield.

The remit of the Nomination Committee is, primarily, to make proposals to the Board for any new appointments as Directors of the Company.

Report of the Board on Remuneration of Directors

At the Annual General Meeting on 25 April 2002, shareholders will have the opportunity to vote on the Report.

Remuneration Committee

The members of the Remuneration Committee during 2001 were Lars Ramqvist (Chairman of the Committee), Erna Möller and Sir Peter Bonfield. They are all Non-Executive Directors of the Company, independent and have no personal financial interest in matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the Company.

The remit of the Remuneration Committee is, among other things, to recommend to the Board the fundamental remuneration policy for the Company and to ensure the proper operation of all plans 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.

Overall remuneration policy and purpose

The Company is committed to developing 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.

With this vision in mind, the Remuneration Committee has reviewed remuneration policy. The Board has confirmed that the overall 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 realistic;
- to be competitive and cost-effective in each of the relevant employment markets; and
- to be as internally consistent as realistic taking due account of market need.

Components of the remuneration package

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 benefit components contained in the total remuneration package 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;
- ad hoc rewards – special payments and other measures available to reward individuals and teams following a particular and outstanding business contribution;
- short-term bonus – a lump sum payment related to the targeted achievement of identified business drivers and, where appropriate, personal performance goals, measured over a year within a specific plan;
- share participation – various plans provide the opportunity for employees to take a personal stake in the Company's wealth as shareholders; and
- other benefits such as holidays, sickness benefit and pensions which are cost-effective and compatible with the relevant national welfare arrangements.

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

For Executive Directors, the individual components are:

- annual salary – the actual salary for each of the Executive Directors is determined on behalf of the Board by the Remuneration Committee; 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 – in respect of 2001 Executive Directors, other than the Deputy Chairman and the Chief Executive, were entitled to an annual bonus related to the achievement of both the targeted performance of earnings per share and the achievement of functional measures relevant to each Director's particular area of responsibility; the Deputy Chairman and the Chief Executive were entitled to bonuses related solely to the achievement of the targeted performance of earnings per share; the bonus payable for Executive Directors on a scale of 0-100% of salary: 50% 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 individual measures;

- longer-term bonus – 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 supervised by the Remuneration Committee which also determines whether any performance targets will apply to the grant and/or exercise of options; the exercise of options previously granted under the Zeneca 1994 Executive Share Option Scheme is currently subject to the performance condition that before an exercise, earnings per share must grow by at least the increase in the UK retail prices index plus 3% per annum over a continuous three year period following grant; and

- pension and other benefits – normal UK Directors are members of the AstraZeneca pension fund which provides a pension of up to two-thirds of basic salary on retirement at age 60 with at least 20 years' service; the scheme also provides for dependant pensions and lump sums on death in service.

Other customary benefits (such as car, fuel, health benefits and savings-related share option scheme) are made available as required.

Executive Directors' special pension arrangements

In respect of UK Directors whose pensionable earnings are capped by the earnings limit imposed by the Finance Act 1989, money purchase funded unapproved retirement benefit schemes are available. Currently, only Jonathan Symonds is affected by this limit. The Company has agreed to pay 50% of basic salary in excess of the earnings limit with the intention of providing equivalence

Directors' Report (continued)

benefits with non-capped UK Directors. If this does not provide equivalence, then the Company has agreed to make up the difference.

Normally, Swedish Directors participate in the collectively bargained ITP pension plan, which provides pensions, dependants' pensions and lump sums on death in service. In respect of those Swedish Directors, namely Håkan Mogren, Åke Ståvling and Claes Wilhelmsson, whose pensionable earnings are in excess of the earnings limit imposed by the 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.

Note 35 to the Financial Statements sets out the information required by the Listing Rules of the UK Listing Authority relating to Directors' pension entitlements.

Directors' emoluments in 2001
The emoluments of Directors of the Company are set out in Note 35 to the Financial Statements.

Directors' interests in shares
Full details of Directors' interests in Ordinary Shares of the Company and its subsidiaries (including options), together with options granted and exercised in 2001 are set out in Note 34 to the Financial Statements.

As stated above, the Remuneration Committee determines the grant of options under the AstraZeneca Share Option Plan (the Plan) and ensures that, on every occasion before the grant of any option, the performance of the Company and the performance and contribution of each participant is fully taken into account when determining the number of shares to be put under option and the number of options to be granted. In respect of the grants of options under the Plan in March and August 2001, the Remuneration Committee considered the overall performance of the Company against a range of key performance indicators, including the achievement of business targets, the launch of new products such as Nexium and Symbicort, the strong progress made by the development portfolio and the successful strategic steps taken to focus the Company as a pure pharmaceutical company (such as the merger of Zeneca Agrochemicals and the creation of Syngenta AG and other

divestments) and concluded a grant of options was justified. The Remuneration Committee also received assurances from each member of the Senior Executive Team that the participants for whom they were recommending a grant of options had achieved the appropriate level of performance.

Service contracts

Each Executive Director normally has a service contract with a notice period of two years subject to retirement, normally, at the age of 62. In line with customary arrangements in Sweden, Claes Wilhelmsson's service contract provides for a normal retirement age of 65. At the time of the Annual General Meeting on 25 April 2002, the unexpired term of Executive Directors' service contracts will be a maximum of 24 months. None of the Non-Executive Directors has a service contract.

External appointments

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.



On behalf of the Board
G H R Musker
Group Secretary and Solicitor
31 January 2002

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.

Independent Auditor's Report to the Members of AstraZeneca PLC

We have audited the Financial Statements on pages 50 to 114.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and Form 20-F. As described on page 48 this includes responsibility for preparing the Financial Statements in accordance with applicable United Kingdom law and accounting standards; the Directors have also presented additional information under United States requirements. Our responsibilities, as independent auditor, are established in the United Kingdom 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 are 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 or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 28 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, 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. 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 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.

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 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Generally accepted accounting principles in the United Kingdom vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected results of operations for each of the years in the three-year period ended 31 December 2001 and consolidated Shareholders' equity at 31 December 2001 and 2000, to the extent summarised on pages 105 to 114.

31 January 2002

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

VPAL Audit Plc

The above opinion is provided in compliance with UK requirements. An opinion complying with auditing standards generally accepted in the United States will be included in the Annual Report on Form 20-F filed with the United States Securities and Exchange Commission.

Group Profit and Loss Account for the year ended 31 December

	Notes	Continuing operations \$m	Exceptional items \$m	2001 Total \$m
Turnover: Group and share of joint ventures		16,663	–	16,663
Less: Share of joint venture turnover		(183)	–	(183)
Group turnover	3	16,480	–	16,480
Operating costs	3	(12,692)	(202)	(12,894)
Other operating income	3	368	–	368
Group operating profit	3	4,156	(202)	3,954
Share of operating (loss)/profit of joint ventures and associates	4	–	–	–
Profits less losses on sale, closure, or demerger of operations	5	–	–	–
Merger costs	5	–	–	–
Profits on sale of fixed assets	5	–	10	10
Dividend income		8	–	8
Profit on ordinary activities before interest		4,164	(192)	3,972
Net interest	6	105	–	105
Profit on ordinary activities before taxation		4,269	(192)	4,077
Taxation	7	(1,153)	54	(1,099)
Profit on ordinary activities after taxation		3,116	(138)	2,978
Attributable to minorities		(11)	–	(11)
Net profit for the financial year		3,105	(138)	2,967
Dividends to Shareholders				
Cash	8			(1,225)
Dividend in specie – demerger of Zeneca Agrochemicals	8			–
Profit/(loss) retained for the financial year				1,742
Earnings per \$0.25 Ordinary Share before exceptional items	9	\$1.77	–	\$1.77
Earnings per \$0.25 Ordinary Share (basic)	9	\$1.77	(\$0.08)	\$1.69
Earnings per \$0.25 Ordinary Share (diluted)	9	\$1.77	(\$0.08)	\$1.69
Weighted average number of Ordinary Shares in issue (millions)	9			1,758

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

	Notes	2001 \$m
Net profit for the financial year		2,967
Exchange adjustments on net assets	22	(495)
Translation differences on foreign currency borrowings	22	18
Tax on translation differences on foreign currency borrowings	22	(6)
Total recognised gains and losses relating to the financial year		2,484


\$m means millions of US dollars


Continuing operations \$m	Discontinued operations \$m	Exceptional items \$m	2000 Total \$m	Continuing operations \$m	Discontinued operations \$m	Exceptional items \$m	1999 Total \$m
15,999	2,299	-	18,298	15,334	3,319	-	18,653
(195)	-	-	(195)	(200)	(8)	-	(208)
15,804	2,299	-	18,103	15,134	3,311	-	18,445
(12,043)	(1,996)	(322)	(14,361)	(11,704)	(3,022)	(1,162)	(15,888)
223	43	-	266	140	49	-	189
3,984	346	(322)	4,008	3,570	338	(1,162)	2,746
(12)	-	(137)	(149)	(10)	3	-	(7)
-	-	(150)	(150)	-	-	237	237
-	-	-	-	-	-	(1,013)	(1,013)
-	-	-	-	-	-	-	-
3	-	-	3	-	-	-	-
3,975	346	(609)	3,712	3,560	341	(1,938)	1,963
135	-	-	135	(4)	-	-	(4)
4,110	346	(609)	3,847	3,556	341	(1,938)	1,959
(1,192)	(135)	28	(1,299)	(1,048)	(118)	351	(815)
2,918	211	(581)	2,548	2,508	223	(1,587)	1,144
(9)	(1)	-	(10)	-	(1)	-	(1)
2,909	210	(581)	2,538	2,508	222	(1,587)	1,143
			(1,236)				(1,242)
			(1,669)				-
			(367)				(99)
\$1.64	\$0.12	-	\$1.76	\$1.41	\$0.13	-	\$1.54
\$1.64	\$0.12	(\$0.32)	\$1.44	\$1.41	\$0.13	(\$0.90)	\$0.64
\$1.64	\$0.12	(\$0.32)	\$1.44	\$1.41	\$0.13	(\$0.90)	\$0.64
			1,768				1,776
			2000 \$m				1999 \$m
			2,538				1,143
			(1,038)				(619)
			154				(6)
			(42)				(5)
			1,612				513

Group Balance Sheet at 31 December

	Notes	2001 \$m	2000 \$m
Fixed assets			
Tangible fixed assets	11	5,409	4,957
Goodwill and intangible assets	12	2,700	2,951
Fixed asset investments	13	23	11
		8,132	7,919
Current assets			
Stocks	14	2,402	2,105
Debtors	15	3,628	3,960
Short-term investments	16	3,118	3,429
Cash	30	705	1,021
		9,853	10,515
Total assets		17,985	18,434
Creditors due within one year			
Short-term borrowings	17	(214)	(126)
Current instalments of loans	19	(107)	(88)
Other creditors	18	(6,159)	(6,683)
		(6,480)	(6,897)
Net current assets		3,373	3,618
Total assets less current liabilities		11,505	11,537
Creditors due after more than one year			
Loans	19	(635)	(631)
Other creditors	18	(152)	(296)
		(787)	(927)
Provisions for liabilities and charges	21	(896)	(1,068)
Net assets		9,822	9,542
Capital and reserves			
Called-up share capital	40	436	442
Share premium account	23	334	235
Capital redemption reserve	23	9	3
Merger reserve	23	433	433
Other reserves	23	1,470	1,451
Profit and loss account	23	7,104	6,957
Shareholders' funds – equity interests	22	9,786	9,521
Minority equity interests		36	21
Shareholders' funds and minority interests		9,822	9,542

The Financial Statements on pages 50 to 114 were approved by the Board of Directors on 31 January 2002 and were signed on its behalf by:


Tom McKillop
Director


Jonathan Symonds
Director

Statement of Group Cash Flow for the year ended 31 December

	Notes	2001 \$m	2000 \$m	1999 \$m
Cash flow from operating activities				
Net cash inflow from trading operations	24	4,130	4,992	4,699
Outflow related to exceptional items	25	(368)	(809)	(1,586)
Net cash inflow from operating activities		3,762	4,183	3,113
Dividends received from joint ventures		-	-	3
Returns on investments and servicing of finance				
Interest received		232	180	132
Interest paid		(84)	(145)	(97)
Dividends received		8	-	-
Dividends paid by subsidiaries to minority interests		-	(16)	(6)
		156	19	29
Tax paid		(792)	(648)	(1,020)
Capital expenditure and financial investment				
Cash expenditure on tangible fixed assets	11	(1,385)	(1,347)	(1,490)
Cash expenditure on intangible assets		(197)	(113)	(1,263)
New fixed asset investments		(5)	(3)	(6)
Disposals of fixed assets		44	37	28
		(1,543)	(1,426)	(2,731)
Acquisitions and disposals				
Acquisitions of subsidiaries and purchases of minority interests	26	(44)	(167)	(23)
Net repayment of debt by Zeneca Agrochemicals	27	-	909	-
Disposals of business operations	28	-	-	1,981
Disposals of investments in joint ventures and associates		-	(2)	20
		(44)	740	1,978
Equity dividends paid to Shareholders		(1,236)	(1,220)	(1,216)
Net cash inflow before management of liquid resources and financing	30	303	1,648	156
Management of liquid resources and financing				
Movement in short-term investments and fixed deposits (net)		260	(608)	(254)
Financing	31	(959)	(400)	(182)
(Decrease)/increase in cash in the year	29	(396)	640	(280)

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.

Discontinued operations

Following the demerger of the Zeneca Agrochemicals business on 13 November 2000 and its subsequent merger with Novartis' agribusiness to form Syngenta AG, Zeneca Agrochemicals' results have been reported as discontinued operations, together with the results of the former Zeneca Specialties business, which was sold on 30 June 1999.

New accounting standards

The following new accounting standards were adopted during the year:

UK Financial Reporting Standard 18 (FRS 18) – 'Accounting Policies' requires an entity to adopt accounting policies most appropriate to its particular circumstances, to review them regularly for appropriateness and to disclose sufficient information to enable users of financial statements to understand the policies adopted and how they have been implemented. The impact of adoption on AstraZeneca's Financial Statements was not material.

In addition, the following new accounting standards have been issued but have not yet been fully adopted:

UK Financial Reporting Standard 17 (FRS 17) – 'Retirement Benefits' becomes fully effective for accounting periods ending on or after 22 June 2003, with increasing levels of disclosure required for each accounting period ending on or after 22 June 2001. It sets out the requirements for accounting for retirement benefits, including the fair value of assets and liabilities arising from employer's obligations, the treatment of related costs, and level of disclosure. AstraZeneca has adopted FRS 17 to the extent of the mandated disclosure requirements for the year ended 31 December 2001 and these are included in Note 32 to the Financial Statements.

UK Financial Reporting Standard 19 (FRS 19) – 'Deferred Tax' is applicable for accounting periods ending on or after 23 January 2002. It requires a form of full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the Financial Statements and their recognition in a tax computation except for certain exemptions set out in the standard. The estimated impact of adoption on the Group's Financial Statements would be to reduce net profit for 2001 by \$61 million and net assets by \$193 million.

Accounting Policies

Basis of Accounting

The Financial Statements are prepared under the historical cost convention, modified to include the 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 105 to 114. 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.

On 13 November 2000, AstraZeneca demerged Zeneca Agrochemicals, which was merged with the Novartis agribusiness to form Syngenta AG. The impact of the demerger on the AstraZeneca financial statements for the year ended 31 December 2000 is shown in Note 27.

Fixed Assets, Depreciation and Amortisation

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 approximate to 25 years for buildings and 15 years for plant and equipment. Intangible assets, including patents, acquired are capitalised and amortised on a straight line basis 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 fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable.

Environmental Liabilities

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.

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 overseas 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.

Goodwill

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 (including the planned disposal or termination when there are indications that the value of the goodwill has been permanently impaired) of the previously acquired business, 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.

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.

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.

Accounting Policies

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 in the current year.

Research and Development

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

Stock Valuation

Finished goods are stated at the lower of cost or net realisable value and raw materials and other stocks at the lower of cost or replacement price. 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.

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. However, no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

Turnover

Turnover excludes inter-company turnover and value added taxes. Revenue is recognised at the point at which title passes.

Principal Financial Instruments

Forward foreign exchange contracts for existing transactions are stated at fair value at the balance sheet date and the gains/losses arising are recognised in the Group profit and loss account. Contracts to hedge anticipated exposures are not marked to market and gains/losses are deferred until the transaction is completed.

Forward currency option contracts are not marked to market as they are designated hedges and reduce the Group's exposure to risk. The gains/losses on these contracts 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 Composition of the Group

The Group Financial Statements consolidate the financial statements of AstraZeneca PLC and its subsidiaries, of which there were 246, at 31 December 2001. Owing to local conditions and to avoid undue delay in the presentation of the Group Financial Statements, Salick Health Care prepares its financial statements to 30 November.

2 Note of historical cost profits and losses

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before taxation.

Notes to the Financial Statements

3 Group operating profit

	Continuing operations		
	Pre exceptional items \$m	Exceptional items \$m	2001 Total \$m
Group turnover	16,480	–	16,480
Operating costs			
Cost of sales	(4,456)	(34)	(4,490)
Distribution costs	(122)	–	(122)
Research and development	(2,687)	(86)	(2,773)
Selling, general and administrative expenses	(5,427)	(82)	(5,509)
	(12,692)	(202)	(12,894)
Other operating income			
Royalties	154	–	154
Other income	214	–	214
	368	–	368
Other income includes gains arising from disposals under ongoing product rationalisation programmes			
Group operating profit	4,156	(202)	3,954
Charges included above			
– for depreciation	(605)	(12)	(617)
– for amortisation	(255)	–	(255)
– for impairment	–	–	–
Gross profit, as defined by the Companies Act 1985	12,024	(34)	11,990

4 Share of operating profits/(losses) of joint ventures and associates

	Continuing operations		
	Pre exceptional items \$m	Exceptional items \$m	2001 Total \$m
Share of operating (loss)/profit of joint ventures	–	–	–
Share of operating profit of associates	–	–	–
	–	–	–

Continuing operations		Discontinued operations		2000 Total \$m	Continuing operations		Discontinued operations		1999 Total \$m
Pre exceptional items \$m	Exceptional items \$m	Pre exceptional items \$m	Exceptional items \$m		Pre exceptional items \$m	Exceptional items \$m	Pre exceptional items \$m	Exceptional items \$m	
15,804	-	2,299	-	18,103	15,134	-	3,311	-	18,445
(4,181)	(11)	(1,299)	-	(5,491)	(4,087)	(15)	(1,913)	(22)	(6,037)
(210)	-	(76)	-	(286)	(230)	-	(113)	-	(343)
(2,620)	(51)	(222)	-	(2,893)	(2,472)	(110)	(341)	-	(2,923)
(5,032)	(260)	(399)	-	(5,691)	(4,915)	(912)	(655)	(103)	(6,585)
(12,043)	(322)	(1,996)	-	(14,361)	(11,704)	(1,037)	(3,022)	(125)	(15,888)
160	-	33	-	193	123	-	36	-	159
63	-	10	-	73	17	-	13	-	30
223	-	43	-	266	140	-	49	-	189
3,984	(322)	346	-	4,008	3,570	(1,037)	338	(125)	2,746
(585)	-	(102)	-	(687)	(600)	-	(156)	-	(756)
(281)	-	(14)	-	(295)	(296)	-	(17)	-	(313)
(6)	(18)	-	-	(24)	-	(123)	-	(26)	(149)
11,623	(11)	1,000	-	12,612	11,047	(15)	1,398	(22)	12,408

Continuing operations		Discontinued operations		2000 Total \$m	Continuing operations		Discontinued operations		1999 Total \$m
Pre exceptional items \$m	Exceptional items \$m	Pre exceptional items \$m	Exceptional items \$m		Pre exceptional items \$m	Exceptional items \$m	Pre exceptional items \$m	Exceptional items \$m	
(12)	(137)	-	-	(149)	(10)	-	1	-	(9)
-	-	-	-	-	-	-	2	-	2
(12)	(137)	-	-	(149)	(10)	-	3	-	(7)

Notes to the Financial Statements

5 Exceptional items

	2001 \$m	2000 \$m	1999 \$m
Integration and synergy costs	(202)	(322)	(864)
AstraZeneca LP restructuring costs	-	-	(28)
Salick Health Care – impairment and rationalisation costs	-	-	(145)
Continuing operations	(202)	(322)	(1,037)
Discontinued – Agrochemicals restructuring costs	-	-	(125)
Exceptional items included in operating profits	(202)	(322)	(1,162)
Continuing operations			
Provision of impairment of investment in Advanta BV (after charging \$49m of goodwill previously written off to reserves)	-	(137)	-
Share of operating losses of joint ventures and associates	-	(137)	-
Discontinued operations			
Costs related to the demerger of Zeneca Agrochemicals and formation of Syngenta AG	-	(150)	-
Gain on disposal of Specialties business (after charging \$406m of goodwill previously written off to reserves)	-	-	237
Profits less losses on sale, closure, or demerger of operations	-	(150)	237
Continuing operations			
Merck 'Trigger Event' payment and related costs	-	-	(809)
Other merger costs	-	-	(204)
Merger costs	-	-	(1,013)
Profit on sale of fixed assets	10	-	-
Total exceptional items before taxation	(192)	(609)	(1,938)
Net taxation credit	54	28	351
Total exceptional items after taxation	(138)	(581)	(1,587)

The integration and synergy programme initiated in 1999 was completed during 2001, with further exceptional charges of \$202m (2000 \$322m, 1999 \$864m), principally for manpower related costs, IT costs, and contractors. This brings the cumulative charges to \$1,388m.

The Group took an exceptional charge of \$137m in 2000 to provide for impairment of its 50% interest in the seeds company Advanta BV, including a write off of \$49m of related goodwill previously taken to reserves.

The costs related to the demerger of Zeneca Agrochemicals and formation of Syngenta AG included advisors' fees, the costs of separating computer systems, employee related costs and environmental and occupational health provisions. The exceptional charge was reduced by the gain on disposal of products whose sale was required by the competition authorities as a condition of the creation of Syngenta. Tax relief on the net exceptional costs was more than offset by the provision for capital taxes arising out of the restructuring of the business in preparation for demerger, resulting in a net tax cost of \$50m.

Details of the other 1999 exceptional items are as follows:

- A charge of \$28m to complete the programme to rationalise Astra's US operations following the Astra Merck Inc. restructuring in mid 1998.

5 Exceptional items (continued)

- A charge of \$145m to recognise the consequence of refocusing the Salick Health Care business on a smaller base of profitable cancer centres and the impairment of certain fixed asset carrying values (\$78m) and debtors in the light of the prospects for the business.
- A charge of \$125m in relation to restructuring projects commenced by Zeneca Agrochemicals including \$26m of asset impairments.
- A gain of \$237m before tax realised on the sale of Zeneca Specialties (\$140m after tax) after allowing for the write back of goodwill (\$406m) previously charged to reserves, costs of separation from other AstraZeneca businesses (including \$63m asset impairments) and provisions for pension liabilities.
- Merger costs of \$1,013m, including the \$809m trigger event payment to Merck (including related costs) following the merger of Astra and Zeneca and asset impairments of \$6m. This research and development payment was made in exchange for the release by Merck of certain claims under a license agreement with a Merck affiliate (see Note 36).

6 Net interest

	2001 \$m	2000 \$m	1999 \$m
Interest receivable and similar income from investments			
Securities	19	30	70
Short-term deposits	179	192	95
Exchange gain	1	46	—
Joint ventures	—	1	1
	199	269	166
Interest payable and similar charges			
Loan interest	(32)	(50)	(57)
Interest on short-term borrowings and other financing costs	(35)	(62)	(91)
Discount on liability	(15)	(19)	(19)
Exchange losses	(12)	—	—
Joint ventures	—	(3)	(3)
	(94)	(134)	(170)
Net interest receivable/(payable)	105	135	(4)

The discounting charge above relates to amounts owed in respect of the re-acquisition of certain distribution rights which are payable over the next two years. In prior years, all interest has been classified within continuing operations as the management of the Group's liquidity and funding is carried out by the central treasury function and it is not practicable to allocate interest to the different reporting segments.

Notes to the Financial Statements

7 Taxation

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

	2001 \$m	2000 \$m	1999 \$m
UK	618	808	176
Overseas	3,459	3,039	1,783
	4,077	3,847	1,959

Taxes on profit on ordinary activities were as follows:

UK taxation

Corporation tax	147	130	233
Double taxation relief	(37)	(42)	(34)
Deferred taxation	10	59	(58)
	120	147	141

Overseas taxation

Overseas taxes	722	1,070	845
Deferred taxation	257	79	(172)
	979	1,149	673

Share of taxation of joint ventures and associates

	-	3	1
Tax on profit on ordinary activities	1,099	1,299	815

In prior years, the charge for taxation has been allocated between continuing operations and discontinued operations based on the effective tax rates for the Group in the territories in which these operations are based.

UK and overseas taxation have 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. No taxes have 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 \$4,728m at 31 December 2001. 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

	2001 \$m	2000 \$m	1999 \$m
Tax credit on exceptional items*	(54)	(28)	(351)

* Includes deferred tax relief of \$23m (2000 \$66m, 1999 \$375m).

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 \$6m in 2001 (2000 \$42m, 1999 \$5m), and have been reported in the statement of total recognised gains and losses.

Tax reconciliation to UK statutory rate

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

7 Taxation (continued)

	2001 \$m	2000 \$m	1999 \$m
Profit on ordinary activities before taxation	4,077	3,847	1,959
Taxation charge at UK corporation tax rate of 30% for 2001 (30% for 2000, 30.25% for 1999)	1,223	1,154	593
Timing differences not recognised	(76)	(21)	280
Exceptional items	4	155	235
Net effect of lower rates and eligible costs in other jurisdictions	(82)	(114)	(266)
Other	30	125	(27)
Taxes on profit on ordinary activities	1,099	1,299	815

Balance sheet

	2001 \$m	2000 \$m	1999 \$m
Deferred taxation (liability)/asset movement			
At beginning of year	222	369	173
Profit and loss account	(267)	(138)	230
Other movements	26	(9)	(34)
At end of year	(19)	222	369
Debtors – amount due within one year (Note 15)	39	118	78
Debtors – amount due after more than one year (Note 15)	146	189	435
Provisions (Note 21)	(204)	(85)	(144)
	(19)	222	369

Deferred taxation

The amounts of deferred taxation accounted for in the Group balance sheet and the full potential amounts of deferred taxation comprised the following deferred tax liabilities and assets:

	Year ended 31 December 2001			Year ended 31 December 2000		
	Partial provision for deferred tax \$m	Not accounted for deferred tax \$m	Full provision for deferred tax \$m	Partial provision for deferred tax \$m	Not accounted for deferred tax \$m	Full provision for deferred tax \$m
Deferred tax liabilities						
UK fixed assets	–	332	332	–	298	298
Non-UK fixed assets	128	327	455	76	214	290
Capital gains rolled over	–	77	77	–	79	79
Interest accruals	62	10	72	10	–	10
Other	33	126	159	43	124	167
	223	872	1,095	129	715	844
Deferred tax assets						
Intercompany inventory transfers	–	413	413	–	355	355
Merger, integration and restructuring charges	121	–	121	225	16	241
Environmental	–	6	6	12	13	25
Pension and post-retirement benefits	23	68	91	52	64	116
Other	60	117	177	62	123	185
	204	604	808	351	571	922
Deferred tax (liability)/asset	(19)	(268)	(287)	222	(144)	78

Notes to the Financial Statements

8 Dividends

	2001 Per Share	2000 Per Share	1999 Per Share	2001 \$m	2000 \$m	1999 \$m
Interim, paid on 5 October 2001	\$0.23	\$0.23	\$0.23	405	406	408
Second interim, to be confirmed as final, payable 8 April 2002	\$0.47	\$0.47	\$0.47	820	830	834
	\$0.70	\$0.70	\$0.70	1,225	1,236	1,242
Dividend in specie – demerger of Zeneca Agrochemicals				–	1,669	–

The demerger of Zeneca Agrochemicals was recorded in the Group accounts at the book value of the net assets which were deconsolidated, \$2,059m (net of minority interest), together with \$813m of related goodwill which had previously been written off to reserves, less debt and liabilities assumed by Zeneca Agrochemicals, \$1,203m, giving a dividend in specie of \$1,669m.

9 Earnings per \$0.25 Ordinary Share

	2001 \$m	2000 \$m	1999 \$m
Net profit for the financial year before exceptional items (\$m)	3,105	3,119	2,730
Exceptional items after tax (\$m) (see Note 5)	(138)	(581)	(1,587)
Net profit for the financial year (\$m)	2,967	2,538	1,143
Earnings per Ordinary Share before exceptional items (\$)	\$1.77	\$1.76	\$1.54
Loss per Ordinary Share on exceptional items (\$)	(\$0.08)	(\$0.32)	(\$0.90)
Earnings per Ordinary Share (\$)	\$1.69	\$1.44	\$0.64
Diluted earnings per Ordinary Share before exceptional items (\$)	\$1.77	\$1.76	\$1.54
Diluted loss per Ordinary Share on exceptional items (\$)	(\$0.08)	(\$0.32)	(\$0.90)
Diluted earnings per Ordinary Share (\$)	\$1.69	\$1.44	\$0.64
Weighted average number of Ordinary Shares in issue for basic earnings (millions)	1,758	1,768	1,776
Dilutive impact of share options outstanding (millions)	3	2	3
Diluted average number of Ordinary Shares in issue (millions)	1,761	1,770	1,779

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 33. The earnings figures used in the calculations above are unchanged for diluted earnings per Ordinary Share. Earnings per Ordinary Share before exceptional items has been calculated to eliminate the impact of exceptional items on the results of the business.

10 Segment information

Classes of Business

		Turnover		
		2001 \$m	2000 \$m	1999 \$m
Continuing operations		16,480	15,804	15,134
Discontinued operations – Agrochemicals	External	–	2,299	2,657
	Intra-Group	–	–	3
Discontinued operations – Specialties	External	–	–	654
	Intra-Group	–	–	3
		–	2,299	3,317
		16,480	18,103	18,451
Intra-Group eliminations		–	–	(6)
Group turnover		16,480	18,103	18,445
Share of joint venture turnover		183	195	208
Group turnover and share of joint venture turnover		16,663	18,298	18,653

The Group's policy is to transfer products internally at external market prices.

	Operating profit/(loss) after exceptionals			Profit/(loss) before interest and taxation		
	2001 \$m	2000 \$m	1999 \$m	2001 \$m	2000 \$m	1999 \$m
Profit arising in						
Continuing operations	3,954	3,662	2,533	3,972	3,665	1,520
Discontinued operations – Agrochemicals	–	346	142	–	196	142
Discontinued operations – Specialties	–	–	71	–	–	308
	3,954	4,008	2,746	3,972	3,861	1,970
Share of operating loss of joint ventures and associates	–	–	–	–	(149)	(7)
				3,972	3,712	1,963

In prior years, corporate overheads have been allocated to each business segment on a consistent basis. The effect of these allocations was not material.

Notes to the Financial Statements

10 Segment information (continued)

	Net assets/(liabilities)			Total assets		
	2001 \$m	2000 \$m	1999 \$m	2001 \$m	2000 \$m	1999 \$m
Continuing operations	8,808	7,604	7,388	14,158	13,658	12,967
Discontinued operations – Agrochemicals	-	-	1,860	-	-	2,879
Discontinued operations – Specialties	-	(126)	(164)	-	3	19
	8,808	7,478	9,084	14,158	13,661	15,865
Intra-Group eliminations	-	-	-	-	(12)	(102)
Non-operating assets*	1,014	2,064	1,144	3,818	4,785	3,939
Investments in joint ventures and associates	-	-	114	-	-	114
	9,822	9,542	10,342	17,976	18,434	19,816

* Non-operating assets include short-term investments and cash, short-term borrowings, loans, and debtors and creditors not attributable to individual business segments.

	Capital expenditure**			Depreciation, amortisation and impairment		
	2001 \$m	2000 \$m	1999 \$m	2001 \$m	2000 \$m	1999 \$m
Continuing operations	1,501	1,248	2,982	872	890	1,025
Discontinued operations – Agrochemicals	-	153	194	-	121	171
Discontinued operations – Specialties	-	-	55	-	-	91
	1,501	1,401	3,231	872	1,011	1,287

** Capital expenditure includes expenditure on goodwill and intangible assets. Continuing operations capital expenditure in 1999 included the \$967m first option payment to Merck and \$720m in respect of the reacquisition of marketing rights.

Employees	2001	2000	1999
Average number of people employed by the Group in			
UK	10,200	10,000	9,700
Continental Europe	19,900	20,400	19,200
The Americas	16,700	14,200	12,900
Asia, Africa & Australasia	5,800	5,500	5,400
Continuing operations	52,600	50,100	47,200
Discontinued operations – Agrochemicals	-	6,900	8,100
Discontinued operations – Specialties	-	-	2,700
	52,600	57,000	58,000

The number of people employed by the Group at the end of 2001 was 54,600 (2000 52,300, 1999 55,200).

10 Segment information (continued)

Geographic areas

The tables below show information by geographic area and, for turnover and tangible fixed assets, material countries. The figures for each area 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 from which those sales were made.

	Turnover		
	2001 \$m	2000 \$m	1999 \$m
UK			
External	972	997	1,115
Intra-Group	2,449	2,155	1,905
	3,421	3,152	3,020
Continental Europe			
France	928	861	864
Germany	677	778	849
Italy	576	532	545
Netherlands	308	297	284
Spain	352	402	441
Sweden	559	601	599
Others	1,095	891	950
Intra-Group	1,494	1,371	1,203
	5,989	5,733	5,735
The Americas			
Canada	525	479	419
United States	8,682	8,129	7,344
North America	9,207	8,608	7,763
Brazil	102	133	132
Others	215	186	162
Intra-Group	223	183	201
	9,747	9,110	8,258
Asia, Africa & Australasia			
Japan	832	815	715
Others	657	703	715
Intra-Group	160	177	120
	1,649	1,695	1,550
Continuing operations	20,806	19,690	18,563
Discontinued operations – Agrochemicals	–	3,396	3,971
Discontinued operations – Specialties	–	–	784
	20,806	23,086	23,318
Intra-Group eliminations	(4,326)	(4,983)	(4,873)
	16,480	18,103	18,445

Export sales from the UK totalled \$2,664m for the year ended 31 December 2001 (2000 \$3,429m, 1999 \$3,587m).

Notes to the Financial Statements

10 Segment information (continued)

Profit from	Operating profit after exceptional items			Profit on ordinary activities before interest and taxation		
	2001 \$m	2000 \$m	1999 \$m	2001 \$m	2000 \$m	1999 \$m
UK	520	666	443	523	661	278
Continental Europe	1,400	1,084	1,572	1,405	943	1,515
The Americas	1,904	1,740	478	1,914	1,740	(322)
Asia, Africa & Australasia	130	172	40	130	172	39
Continuing operations	3,954	3,662	2,533	3,972	3,516	1,510
Discontinued operations – Agrochemicals	–	346	142	–	196	144
Discontinued operations – Specialties	–	–	71	–	–	309
	3,954	4,008	2,746	3,972	3,712	1,963

	Net operating assets		
	2001 \$m	2000 \$m	1999 \$m
UK	2,558	2,037	1,873
Continental Europe	4,940	4,649	3,638
The Americas	614	184	1,130
Asia, Africa & Australasia	696	734	747
Continuing operations	8,808	7,604	7,388
Discontinued operations – Agrochemicals	–	–	1,860
Discontinued operations – Specialties	–	(126)	(164)
	8,808	7,478	9,084

	Tangible fixed assets		
	2001 \$m	2000 \$m	1999 \$m
UK	1,881	1,631	1,531
Sweden	1,251	1,327	1,434
US	895	818	623
Others	1,382	1,181	1,147
Continuing operations	5,409	4,957	4,735
Discontinued operations – Agrochemicals	–	–	1,246
	5,409	4,957	5,981

10 Segment information (continued)

	2001 \$m	2000 \$m	1999 \$m
Geographic markets			
Turnover in each geographic market in which customers located			
UK	777	795	863
Continental Europe	4,493	4,370	4,555
The Americas	9,572	8,993	8,140
Asia, Africa & Australasia	1,633	1,646	1,576
Continuing operations	16,480	15,804	15,134
Discontinued operations – Agrochemicals	–	2,299	2,657
Discontinued operations – Specialties	–	–	654
	16,480	18,103	18,445

Notes to the Financial Statements

11 Tangible fixed assets

	Land and buildings \$m	Plant and equipment \$m	Capital expenditure and assets in course of construction \$m	Total tangible assets \$m
Cost				
At beginning of year	2,552	4,557	1,092	8,201
Exchange adjustments	(118)	(226)	(37)	(381)
Additions on acquisition of subsidiaries	-	4	-	4
Capital expenditure	30	244	1,119	1,393
Transfer of assets into use	211	827	(1,038)	-
Disposals and other movements	(185)	(111)	(17)	(313)
At end of year	2,490	5,295	1,119	8,904
Depreciation				
At beginning of year	739	2,505	-	3,244
Exchange adjustments	(32)	(125)	-	(157)
Charge for year	97	520	-	617
Disposals and other movements	(51)	(158)	-	(209)
At end of year	753	2,742	-	3,495
Net book value at 31 December 2001	1,737	2,553	1,119	5,409
Net book value at 31 December 2000	1,813	2,052	1,092	4,957

Capital expenditure in the year of \$1,393m (2000 \$1,366m) did not include any capitalised finance leases (2000 \$nil). Cash expenditure on tangible fixed assets was \$1,385m (2000 \$1,347m, 1999 \$1,490m).

	2001 \$m	2000 \$m
The net book value of land and buildings comprised		
Freeholds	1,690	1,809
Long leases (over 50 years unexpired)	45	2
Short leases	2	2
	1,737	1,813

12 Goodwill and intangible assets

	Goodwill \$m	Intangible assets \$m	Total \$m
Cost			
At beginning of year	972	2,819	3,791
Exchange adjustments	(13)	(134)	(147)
Additions	41	67	108
Disposals and other movements	–	(25)	(25)
At end of year	1,000	2,727	3,727
Depreciation			
At beginning of year	122	718	840
Exchange adjustments	(1)	(51)	(52)
Charge for year	45	210	255
Disposals and other movements	–	(16)	(16)
At end of year	166	861	1,027
Net book value at 31 December 2001	834	1,866	2,700
Net book value at 31 December 2000	850	2,101	2,951

13 Fixed asset investments

	Joint ventures \$m	Other investments Unlisted \$m	Total \$m
Cost			
At beginning of year	134	11	145
Additions	–	16	16
Disposals and other movements, including exchange	–	(4)	(4)
At end of year	134	23	157
Share of post-acquisition reserves			
At beginning of year	(134)	–	(134)
Retained loss	–	–	–
Exchange	–	–	–
At end of year	(134)	–	(134)
Net book value at 31 December 2001	–	23	23
Net book value at 31 December 2000	–	11	11

The fair values of the unlisted investments are not materially different from their carrying values. At 31 December 2001, the Company's share ownership trust held 201,271 Ordinary Shares.

Notes to the Financial Statements

13 Fixed asset investments (continued)

Share of joint venture assets and liabilities

	2001 \$m	2000 \$m
Gross assets	99	98
Gross liabilities	(99)	(98)
	-	-

14 Stocks

	2001 \$m	2000 \$m
Raw materials and consumables	796	543
Stocks in process	720	768
Finished goods and goods for resale	886	794
	2,402	2,105

15 Debtors

	2001 \$m	2000 \$m
Amounts due within one year		
Trade debtors	2,430	2,702
Less: Amounts provided for doubtful debts	(42)	(39)
	2,388	2,663
Deferred taxation	39	118
Other debtors	641	468
Prepayments and accrued income*	274	358
	3,342	3,607
Amounts due after more than one year		
Deferred taxation	146	189
Other debtors	23	76
Prepayments and accrued income*	117	88
	286	353
	3,628	3,960

* Figures include prepaid pension costs (Note 32).

Provisions for doubtful debts

	2001 \$m	2000 \$m	1999 \$m
Balance at beginning of year	39	118	139
Profit and loss account charge	4	34	60
Amounts utilised and other movements (incl. Agrochemicals demerger in 2000)	(1)	(113)	(81)
Balance at end of year	42	39	118

16 Short-term investments

	2001 \$m	2000 \$m
Listed debt securities	288	441
Other listed investments	45	46
Investment securities	333	487
Fixed deposits	2,785	2,942
	3,118	3,429

The Group's insurance subsidiaries hold cash and short-term investments totalling \$186m (2000 \$206m), of which \$105m (2000 \$132m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group. In addition, some \$236m of short-term investments shown above are committed as security against deferred payments due under a contractual obligation of the Group (see Note 36). The market value of other listed investments was \$145m (2000 \$165m) at the year end.

17 Short-term borrowings

	2001 \$m	2000 \$m
Bank borrowings		
Fixed securities	22	21
Secured by floating charge	8	11
Unsecured	183	91
	213	123
Other borrowings (unsecured)	1	3
	214	126

Notes to the Financial Statements

18 Other creditors

	2001 \$m	2000 \$m
Amounts due within one year		
Trade creditors	2,385	3,003
Corporate taxation	1,018	891
Value added and payroll taxes and social security	173	76
Other creditors	1,219	1,132
Accruals	544	751
Dividends to shareholders	820	830
	6,159	6,683
Amounts due after more than one year		
Other creditors	152	296

Included in other creditors are amounts totalling \$104m (2000 \$117m) to meet insurance obligations of the Group's insurance subsidiaries. Also included in other creditors are amounts due within one year in connection with the Group's exceptional charges as detailed in Note 5. The amounts comprise \$116m (2000 \$248m) in respect of synergy and integration costs, \$21m (2000 \$56m) in respect of the Agrochemicals demerger and \$64m (2000 \$89m) in respect of the Specialties disposal and other minor restructurings.

19 Loans

	Repayment Dates	2001 \$m	2000 \$m
Secured loans			
Secured by fixed charge	2003/2007	48	34
Total secured		48	34
Unsecured loans			
US dollars			
Bank loan – variable rate	2001	–	80
6.3% Guaranteed notes	2003	284	283
7% Guaranteed debentures	2023	295	295
Others	2002/2013	115	27
Total unsecured		694	685
Total loans		742	719
Less: current instalments of loans		(107)	(88)
Loans due after more than one year		635	631

In the above table loans are shown after taking account of associated cross-currency swaps (see Note 20).

Loans from banks included in the table above amounted to \$156m (2000 \$119m) of which \$48m (2000 \$32m) was secured.

20 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 32 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 account of interest and currency swaps, of the financial assets and liabilities of the Group as at 31 December 2001 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	729	8	262	999	12.2%	9.6
Sterling	2	-	-	2	-	-
Euro	4	-	-	4	-	-
Other	162	51	-	213	6.2%	4.0
	897	59	262	1,218		
Financial assets						
US dollar	2,991	-	-	2,991	-	-
Euro	146	-	-	146	-	-
Sterling	169	-	45	214	-	-
SEK	339	-	-	339	-	-
Other	133	-	23	156	-	-
	3,778	-	68	3,846		

The floating rate financial liabilities comprise largely of fixed rate debt that has been swapped into floating rate debt. One long dated \$300m USD bond reverts back to a fixed rate in 2009. The financial liabilities also include \$214m of short-term bank borrowings and overdrafts, bearing interest at rates fixed by reference to local interbank rates.

Financial assets on which no interest is received comprise equity investments held by the Group.

Financial liabilities on which no interest is paid comprise deferred payments due relating to the reacquisition of certain marketing rights.

The financial assets principally comprise cash on overnight deposit and short-term investments with an average maturity of 43 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 benchmark rates for financial assets are the LIBID rate for euro and US dollar liquidity balances and the average Federal Funds effective rate for US dollar overnight balances. Financial assets include \$14m of other fixed asset investments on which no interest is received.

Notes to the Financial Statements

20 Financial instruments (continued)

Currency exposures

100% of the Group's 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 2001, 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 utilised to match foreign currency exposures.

Additionally, approximately 50% of forecast future foreign currency transaction exposures extending for 12 months are selectively hedged. The principal currency exposures (sterling, Swedish kronor, euro, Australian dollars, Canadian dollars and yen) are hedged using a mixture of purchased currency options and forward foreign exchange contracts. As at 31 December 2001 the Group held forward and option contracts to hedge the following forecast foreign currency transaction exposures.

	2001 Hedged amount \$m	2000 Hedged amount \$m
Sterling payables	1,324	1,204
SEK payables	401	635
Euro receivables	591	537
Yen receivables	89	51
AUD receivables	73	-
CAD receivables	128	-

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 2001 was as follows:

Analysis by year of repayment	2001			2000		
	Loans \$m	Other \$m	Total \$m	Loans \$m	Other \$m	Total \$m
After five years	314	-	314	323	-	323
From five to four years	14	-	14	-	-	-
From four to three years	9	-	9	7	-	7
From three to two years	7	-	7	291	120	411
From two to one years	291	120	411	10	128	138
Due after more than one year	635	120	755	631	248	879
Due within one year	107	356	463	88	255	343
	742	476	1,218	719	503	1,222

Other financial liabilities comprise deferred payments to re-acquire certain distribution rights, short-term borrowings and finance leases.

Borrowing facilities

The Group has various borrowing facilities available to it, the majority of which offer a currency option of US dollars, euros or sterling. Unused short-term credit facilities (both committed and uncommitted) totalled approximately \$0.8bn at 31 December 2001. Included in this were undrawn committed facilities in respect of which all conditions precedent had been met at that date as follows:

	2001 \$m	2000 \$m
Expiring in one year or less	375	375
Expiring in more than one year but not more than two years	-	150
Expiring in more than two years	-	-
	375	525

20 Financial instruments (continued)

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 2001 and 2000.

	2001 Carrying value \$m	2001 Fair value \$m	2000 Carrying value \$m	2000 Fair value \$m
Primary financial instruments				
Short-term borrowings	(214)	(214)	(126)	(126)
Loans	(759)	(805)	(738)	(746)
Cash	705	705	1,021	1,021
Short-term investments	3,118	3,192	3,429	3,547
Fixed asset investments	23	23	11	11
Derivative financial instruments held to manage the interest rate and currency profile				
Cross-currency swaps and interest rate swaps	17	70	19	64
Derivative financial instruments held or issued to hedge the currency exposure on existing transactions				
Forward foreign exchange contracts	11	9	(1)	(1)
Foreign currency option contracts	1	–	1	–
Derivative financial instruments held or issued to hedge the currency exposure on expected future transactions				
Forward foreign exchange contracts	–	1	–	1
Foreign currency option contracts	82	81	80	80

In addition to the primary financial instruments above, the Group has financial liabilities of \$262m comprising deferred payments due, totalling \$276m before discounting. The Group has a standby letter of credit covering these financial liabilities which is collateralised by high grade government securities.

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

- 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.
- 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.
- 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 market 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.
- 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 2002. 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.
- Foreign currency option contracts – the Group has foreign currency option contracts to hedge anticipated, but not firmly committed, non-dollar commercial transactions for 2002. The fair value of option contracts is estimated using Black-Scholes valuation techniques as adapted by Garman and Kohlhagen.
- 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.

Notes to the Financial Statements

20 Financial instruments (continued)

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 except the letter of credit 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 is to hedge 100% of transactional currency exposures and 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 2001	46	(1)	45
Gains and losses arising in previous years that were recognised in 2001	13	(1)	12
Gains and losses arising in previous years that were not recognised in 2001	33	–	33
Unrecognised gains and losses on hedges at 31 December 2001	54	(4)	50
Gains and losses expected to be recognised in 2002	29	(4)	25
Gains and losses expected to be recognised in 2003 or later	25	–	25

21 Provisions for liabilities and charges

	Integration and synergies \$m	Employee benefits \$m	Environmental and other provisions \$m	Total \$m
At 1 January 2000	114	780	359	1,253
Profit and loss account	304	109	100	513
Net amounts paid or becoming current	(386)	(23)	(99)	(508)
Disposals	–	(84)	(72)	(156)
Other movements, including exchange	(7)	(28)	1	(34)
At 31 December 2000	25	754	289	1,068
Profit and loss account	156	103	165	424
Net amounts paid or becoming current	(148)	(306)	(55)	(509)
Acquisitions	–	1	–	1
Other movements, including exchange	(18)	(23)	(47)	(88)
At 31 December 2001	15	529	352	896

Employee benefit provisions comprise pension, post retirement and other employee benefit provisions. These will crystallise, in the main, over the estimated working lives of the employees concerned. The environmental provisions are principally in respect of sites in the US, further details of which are given in Note 36. Other provisions include \$204m (2000 \$85m) in respect of deferred taxation.

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

22 Reconciliation of movements in shareholders' funds

	2001 \$m	2000 \$m	1999 \$m
Shareholders' funds at beginning of year	9,521	10,302	10,929
Net profit for the financial year	2,967	2,538	1,143
Dividends			
Cash	(1,225)	(1,236)	(1,242)
Dividend in specie	-	(1,669)	-
	1,742	(367)	(99)
Issues of AstraZeneca PLC Ordinary Shares	86	19	19
Repurchase of AstraZeneca PLC Ordinary Shares	(1,080)	(353)	(183)
Astra AB minority interest buyout	-	(8)	(142)
Goodwill written back	-	862	410
Exchange adjustments on net assets	(495)	(1,038)	(619)
Translation differences on foreign currency borrowings	18	154	(6)
Tax on translation differences on foreign currency borrowings	(6)	(42)	(5)
Other movements	-	(8)	(2)
Net addition to/(reduction in) shareholders' funds	265	(781)	(627)
Shareholders' funds at end of year	9,786	9,521	10,302

23 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 1998	54	-	583	56	(12)	9,648	10,329
Loss retained for year					(16)	(83)	(99)
Share premiums	17						17
Redenomination of share capital				157			157
Transfer between reserves	131					(131)	-
Repurchase of shares		1				(183)	(182)
Astra AB minority interest buyout			(142)				(142)
Goodwill written back				410			410
Exchange adjustments:							
Goodwill				80		(80)	-
Net assets					1	(620)	(619)
On foreign currency borrowings						(6)	(6)
Foreign currency borrowings tax effect						(5)	(5)
				80	1	(711)	(630)
Other movements						(2)	(2)
Net movements	148	1	(142)	647	(15)	(1,110)	(471)

Notes to the Financial Statements

23 Reserves (continued)

	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 1999	202	1	441	703	(27)	8,538	9,858
Loss retained for year					(157)	(210)	(367)
Share premiums	19						19
Transfer between reserves	14					(14)	-
Astra AB minority interest buyout			(8)				(8)
Repurchase of shares		2				(353)	(351)
Goodwill written back				862			862
Exchange adjustments:							
Goodwill				67		(67)	-
Net assets					1	(1,039)	(1,038)
On foreign currency borrowings						154	154
Foreign currency borrowings tax effect						(42)	(42)
				67	1	(994)	(926)
Other movements				2	-	(10)	(8)
Net movements	33	2	(8)	931	(156)	(1,581)	(779)
At 31 December 2000	235	3	433	1,634	(183)	6,957	9,079
Profit retained for year						1,742	1,742
Share premiums	86						86
Transfer between reserves	13					(13)	-
Repurchase of shares		6				(1,080)	(1,074)
Exchange adjustments:							
Goodwill				19		(19)	-
Net assets						(495)	(495)
On foreign currency borrowings						18	18
Foreign currency borrowings tax effect						(6)	(6)
				19		(502)	(483)
Net movements	99	6	-	19	-	147	271
At 31 December 2001	334	9	433	1,653	(183)	7,104	9,350

The movement in other reserves in 1999 relates to the realisation of goodwill, principally on the disposal of Zeneca Specialties and the redenomination of share capital. The movement in 2000 relates to the realisation of goodwill in respect of the demerger of Zeneca Agrochemicals (\$813m) and the impairment of the Advanta seeds business goodwill (\$49m).

The cumulative amount of goodwill resulting from acquisitions, net of disposals, prior to the adoption of FRS 10 in 1998, amounted to \$587m (2000 \$606m, 1999 \$1,587m) using 2001 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 7).

24 Net cash inflow from trading operations

	2001 \$m	2000 \$m	1999 \$m
Operating profit before exceptional items	4,156	4,330	3,908
Depreciation and amortisation	860	988	1,069
Stocks increase	(417)	(670)	(416)
Debtors decrease/(increase)	138	(987)	(448)
Creditors (decrease)/increase	(727)	1,317	645
Other non-cash movements	120	14	(59)
	4,130	4,992	4,699

25 Cash flows related to exceptional items

	2001 \$m	2000 \$m	1999 \$m
Current period cash flow related to exceptional items and merger related payments, before associated tax charge/relief			
Merck 'Trigger Event' payment	-	(93)	(713)
Merger, integration and synergy costs	(312)	(532)	(527)
Salick Health Care rationalisation	-	(11)	12
Agrochemicals restructuring	-	(46)	(20)
Costs relating to the disposal of Specialties business	(22)	(62)	(338)
Demerger of Zeneca Agrochemicals and formation of Syngenta AG	(34)	(65)	-
Outflow related to exceptional charges	(368)	(809)	(1,586)
Proceeds from the disposal of Specialties business (included in 'Acquisitions and disposals')	-	-	1,956
Repayment of debt by Zeneca Agrochemicals (included in 'Acquisitions and disposals')	-	909	-
Proceeds from disposal of fixed assets accounted for as exceptional	10	-	-
Exceptional item cash flow	(358)	100	370
'First Option' payment to Merck (included in 'Net cash expenditure on fixed assets')	-	-	(967)
Exceptional and merger related cash flow	(358)	100	(597)

Notes to the Financial Statements

26 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 acquisition method of accounting.

	2001 Total fair value \$m	2000 Total fair value \$m	1999 Total fair value \$m
Fixed assets	4	–	–
Current assets	26	–	10
Creditors due within one year	(16)	–	(7)
Provisions for liabilities and charges	(1)	–	–
Minority interest	–	–	(1)
Fair value of net assets acquired	13	–	2
Goodwill acquired	41	32	7
Consideration for subsidiaries and operations acquired	54	32	9
Purchases of minority interests	(7)	135	20
	47	167	29
Less:			
Cash included in undertaking acquired	(3)	–	(1)
Deferred consideration	–	–	(5)
Net cash consideration	44	167	23

Assets and liabilities are 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 in any of the years presented.

27 Zeneca Agrochemicals demerger

On 13 November 2000 Zeneca Agrochemicals was demerged from the Group and merged with the agribusiness of Novartis to form Syngenta AG. The Zeneca Agrochemicals results for the period to 13 November have been reported as discontinued in the AstraZeneca accounts for the year ended 31 December 2000 and prior years. The demerger of Zeneca Agrochemicals was accounted for as a dividend in specie. The impact of the demerger on the year ended 31 December 2000 is set out below.

	\$m
Fixed assets	1,491
Current assets	2,130
Creditors due within one year	(1,306)
Creditors due after more than one year and provisions	(246)
Book value of Zeneca Agrochemicals net assets disposed	2,069
Minority interest share of net assets	(10)
Goodwill previously charged to reserves written back	813
	2,872
Repayment of debt by Zeneca Agrochemicals	
Net repayment of debt per Cash Flow Statement	(909)
Net financial liabilities demerged	(294)
	(1,203)
Dividend in specie	1,669

In the year ended 31 December 2000, prior to its demerger, the Agrochemicals business contributed \$173m to operating cash flows before exceptional items, and absorbed \$78m in respect of exceptional items and \$149m in respect of capital expenditure.

28 Disposals

	2001 \$m	2000 \$m	1999 \$m
Fixed assets	-	-	567
Current assets	-	-	651
Creditors due within one year	-	-	(374)
Creditors due after more than one year and provisions	-	-	(18)
Book value of net assets disposed	-	-	826
Disposal costs	-	-	577
Goodwill previously charged to reserves written back on disposal	-	-	410
Profit on disposals	-	-	237
	-	-	2,050
Less			
Cash included in undertakings disposed	-	-	(20)
Disposal costs	-	-	(49)
Cash consideration	-	-	1,981

There were no significant disposals in 2001 or 2000. In 1999 the sale consideration received was principally in relation to the sale of the Group's Specialties business, which was completed on 30 June 1999. Zeneca Specialties results were consolidated for the period until disposal (to 30 June 1999) but reported separately as 'discontinued operations'. In the year ended 31 December 1999, prior to its disposal, the Specialties business contributed \$44m to operating cash flows before exceptional items, and absorbed \$29m in respect of exceptional items and \$41m in respect of fixed capital expenditure. The dialysis business of Salick Health Care was disposed of for \$25m in 1999.

Notes to the Financial Statements

29 Reconciliation of net cash flow to movement in net funds

	2001 \$m	2000 \$m	1999 \$m
(Decrease)/increase in cash	(396)	640	(280)
Cash (inflow)/outflow from (increase)/decrease in loans and short-term borrowings	(35)	66	21
Cash (inflow)/outflow from (decrease)/increase in short-term investments	(260)	608	254
Change in net funds resulting from cash flows	(691)	1,314	(5)
Debt released on disposals	-	127	12
Other non-cash changes	-	48	-
Exchange movements	(47)	(53)	(92)
Movement in net funds	(738)	1,436	(85)
Net funds at 1 January	3,605	2,169	2,254
Net funds at 31 December	2,867	3,605	2,169

30 Analysis of net funds

	At 1 Jan 2001 \$m	Cash flow and disposals \$m	Acquisitions* and disposals \$m	Other non-cash \$m	Exchange movements \$m	At 31 Dec 2001 \$m
Loans due after one year	(631)	(11)	-	8	(1)	(635)
Current instalments of loans	(88)	(17)	-	(8)	6	(107)
Total loans	(719)	(28)	-	-	5	(742)
Short-term investments	3,429	(260)	-	-	(51)	3,118
Cash	1,021	(299)	-	-	(17)	705
Overdrafts	(113)	(97)	-	-	15	(195)
Short-term borrowings, excluding overdrafts	(13)	(7)	-	-	1	(19)
	4,324	(663)	-	-	(52)	3,609
Net funds	3,605	(691)	-	-	(47)	2,867
Financing items included in cash movements above:						
Issue of shares		(86)				
Repurchase of shares		1,080				
Net cash inflow before management of liquid resources and financing		303				

* Excluding cash and overdrafts

31 Financing

	Notes	2001 \$m	2000 \$m	1999 \$m
Issues of AstraZeneca PLC Ordinary Shares	30	86	19	19
Repurchase of AstraZeneca PLC Ordinary Shares	30	(1,080)	(353)	(183)
Issue of shares by subsidiaries to minority interests		-	-	3
		(994)	(334)	(161)
Repayment of lease finance	30	-	(2)	(6)
New loans		220	39	39
Loans repaid		(192)	(36)	(40)
Net increase/(decrease) in short term borrowings	30	7	(67)	(14)
		35	(64)	(15)
Net cash outflow from financing		(959)	(400)	(182)

The only major non-cash financing transaction occurred in 1999 and was the issue of 826 million shares to Astra shareholders in connection with the merger.

32 Post-retirement benefits

Pensions

The Company, and most of its subsidiaries, operate or participate in retirement plans which cover the majority of employees (including Directors) in the Group. These plans are either defined contribution, where the level of company contribution is fixed at a set level or percentage of employees' pay, or defined benefit, where benefits are based on employees' years of service and final pensionable pay. The trend recently has been towards defined contribution arrangements and in 2001 the Group's defined benefit plans in the UK and US were closed to new entrants. The major plans are funded through separate trustee-administered funds. The pension cost for the Group's main defined benefit plans is established in accordance with the advice of independent qualified actuaries based on valuations undertaken on varying dates.

With regard to the Group's main UK defined benefit fund, the latest actuarial valuation was carried out at 31 March 2001 and the pension cost assessed using the projected unit credit method. The key assumptions used for determining the past service financial position of the fund for accounting purposes differ from those used for funding purposes, with the latter being more conservative. The significant assumptions used for this accounting purpose were that, against a background of long term UK price inflation averaging 2.5% pa, investment returns would average 6.5% pa, salary increases 4.3% pa, and pension increases 2.5% pa. The market value of the UK fund's assets at the valuation date was £2,118m (\$3,071m), equivalent, after allowing for future increases in earnings and pensions, to 98% of the benefit obligation that had accrued to members at the valuation date using the accounting basis, or 92% if the actuary's funding basis were to be used. The regular pension cost for accounting purposes has been determined using an assumed long term rate of return of 6.9% leading to a cost of 16.9% of members' total pensionable salaries. The Group has increased its total contributions to the fund in accordance with the actuary's advice.

The US defined benefits programme is actuarially revalued annually using the projected unit credit method. At 31 December 2001 US plan obligations were estimated to amount to \$812m. The US entity typically makes annual contributions to provide fully for those plan benefit obligations.

The Swedish plan for salaried employees is administered by PRI Pensionstjänst AB, a joint company for Swedish industry, and benefit levels and actuarial assumptions are established by Alecta. AstraZeneca AB is establishing separate trustee administered funds to support its pension liabilities.

In total the Group's main funded defined benefit plans held assets at their most recent valuation dates whose market values amounted to \$4,041m. After allowing for future increases in earnings and pensions, 96% of the benefit obligation assessed on an accounting basis that had accrued to members at the valuation dates were covered by the value of the assets of the plans and by the value of provisions set aside in subsidiary companies' accounts at the same dates.

The total pension cost for the Group for 2001 was \$194m (2000 \$184m, 1999 \$202m). In the Group balance sheet at 31 December 2001, accrued pension costs amounted to \$76m (2000 \$23m) and were included in other creditors (Note 18); provisions for unfunded benefit obligations, included in provisions (Note 21), amounted to \$357m (2000 \$413m). Prepaid pension costs amounting to \$47m (2000 \$4m) were included in debtors (Note 15).

Notes to the Financial Statements

32 Post-retirement benefits (continued)

Disclosures in respect of FRS 17

The above figures have been prepared in accordance with the requirements of the current UK Statement of Standard Accounting Practice (SSAP 24) for accounting for pension costs. The UK has published a new Financial Reporting Standard (FRS 17) which will change the basis on which defined benefit pension costs and funding position are calculated and reported for accounting purposes. FRS 17 has to be implemented in full by 2003 but supplementary disclosure is required in accounts from 2001 onwards. The accounting requirements of FRS 17 are broadly as follows:

- Pension scheme assets are valued at market values at the balance sheet date;
- Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on high quality corporate bond of equivalent term and currency to the liability;
- For accounting periods ending on or after 22 June 2003 the pension scheme surplus (to the extent it is considered recoverable) or deficit will be recognised in full and presented on the face of the balance sheet;
- The movement in the scheme surplus/deficit will be split between operating charges, financing items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Supplementary disclosures on an FRS 17 basis are set out below:

Qualified independent actuaries updated the actuarial valuations of the major defined benefit schemes operated by the Group to 31 December 2001. The main financial assumptions used in this update were as follows:

	UK	Rest of Group
Inflation assumption	2.5%	2.7%
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions in payment	2.5%	0.5%
Discount rate	5.8%	6.2%

The assets and liabilities of the major defined benefit schemes operated by the Group at 31 December 2001 are as follows:

	UK Value at 31/12/01 \$m	Rest of Group Value at 31/12/01 \$m
Equities	1,255	409
Bonds	1,831	214
Others	59	131
Total fair value of assets	3,145	754
Present value of scheme liabilities	(3,552)	(1,310)
Deficit in the scheme	(407)	(556)
Related deferred tax asset*	122	183
Net pension liability	(285)	(373)

* Calculated on the full provision basis in accordance with FRS19

The scheme deficits shown above are before taking account of prepayments (UK: \$47m) or creditors and provisions (Rest of Group: \$389m) which are already included in the accounts with respect to these schemes. These balances will, in aggregate and net of deferred tax, reduce the impact on the balance sheet of incorporating the pension deficit on the introduction of FRS17.

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 7,247 retired employees and covered dependants currently benefit from these provisions and some 12,537 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 2001 was \$16m (2000 \$25m, 1999 \$21m). Provisions and creditors set aside for the benefit obligations at 31 December 2001 amounted to \$248m (2000 \$233m, 1999 \$232m). Other than this provision there were no plan assets at 31 December 2001.

33 Employee costs and share option plans for employees

Employee costs

The average number of people employed by the Group in 2001 was 52,600 (2000 57,000, 1999 58,000) and the costs incurred during the year in respect of these employees were:

	2001 \$m	2000 \$m	1999 \$m
Salaries	2,701	2,862	2,849
Social security costs	465	464	479
Pension costs	194	184	202
Other employment costs	182	170	194
	3,542	3,680	3,724

Employee costs above do not include severance costs.

The Directors believe that, together with the basic salary system, the Group's employee incentive schemes should provide a competitive and market-related package 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 free 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. Existing Ordinary Shares are used to satisfy the free share element of bonuses under this plan and are purchased in the market.

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

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

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 May 2000. The first grant of options occurred in August 2000 and further grants were made in March and August 2001. 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 are always paid in cash. 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 four 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 235 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 Executive Annual Bonus Scheme and the AstraZeneca Share Option Plan both operate in respect of relevant AstraZeneca employees in the US.

Notes to the Financial Statements

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

Share Option Plans

At 31 December 2001, 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 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.

(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 will normally be exercisable between three and ten years following grant provided the relevant performance condition has been satisfied. Options may be satisfied by the issue of new shares or by existing shares purchased in the market.

Options will not normally be exercisable unless a performance condition set by the Remuneration Committee has been satisfied. The performance condition is that earnings per share must grow by at least the increase in the UK Retail Price Index over three years plus 3% per annum. Satisfaction of this condition is tested annually by reference to the audited financial statements. Once the condition is satisfied in respect of any rolling three year period beginning no earlier than the end of the financial year prior to the grant of the option, then it need not be satisfied again in respect of that option. The Remuneration Committee reviews the performance conditions at intervals to ensure that they continue to be appropriate.

(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 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 and the table shown on page 86 has been restated throughout accordingly.

(4) Summary of the AstraZeneca Savings-Related Share Option Scheme

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 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 shares).

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

Exercise of Options

An option will normally be exercisable only for six months commencing on the third or fifth anniversary of the commencement of the related savings contract. Options may be satisfied by the issue of new shares or by existing shares purchased in the market.

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 (revised) to its SAYE scheme.

(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 Ordinary Shares in AstraZeneca PLC or over the Company's 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 ten years following its grant provided any relevant performance condition has been satisfied. Options may be satisfied by the issue of new shares or by existing 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.

Notes to the Financial Statements

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

	AstraZeneca Share Option Plan		1994 Scheme		SAYE Scheme		Shares under option '000	ASVIP
	Options '000	WAEP* pence	Options '000	WAEP* pence	Options '000	WAEP* pence		WAEP* SEK
At 1 January 1999								
Options outstanding			2,664	1618	5,940	1252	1,249	361
Movements during 1999								
Options granted			810	2584	1,211	2264	Nil	
Options exercised			(432)	1205	(2,376)	860	Nil	
Options forfeited			(41)	1893	(387)	1665	Nil	
Options lapsed			Nil		Nil		Nil	
Weighted average fair value of options granted during the year				827		856		
At 31 December 1999								
Options outstanding	Nil	Nil	3,001	1934	4,388	1708	1,249	361
Movements during 2000								
Options granted	712	3093	8,885	2714	723	2806	Nil	-
Options exercised	Nil	Nil	(800)	1525	(1,078)	1117	(159)	303
Options forfeited	Nil	Nil	(99)	2675	(207)	1843	Nil	-
Options lapsed	Nil	Nil	Nil	-	Nil	-	Nil	-
Weighted average fair value of options granted during the year		809		712		396		
At 31 December 2000								
Options outstanding	712	3093	10,987	2588	3,826	2074	1,090	370
Movements during 2001								
Options granted	10,984	3,245	-	-	649	2,971	-	-
Options exercised	(1)	3,093	(592)	1,687	(1,125)	1,583	(117)	328
Options forfeited	(296)	3,231	(457)	2,709	(551)	2,181	(8)	306
Options lapsed	-	-	-	-	-	-	-	-
Weighted average fair value of options granted during the year		653				495		
At 31 December 2001								
Options outstanding	11,399	3,236	9,938	2,636	2,799	2,459	965	375
Range of exercise prices	3093p to 3335p		826p to 2749p		1357p to 2971p		298 SEK to 442 SEK	
Weighted average remaining contractual life	3362 days		2889 days		1182 days		995 days	
Options exercisable	112	3196	1290	2181	44	1494	965	375

* Weighted Average Exercise Price

In addition to the schemes disclosed above at 31 December 2001 there were 25,000 options outstanding issued under the Zeneca 1993 Senior Staff Share Option Scheme with a weighted average exercise price of 742p.

34 Directors' interests in shares and debentures

The interests at 31 December 2001 or on date of resignation of the persons who on that date were Directors (including the interests of their families) in shares and debentures of the Company and its subsidiaries are shown below, all of which were beneficial except as otherwise stated.

	Interest in Ordinary Shares, including shares held in trust, at 1 January 2001 or appointment date	Shares held in trust at 1 January 2001 or appointment date	Net shares acquired	Interest in Ordinary Shares, including shares held in trust, at 31 December 2001 or resignation date	Shares held in trust at 31 December 2001 or resignation date
Percy Barnevik	100,000	-	-	100,000	-
Håkan Mogren	65,706	9,966	-	65,706	9,966
Tom McKillop	73,935	20,190	508	74,443	16,824
Åke Stavling	8,578	8,041	351	8,929	8,041
Jonathan Symonds	14,042	11,090	272	14,314	10,774
Claes Wilhelmsson	27,123	8,774	339	27,462	8,774
Sir Peter Bonfield	500	-	-	500	-
Jane Henney	500	-	-	500	-
Karl von der Heyden	20,000	-	-	20,000	-
Erna Möller	2,718	-	-	2,718	-
Dame Bridget Ogilvie	500	-	-	500	-
Lars Ramqvist	500	-	-	500	-
Marcus Wallenberg	74,504	-	-	74,504	-
Former Directors					
Sir David Barnes	217,634	12,148	-	217,634	12,148

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 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, and which have not yet been released. In respect of the latter, the shares generally will not become beneficially owned by Directors until 13 November 2003.

Notes to the Financial Statements

34 Directors' interests in shares and debentures (continued)

The interests of 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 2001	95,802	2818p		13.12.02	22.08.10
	Granted	41,615	3244p		29.03.04	28.03.11
	At 31 Dec 2001	137,417	2947p		13.12.02	28.03.11
Tom McKillop	At 1 Jan 2001	193,889	2020p		05.04.97	22.08.10
	Granted	65,745	3244p		29.03.04	28.03.11
	Granted	130	2971p		01.12.04	31.05.05
	Exercised	(508)	1357p	3071p	01.12.01	31.05.02
	At 31 Dec 2001	259,256	2332p		05.04.97	28.03.11
Åke Stavling	At 1 Jan 2001	58,304	2693p		26.05.02	22.08.10
	Granted	25,893	3244p		29.03.04	28.03.11
	At 31 Dec 2001	84,197	2862p		26.05.02	28.03.11
Jonathan Symonds	At 1 Jan 2001	102,155	2518p		01.10.00	22.08.10
	Granted	28,483	3244p		29.03.04	28.03.11
	Granted	195	2971p		01.12.04	31.05.05
	Exercised	(272)	2146p	3071p	01.12.01	31.05.02
	At 31 Dec 2001	130,561	2678p		01.10.00	28.03.11
Claes Wilhelmsson	At 1 Jan 2001	64,110	2683p		26.05.02	22.08.10
	Granted	28,483	3244p		29.03.04	28.03.11
	At 31 Dec 2001	92,593	2855p		26.05.02	28.03.11
Sir David Barnes	At 1 Jan 2001	141,031	992p		28.05.95	17.11.03
	At resignation date	141,031	992p		28.05.95	17.11.03

[†] Exercise prices at 1 January and 31 December 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 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. None of these options were exercised during 2001 and no further options have been or will be granted under the scheme:

Håkan Mogren	At 1 Jan 2001	37,480	359SEK	06.04.99	23.01.06
	At 31 Dec 2001	37,480	359SEK	06.04.99	23.01.06
Åke Stavling	At 1 Jan 2001	16,193	369SEK	06.04.99	23.01.06
	At 31 Dec 2001	16,193	369SEK	06.04.99	23.01.06
Claes Wilhelmsson	At 1 Jan 2001	17,168	365SEK	06.04.99	23.01.06
	At 31 Dec 2001	17,168	365SEK	06.04.99	23.01.06

The aggregate amount of gains made by Directors on the exercise of share options during the year amounted to \$0.02m (2000 \$0.8m, 1999 \$0.1m) and the gains made by the highest paid Director were \$13,000 (2000 \$nil, 1999 \$47,000). The market price of the shares at 31 December 2001 was 3098p and the range during 2001 was 2880p to 3555p. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

35 Emoluments of Directors

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 2001 was \$14m (including \$368,000 to the Chairman). Remuneration of individual Directors was as follows:

	Salary and fees \$'000	Bonuses \$'000	Taxable benefits \$'000	Other \$'000	Total 2001 \$'000	Total 2000 \$'000	Total 1999 \$'000
Percy Barnevik	368				368	385	300
Håkan Mogren	1,017	496	110		1,623	1,564	1,500
Tom McKillop	1,191	588	29	110*	1,918	1,917**	1,741
Åke Ståvling	642	312	93		1,047	934	842
Jonathan Symonds	732	347	2	118†	1,199	1,245	1,149
Claes Wilhelmsson	629	295	14		938	1,074	885
Sir Peter Bonfield	56				56	59	57
Jane Henney	13				13	-	-
Karl von der Heyden	60				60	63	61
Erna Möller	56			25#	81	69	46
Dame Bridget Ogilvie	56			25#	81	69	57
Lars Ramqvist	60				60	63	49
Marcus Wallenberg	56				56	59	46
Former Directors							
Sir David Barnes	34				34	577	1,217
Others					-	889	2,245
Total	4,970	2,038	248	278	7,534	8,967	10,195

* Relates to relocation allowances

† Payment for pension related tax liabilities

Fees for AstraZeneca Scientific Advisory Board

**The 2000 emoluments have been increased by \$95,000 to correct the relocation allowances previously reported

The remuneration of Directors is (with minor exceptions), established and paid in either Swedish kronor (Claes Wilhelmsson) or pounds sterling (other Directors) and has been converted into US dollars in the table above at the average exchange rate for the year in question. These rates were:

	GBP/USD	SEK/USD
1999	0.62	8.21
2000	0.65	8.91
2001	0.68	10.79

The movement of exchange rates affects the year on year comparison of the dollar amounts.

Some Directors and officers were also granted options to subscribe for Ordinary Shares under the Group's share option schemes. Details of share options granted to, and exercised by, Directors and the aggregate of gains realised on exercised options in the year are given on page 92.

In accordance with English law and practice there are written conditions of employment between AstraZeneca and all its monthly salaried employees. Contracts of employment of Directors and officers have notice periods of two years subject to retirement, normally, on reaching the age of 62 years (unless extended by mutual consent).

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

Transactions with Directors

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

The remuneration of the Executive Directors is determined by the Remuneration Committee on behalf of the board and is comprised entirely of Non-Executive Directors and chaired by Lars Ramqvist. Remuneration above consists of annual salary, health and car benefits, a bonus scheme and an executive share option scheme. Salaries are reviewed each year in the light of comparison with other companies, the performance of the Company and individual experience and contribution. Further details are provided in the Report of the Board on Remuneration of Directors on page 30.

Notes to the Financial Statements

35 Emoluments of Directors (continued)

The Non-Executive Directors were not eligible for performance related bonuses or share options and no pension contributions were made on their behalf.

Directors' Pension Entitlement (per annum)	Tom McKillop \$'000	Håkan Mogren \$'000	Åke Stavling \$'000	Claes Wilhelmsson \$'000
Defined Benefit Arrangements				
1. Accrued pension at 1 January 2001	662	790	299	448
2. Increase in accrued pension during year as a result of inflation	11	19	6	9
3. Adjustment to accrued pension as a result of salary increase relative to inflation	30	–	9	76
4. Increase in accrued pension as a result of additional service	26	–	11	–
5. Accrued pension at 31 December 2001	729	809 [†]	325 [†]	533 [†]
6. Employee contributions during year	12	–	–	–
7. Age at 31 December 2001	58½	57½	56½	62½
8. Pensionable service (years)	32½	29½	28½	34½

† 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.

Jonathan Symonds
\$'000

Money Purchase Arrangements

Company contributions paid	172
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Former Zeneca Directors' pension entitlement

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

Jonathan Symonds has an underpinned money purchase arrangement whose objective is to provide benefits at least equivalent to those which would have been achieved under the UK defined benefit plan.

Former Astra Directors' pension entitlement

Directors who were formerly Astra employees (Håkan Mogren, Åke Stavling, Claes Wilhelmsson) are entitled to a total pension of 70% of pensionable salary from age 60 to 65 and of 50% of such earnings from age 65. As a result the accrued pensions shown above are payable only from age 60 to age 65 after which they will be reduced by 2/7ths of the amounts shown. 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 shown is payable to a surviving spouse or other dependant. In the event of death prior to retirement the accrued pension shown is payable to a surviving spouse or other dependant plus a capital sum of three times pensionable salary less \$100,000 if married or two times pensionable salary less \$100,000 if not.

36 Assets pledged, commitments and contingent liabilities

	2001 \$m	2000 \$m	1999 \$m
Assets pledged			
Mortgages and other assets pledged	118	51	47
Commitments			
Contracts placed for future capital expenditure not provided for in these accounts	515	604	383

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

AstraZeneca is required to pay approximately \$800m over at least a five-year period which commenced in 1999, under the terms of an agreement with Schering-Plough. With effect from 1 January 1999, in connection with this agreement, AstraZeneca obtained a stand-by letter of credit in the amount of \$608m. This letter of credit is collateralised by high-grade government securities which are not available to AstraZeneca to the extent of the outstanding balance of the letter of credit. The amount outstanding under the letter of credit is automatically reduced with each payment made by AstraZeneca to Schering-Plough. Under the terms of this agreement AstraZeneca reacquired the rights to market omeprazole under the *Losec* trade mark and felodipine under the *Prevex* and *Perfudal* trade marks in Italy and Spain. The total discounted liability and associated asset were recognised in 1999. Payments under this agreement for 2001 totalled approximately \$127m.

Pursuant to the restructuring of the joint venture with Merck & Co., Inc., AstraZeneca is obliged to make certain contingent payments to Merck based on sales of certain current and pipeline AstraZeneca products until at least 2008. AstraZeneca is also required to make certain payments to Merck in the form of partnership distributions, including a priority return and certain variable returns which are based upon sales of certain other AstraZeneca products in the US.

As part of the Astra Merck restructuring and as a result of the merger of Astra and Zeneca, an option (the 'First Option') exists under which Merck has the right to require that AstraZeneca purchases Merck's rights to all products other than omeprazole and esomeprazole in 2008. If Merck does not exercise the First Option in 2008, then AstraZeneca may exercise the First Option in 2010. Even if the First Option is not exercised by Merck, AstraZeneca is obliged in 2008 to purchase Merck's rights to contingent payments in respect of the sales of certain AstraZeneca products in the US. The purchase price will be based on a multiple of an average of the three preceding years' pre-tax returns paid by AstraZeneca to Merck for such sales. In the event that the First Option is exercised, AstraZeneca will pay compensation to Merck based on a multiple of an average of the three preceding years' pre-tax payments from AstraZeneca to Merck for all products except for omeprazole and esomeprazole. If the First Option is exercised, the payments in 2008 (or 2010 if applicable) are subject to a minimum of at least \$4.7bn.

In addition, AstraZeneca has an option to purchase Merck's rights to payments in respect of omeprazole and esomeprazole two years after the First Option is exercised or later when the combined sales of omeprazole and esomeprazole are below a certain level (the 'Second Option'). The exercise price for the Second Option will be the fair value of such rights as determined at the time of such exercise.

If neither the First Option nor the Second Option is exercised by AstraZeneca or Merck, the licence agreement will continue indefinitely with respect to the compounds still subject to the licence agreement at the time of the merger, the value of which licence rights will diminish over time.

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 regulatory requirements for processes and products.

They are an integral part of normal ongoing expenditure for maintaining the Group's manufacturing capacity and product ranges and are not separated from overall operating and development costs. There are no known changes in environmental, regulatory or other requirements resulting in material changes to the levels of expenditure for 1999, 2000 or 2001.

In addition to expenditure for meeting current and foreseen environmental protection requirements, the Group incurs substantial costs in investigating and cleaning up land and ground-water contamination. In particular, AstraZeneca has environmental liabilities at some currently or formerly owned, leased and third party sites in the US. AstraZeneca, or its indemnitees, have been named under US legislation (the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended) as potentially responsible parties (PRP) in respect of 28 sites (although AstraZeneca expects to be indemnified against liabilities associated with nine of these sites by the seller or owner of the businesses associated with such sites) and, where appropriate, actively participates in or monitors the clean-up activities at sites in respect of which it is a PRP. Stauffer Management Company, a subsidiary of AstraZeneca established in 1987 to own and manage certain assets of Stauffer Chemical Company which was acquired that year, has identified 29 sites (including 15 for which an AstraZeneca indemnitee has been named a PRP) for which it may have responsibility that will, in aggregate, require significant expenditure on clean-up and monitoring.

Notes to the Financial Statements

36 Assets pledged, commitments and contingent liabilities (continued)

Liabilities are generally more likely to crystallise where a contaminated site is to be sold, its use changed or where a regulatory authority imposes a particular remedial measure. Costs of these liabilities may be offset by amounts recovered from third parties, such as previous owners of the sites in question or through insurance.

The future level of investigation and clean up costs will depend on a number of factors, including the nature and extent of any contamination that may ultimately be found to exist, the need for and type of any remedial work to be undertaken and the standards required by applicable current and future environmental laws and regulations and the number and financial viability of other PRPs. The relative importance of these factors varies significantly from site to site. Many sites are at different stages in the regulatory process or at different stages in the process of evaluating environmental damage or alternative remediation methods. It is therefore difficult to form meaningful ranges of estimates for such costs.

AstraZeneca had provisions at 31 December 2001 in respect of such costs in accordance with the accounting policies on page 51. Although there can be no assurance, management believes that, taking account of these provisions, the costs of addressing currently identified environmental obligations, as AstraZeneca currently views those obligations, is unlikely to impair materially AstraZeneca's financial position. Such contingent costs, to the extent that they exceed applicable provisions, could have a material adverse effect on AstraZeneca's results of operations for the relevant period.

Legal proceedings

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 on 1 February 2000, at AstraZeneca's request, the German Supreme Court decided to refer the case to the European Court of Justice for a preliminary ruling. The court heard the case on 8 November 2001 and its decision is pending. The case does not involve any financial claims.

In March 2000, the German Federal Patent Court declared that AstraZeneca's formulation patent for *Losec* was invalid. The decision has been appealed to the German Supreme Court. 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 still in force. 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 concerning the two companies' intention to market generic omeprazole products in the US. The suits are continuing. 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. The basis for the proceedings is that the actions of all the companies infringe several patents relating to *Prilosec*. The cases are proceeding under the US Hatch Waxman legislation. AstraZeneca filed additional patent infringement suits during 2001 against Andrx and Genpharm in respect of one other omeprazole patent outside the Hatch Waxman legislation. The trial against Andrx, Genpharm, Kremers Urban Development Company and Cheminor started in December 2001.

In April 2001, Andrx filed a case 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 *Prilosec*-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.

AstraZeneca and Merck & Co., Inc. have been named as defendants in three class actions; two pending in the US District Court for the Southern District of New York and one pending in the US District Court for the District of New Jersey. The plaintiffs are consumers and third party payers who have alleged that they and others who are similarly situated have been forced to pay higher prices for omeprazole as a result of agreements that AstraZeneca and Merck entered into that resulted in 'unreasonable restraints of trade and competition'. Furthermore, the plaintiffs allege that AstraZeneca and Merck engaged in conduct designed to extend their monopoly power 'beyond the lawful boundaries of their patents'. The plaintiffs are seeking declarative, equitable and injunctive relief enjoining AstraZeneca and Merck from continuing their alleged illegal activities, costs of suit, reasonable attorney's fees and expenses and any other relief determined by the court.

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.

36 Assets pledged, commitments and contingent liabilities (continued)

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 Sweden, Denmark and Norway. In October 2000, the District Court of Stockholm ruled that Scand Pharm had infringed one of AstraZeneca's SPCs for omeprazole. Scand Pharm has appealed this decision. 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, nor can it do so in Sweden or Denmark pending the outcome of the main actions in the cases in these countries. If the final decisions in these cases are against AstraZeneca, Scand Pharm may claim damages for lost sales due to the interlocutory injunctions.

Other court cases relating to omeprazole patents are pending worldwide. However, the financial impact if AstraZeneca loses is not considered to be material.

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 and relates to a limited number of European countries. AstraZeneca has, in accordance with its corporate policy, co-operated with the Commission. AstraZeneca remains of the view that the complaint is unfounded and that it has complied with all relevant competition laws. In particular, it considers that the matters raised by the complaint are more properly dealt with by the courts in the context of the litigation in which the complainant is involved. AstraZeneca will continue to co-operate with the Commission should it decide to take the matter further.

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 felodipine extended release tablets (*Plendil*) 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 May 2001, AstraZeneca Pharmaceuticals LP received a similar letter from Zenith Goldline Pharmaceuticals, Inc. and in July 2001, AstraZeneca filed a patent infringement action against Zenith in the US District Court for the District of New Jersey. Zenith responded and filed counterclaims alleging non-infringement.

Nolvadex (tamoxifen)

AstraZeneca is a co-defendant with Barr Laboratories in numerous purported class actions filed in federal and state courts throughout the US. The federal cases have been consolidated 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 HMOs, 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 of certain states, disgorgement and restitution.

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.

AstraZeneca entered into a settlement agreement with the retail class plaintiffs whose anti-trust claims were consolidated in a federal multi-district litigation proceeding pending in the Northern District of Illinois. AstraZeneca also reached settlements with numerous independent and chain pharmacies that opted out of the federal class action, although there are still actions brought by certain chain and independent pharmacies pending in federal court. AstraZeneca has settled or been dismissed from all of the state cases except for the retail cases pending in state courts in Alabama and California. AstraZeneca has consistently denied liability and continues to believe it has meritorious defences to all of these claims. However, it believes that entering into these settlements is the prudent course of action given the inherent risks and costs of litigation and to avoid further business disruption.

Consumer group action

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 certain prescription drugs covered under Medicare. The suit seeks to recover unspecified damages. AstraZeneca was also named as the only defendant in a punitive class action alleging similar claims and damages but filed in Delaware.

Notes to the Financial Statements

36 Assets pledged, commitments and contingent liabilities (continued)

Advanta BV

Advanta BV is a Dutch joint venture active in the seeds business. AstraZeneca Holdings BV owns 50% of the shares and the other 50% is owned by Koninklijke VanderHave Groep BV (VanderHave). In December 2000, VanderHave brought preliminary relief proceedings against AstraZeneca Holdings BV alleging breach of the shareholders' agreement and requesting the transfer of AstraZeneca's shares in Advanta to VanderHave. The District Court of Rotterdam dismissed VanderHave's case in January 2001 and VanderHave lodged an appeal. Prior to the scheduled appellate hearing in January 2002, the parties negotiated a settlement of the dispute including a dismissal of the appeal.

General

AstraZeneca is also involved in various other legal proceedings considered typical to its businesses, including some remaining US retail pharmacy anti-trust class and individual actions outside the scope of the settlements described above and litigation relating to employment, product liability, commercial disputes, infringement of intellectual property rights and the validity of certain patents. Additionally, as is true for most, if not all, pharmaceutical companies operating in the US, AstraZeneca is currently involved in US federal and state government, criminal and civil investigations into drug marketing and pricing practices. AstraZeneca is co-operating with the government in respect of all such investigations. Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this Note 36 to the Financial Statements, AstraZeneca does not expect them to have a materially adverse effect on AstraZeneca's financial position or profitability.

37 Leases

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

	2001 \$m	2000 \$m	1999 \$m
Hire of plant and machinery	25	15	33
Other	76	74	50
	101	89	83

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	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Expiring within one year	5	5	12	7
Expiring in years two to five	37	26	13	14
Expiring thereafter	25	8	2	7
	67	39	27	28

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year at 31 December 2001 were as follows:

	Operating leases	
	2001 \$m	2000 \$m
Obligations under leases comprise		
Rentals due within one year	94	67
Rentals due after more than one year		
After five years from balance sheet date	97	110
From four to five years	20	20
From three to four years	21	28
From two to three years	25	43
From one to two years	35	57
	198	258
	292	325

The Group had no commitments (2000 \$nil) under finance leases at the balance sheet date which were due to commence thereafter.

38 Statutory and other information

	2001 \$m	2000 \$m	1999 \$m
Audit fees			
KPMG Audit Plc	2.5	3.2	3.7
Deloitte & Touche	-	-	2.1
Others	0.1	-	0.3
	2.6	3.2	6.1
Fees for other services			
KPMG Audit Plc and associates - UK	3.2	8.9	19.6
- Worldwide	2.0	5.0	4.9
Deloitte & Touche - UK	-	-	1.1
- Worldwide	-	-	3.5

In 2001, the non-audit fees paid to KPMG were incurred in tax (\$2.1m), fees relating to transactions (\$0.3m) and consulting and other services (\$2.8m).

In addition to the above, in 2000 KPMG Audit Plc and its associates charged fees for other services of \$8.0m that were borne by Syngenta AG in relation to its demerger from AstraZeneca.

The charge for the statutory audit of the Company, AstraZeneca PLC, was \$1,600 (2000 \$1,600, 1999 \$1,600). KPMG Audit Plc were sole auditors to AstraZeneca in 2001 and 2000. KPMG Audit Plc and Deloitte & Touche were joint auditors in 1999. Prior to the merger, Deloitte & Touche were sole auditors to Astra and KPMG Audit Plc were sole auditors for Zeneca.

The bulk of fees for other services charged by KPMG Audit Plc and its associates (aside from Zeneca Agrochemicals demerger and associated restructuring work) were incurred in the early months of 2000, completing 1999 integration projects.

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

39 Company information

Company Balance Sheet

At 31 December

	Notes	2001 \$m	2000 \$m
Fixed assets			
Fixed asset investments	39	6,736	6,736
		6,736	6,736
Current assets			
Debtors – amounts owed by subsidiaries		27,998	27,944
Total assets		34,734	34,680
Creditors due within one year			
Non-trade creditors	39	(835)	(889)
		(835)	(889)
Net current assets		27,163	27,055
Total assets less current liabilities		33,899	33,791
Creditors due after more than one year			
Loans – owed to subsidiaries	39	(590)	(590)
Net assets		33,309	33,201
Capital and reserves			
Called-up share capital	40	436	442
Share premium account	39	334	235
Capital redemption reserve	39	9	3
Other reserves	39	2,239	2,239
Profit and loss account	39	30,291	30,282
Shareholders' funds – equity interests		33,309	33,201

The financial statements on pages 50 to 114 were approved by the Board of Directors on 31 January 2002 and were signed on its behalf by:

Tom McKillop
Director



Jonathan Symonds
Director



39 Company information (continued)

Deferred taxation

The parent company had no deferred tax assets or liabilities (actual or potential) at 31 December 2001.

Fixed asset investments	Investments in subsidiaries		
	Shares \$m	Loans \$m	Total \$m
Cost at beginning of year	6,145	591	6,736
Additions	-	-	-
Disposals	-	-	-
Net book value at 31 December 2001	6,145	591	6,736
Net book value at 31 December 2000	6,145	591	6,736

Non-trade creditors	2001 \$m	2000 \$m
Amounts due within one year		
Short-term borrowings (unsecured)	3	-
Other creditors	4	-
Amounts owed to subsidiaries	8	59
Dividends to Shareholders	820	830
	835	889

Loans - owed to subsidiaries	Repayment Dates	2001 \$m	2000 \$m
Loans (unsecured)			
US dollars			
6.58% loan	2003	295	295
7.2% loan	2023	295	295
Total loans		590	590

Loans or instalments thereof are repayable			
After five years from balance sheet date		295	295
From two to five years		-	295
From one to two years		295	-
Total unsecured		590	590
Total due within one year		-	-
Total loans		590	590

Notes to the Financial Statements

39 Company information (continued)

Reserves	Share premium account \$m	Capital redemption reserve \$m	Other reserves \$m	Profit and loss account \$m	2001 Total \$m	2000 Total \$m
At beginning of year	235	3	2,239	30,282	32,759	35,813
Net gains for the year	-	-	-	2,314	2,314	617
Dividends						
Cash	-	-	-	(1,225)	(1,225)	(1,236)
Dividend in specie	-	-	-	-	-	(2,117)
Share repurchase	-	6	-	(1,080)	(1,074)	(351)
Share premiums	99	-	-	-	99	33
At end of year	334	9	2,239	30,291	32,873	32,759

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

In the Company accounts the demerger of Zeneca Agrochemicals in 2000 was accounted for by revaluing the demerged legal entity, Syngenta AG (to which the Zeneca Agrochemicals business had been transferred), to the Global Offer Price per share times the number of Syngenta shares to be distributed to AstraZeneca shareholders (\$2,117m), and distributing those shares as a dividend in specie.

In 1999 the Company sold its investment in Astra AB to a subsidiary, resulting in a gain of \$32,839m which was taken to reserves. This gain, which represents an unrealised profit, will be realised as the underlying receivable is settled in cash. In the year ended 31 December 2000, an exchange loss of \$3,478m on the underlying receivable was taken to reserves. The receivable has been redenominated in US dollars and, accordingly, no corresponding exchange gains or losses have been recorded this year. The gain on the revaluation of the investment in Syngenta AG of \$2,116m was similarly been taken to reserves via the statement of total recognised gains and losses. On distribution in specie of the investment in Syngenta AG that unrealised gain was treated as realised in determining the lawfulness of that distribution. The balance of the profit and loss account at 31 December 2001 includes \$29,440m which is not available for distribution (31 December 2000: \$29,440m). Included in other reserves is the special reserve of \$157m, arising on the redenomination of share capital. Of the remaining balance on other reserves, \$772m is distributable.

40 Called-up share capital of parent company

	Authorised	Allotted, called-up and fully paid	
	2001 \$m	2001 \$m	2000 \$m
Ordinary Shares (\$0.25 each)	436	436	442
Unissued Ordinary Shares (\$0.25 each)	164	-	-
Redeemable Preference Shares (£50,000)	-	-	-
	600	436	442

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	1,766	442
Issues of shares	2	-
Repurchase of shares	(23)	(6)
At 31 December 2001	1,745	436

Share buy-back

During the year the Company purchased, and subsequently cancelled, 23,455,000 Ordinary Shares at an average price of 3168 pence per share for a consideration, including expenses, of \$1,080m. The excess of the consideration over the nominal value has been charged against the profit and loss account reserve.

Share options

A total of 2,289,624 shares were issued during the year in respect of share options. Details of movements in the number of shares under option are shown in Note 33; details of options granted to Directors are shown in Note 34.

Principal Subsidiaries, Joint Ventures and Associates

At 31 December 2001	Country	Percentage of voting share capital held	Principal activity
UK			
AstraZeneca UK Limited	England	100#	Research, 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
ASPSA	France	100	Production
AstraZeneca Pharma 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
Astra Tech AB	Sweden	100	Research and development, production, marketing
AstraZeneca BV	The Netherlands	100	Marketing
The Americas			
AstraZeneca do Brasil Ltda.	Brazil	100	Production, marketing
AstraZeneca Canada Inc.	Canada	100	Research, production, marketing
IPR Pharmaceuticals Inc.	Puerto Rico	100	Development, production, marketing
AstraZeneca LP	US	99	Development, production, marketing
AstraZeneca Pharmaceuticals LP	US	100	Development, production, marketing
Salick Health Care, Inc.	US	100	Provision of disease-specific healthcare services
Zeneca Holdings Inc.	US	100	Production, marketing
Asia, Africa & Australasia			
AstraZeneca Pty Limited	Australia	100	Research, production, marketing
AstraZeneca Pharmaceutical Co., Limited	China	100	Production, marketing
AstraZeneca Hong Kong Limited	Hong Kong	100	Production
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 principal subsidiaries and associates are 31 December, except for Salick Health Care, Inc. which is 30 November. AstraZeneca operates through 246 subsidiary companies worldwide. Products are manufactured in some 20 countries worldwide and are sold in over 100 countries.

Additional Information for US Investors

Differences between UK and US accounting principles

The accompanying consolidated financial statements included in this report are prepared in accordance with UK GAAP. Certain significant differences between UK GAAP and US GAAP which affect AstraZeneca's net income and shareholders' equity are set out below.

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 work force, together with appropriate deferred taxation effects. The difference between the cost of investment and the fair value of the assets and liabilities of Astra has been 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 have been expensed in the period the inventory was utilised and additional amortisation and depreciation have also been recorded in respect of the fair value adjustments to tangible and intangible assets and the resulting goodwill. Pre-acquisition results are excluded from US GAAP net income.

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, whilst under US GAAP this goodwill (after allocations to the fair value of tangible and intangible assets) is required to be capitalised and amortised. 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.

For the purpose of the adjustments to US GAAP included below, goodwill (including that capitalised under UK GAAP) is being amortised through the income statement over the estimated useful lives assigned to each individual acquisition. At 31 December 2001, these lives varied between 5 years and 40 years with a weighted average life of approximately 27 years. Identifiable intangible assets, which principally include patents, 'know-how' and product registrations, are amortised over their estimated useful lives which vary between 4 years and 40 years with a weighted average life of approximately 16 years.

At 31 December 2001 and 2000, shareholders' equity includes capitalised goodwill of \$12,169m and \$13,500m respectively (net of amortisation and impairment of \$2,180m and \$1,503m) and capitalised identifiable intangible assets of \$9,789m and \$11,611m respectively (net of amortisation and impairment of \$3,475m and \$2,402m). The carrying value of goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Provision is made where there is a permanent impairment to the carrying value of capitalised goodwill and intangible assets. 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 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, provision is made for deferred taxation only if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

Pension and post-retirement benefits

There are three 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;

Additional Information for US Investors

Differences between UK and US accounting principles (continued)

- (ii) US GAAP mandates a particular actuarial method – the projected unit credit method – and requires that each significant assumption necessary to determine annual pension cost 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; and
- (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.

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 the costs incurred are incremental to other costs incurred by the company, or represent amounts to be incurred under contractual obligations which are not associated with or do not benefit activities that will be continued. Also, all significant actions arising from a restructuring and their completion dates must be identified by the balance sheet date. 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 expenses all software costs. Under US GAAP, with effect from 1 January 1999, certain of these costs are required to be capitalised and amortised over three 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.

Current assets and liabilities

Current assets under UK GAAP include amounts which fall due after more than one year. Under US GAAP such assets would be reclassified as non-current assets. Borrowings under UK GAAP are classified according to the maturity of the financial instrument, while under US GAAP, certain borrowings would be classified according to the maturity of the available back-up facility. Provisions for liabilities and charges under UK GAAP include amounts due within one year which would be reclassified to current liabilities under US GAAP. In addition, provisions would be shown as part of amounts payable and accrued liabilities due after one year.

Statement of cash flows: Basis of preparation

AstraZeneca's Statement of Group Cash Flow is prepared in accordance with United Kingdom Financial Reporting Standard 1 (Revised 1996) ('FRS 1'), whose objective and principles are similar to those set out in SFAS No. 95, 'Statement of Cash Flows'. The principal differences between the standards relate to classification and also that the UK GAAP cash flow statement combines the cash flow statements of Astra and Zeneca for all periods whilst the US GAAP cash flow statements includes the cash flows of Astra only from the date of acquisition, 6 April 1999. 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 No. 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 No. 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 No. 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 No. 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 adopted

AstraZeneca has adopted Statement of Financial Accounting Standards (SFAS) No 133, 'Accounting for Derivative Instruments and Hedging Activities', as amended by SFAS No. 137, 'Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133' and SFAS No. 138, 'Accounting for Certain Derivative Instruments and Certain Hedging Activities'. The effect of adoption is an after tax credit of US\$35m.

Differences between UK and US accounting principles (continued)

New accounting standards not yet adopted

Statement of Financial Accounting Standards (SFAS) No. 141 'Business Combinations' and SFAS No. 142 'Goodwill and Other Intangible Assets' were issued in July 2001 and are effective for accounting periods commencing on or after 15 December 2001. Under SFAS No. 141, all business combinations initiated after 30 June 2001 must be accounted for using the purchase method. The pooling of interest method is no longer permitted. Intangible assets arising on acquisitions are required to be amortised to residual values over their estimated useful lives unless they are regarded as having indefinite useful lives, in which case they are tested annually for impairment. Goodwill, arising on a combination of business, is tested for impairment annually in lieu of amortisation. SFAS No. 142 requires that goodwill and intangible assets acquired prior to 1 July 2001 should continue to be amortised and tested for impairment until the adoption of the standard. Upon adoption of SFAS No. 142 an impairment test must be carried out on all intangible assets with indefinite useful lives and goodwill. Any impairment loss identified on the date of adoption of SFAS No. 142 should be accounted for as a cumulative effect of a change in accounting principle.

Adoption of these new accounting standards will result in an estimated increase in net income of US\$728m (including amortisation charged under UK GAAP of \$45m). Initial adoption of SFAS No. 142 does not result in an impairment charge.

SFAS No. 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. AstraZeneca does not expect adoption of SFAS No. 143 to be material to the Group.

SFAS No. 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, 'Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of' and the accounting and reporting provisions of APB Opinion No. 30, 'Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions', for the disposal of a segment of a business. It is effective for accounting periods beginning on or after 15 December 2001. AstraZeneca does not expect adoption of SFAS No. 144 to be material to the Group.

Additional Information for US Investors

Introduction

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. In particular, under US GAAP, results and cash flow of Astra are excluded from the consolidated results and cash flows respectively for all periods prior to 6 April 1999.

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.

Net income

	2001 \$m	2000 \$m	1999 \$m
Net income, as shown in the consolidated statements of income before exceptional items	3,105	3,119	2,730
Exceptional items after tax	(138)	(581)	(1,587)
Net income for the period under UK GAAP	2,967	2,538	1,143
Pre-acquisition results of Astra	-	-	(413)
	2,967	2,538	730

Differences between UK and US accounting principles (continued)

Adjustments to conform to US GAAP

Purchase accounting adjustments (including goodwill and intangibles)
Deemed acquisition of Astra

In-process research and development	-	-	(3,315)
Inventory step-up	-	-	(826)
Amortisation and other acquisition adjustments	(1,514)	(1,756)	(759)
Others	-	(20)	(61)
Divestment of Specialties business	-	-	284
Impairment of Salick Health Care goodwill	-	-	(308)
Capitalisation, less disposals and amortisation of interest	57	45	5
Deferred taxation			
On fair values of Astra	249	284	547
Others	(259)	(146)	117
Pension expense	(33)	(50)	(103)
Post-retirement benefits/plan amendment	4	4	4
Software costs	(10)	98	29
Restructuring costs	(22)	(97)	119
Unrealised losses on foreign exchange and others	(74)	(35)	(2)
Net income/(loss) before cumulative effect of change in accounting policy	1,365	865	(3,539)
Cumulative effect of change in accounting policy, net of tax, on adoption of SFAS No 133	32	-	-
Net income/(loss) in accordance with US GAAP	1,397	865	(3,539)

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Operations

For the years ended 31 December	2001 \$m	2000 \$m	1999 \$m
Sales	16,480	15,804	12,789
Cost of sales	(4,456)	(4,181)	(4,278)
Distribution costs	(122)	(210)	(200)
Research and development	(2,687)	(2,620)	(2,178)
Selling, general and administrative expenses	(5,219)	(4,861)	(4,323)
Acquisition related costs	(224)	(419)	(4,562)
Amortisation of intangibles and goodwill	(1,769)	(2,043)	(1,601)
Other income	283	223	115
Operating income/(loss)	2,286	1,693	(4,238)
Net interest income/(expense)	188	183	(23)
Income/(loss) from continuing operations before taxation	2,474	1,876	(4,261)
Taxes on income from continuing operations	(1,109)	(969)	190
Net income/(loss) from continuing operations	1,365	907	(4,071)
Discontinued operations:			
Net (loss)/income from discontinued operations	-	(42)	108
Gain on disposal of Specialties business, net of income taxes	-	-	424
Net income/(loss) before cumulative effect of change in accounting policy	1,365	865	(3,539)
Cumulative effect of change in accounting policy on adoption of SFAS No 133	32	-	-
Net income/(loss) for the year	1,397	865	(3,539)
Weighted average number of \$0.25 Ordinary Shares in issue (millions of shares)	1,758	1,768	1,569
Dilutive impact of share options outstanding (millions of shares)	3	2	3
Diluted weighted average number of \$0.25 Ordinary Shares in accordance with US GAAP (millions of shares)	1,761	1,770	1,572
Net income/(loss) per \$0.25 Ordinary Share and ADS before change in accounting policy in accordance with US GAAP – basic and diluted (\$)	0.77	0.49	(2.26)
Net income/(loss) per \$0.25 Ordinary Share and ADS after change in accounting policy in accordance with US GAAP – basic and diluted (\$)	0.79	0.49	(2.26)
	2001	2000	1999
Net income/(loss) from continuing operations per \$0.25 Ordinary Share and ADS in accordance with US GAAP – basic and diluted (\$)	0.79	0.51	(2.60)
Gain on disposal of Specialties business, net of income taxes – basic and diluted (\$)	-	-	0.27
Net (loss)/income from discontinued operations per \$0.25 Ordinary Share and ADS in accordance with US GAAP – basic and diluted (\$)	-	(0.02)	0.07

The dividend in specie in 2000 in respect of the demerger of Zeneca Agrochemicals under US GAAP amounted to \$836m, after realised exchange gains on the translation of foreign currency financial statements of \$297m.

Additional Information for US Investors

Differences between UK and US accounting principles (continued)

US GAAP Statement of Comprehensive Income

For the years ended 31 December	2001 \$m	2000 \$m	1999 \$m
Net income/(loss) for the year	1,397	865	(3,539)
Exchange gains/(losses) net of tax	(1,473)	(2,184)	(437)
Exchange realised on demerger of Zeneca Agrochemicals	-	(297)	-
Other movements	-	(2)	64
Total Comprehensive Income	(76)	(1,618)	(3,912)

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	2001 \$m	2000 \$m	1999 \$m
Balance at 1 January	(2,845)	(364)	73
Movement in year	(1,473)	(2,481)	(437)
Balance at 31 December	(4,318)	(2,845)	(364)

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 Zeneca 1994 Executive Share Option Scheme, the AstraZeneca Share Option Plan, and the AstraZeneca Savings-Related Share Option Scheme 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. SFAS No.123 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 effect on net income under US GAAP is shown below:

	2001 \$m	2000 \$m	1999 \$m
Net income/(loss) under US GAAP as reported	1,397	865	(3,539)
Compensation cost	(76)	(46)	(16)
Pro forma net income	1,321	819	(3,555)
Pro forma net income per \$0.25 Ordinary Share and ADS in accordance with US GAAP (basic and diluted):			
As reported (\$)	\$0.79	\$0.49	(\$2.26)
Pro forma (\$)	\$0.75	\$0.46	(\$2.27)

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:

	2001	2000	1999
Dividend yield	1.5%	2.0%	3.0%
Expected volatility	20.0%	20.0%	20.0%
Risk-free interest rate	4.2%	5.9%	5.1%
Expected lives: 1994 Scheme	-	6.0 years	6.0 years
Expected lives: AstraZeneca Share Option Plan	6.0 years	6.0 years	n/a
Expected lives: SAYE Scheme	4.3 years	4.6 years	4.4 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 No. 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 No. 132 are as follows:

Change in projected benefit obligation

	Pension benefits		Other post-retirement benefits	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Benefit obligation at beginning of year	4,188	5,036	197	224
Service cost	102	152	7	10
Interest cost	243	301	14	17
Participant contributions	17	19	-	-
Plan amendments	(11)	-	-	(11)
Actuarial (gain)/loss	75	316	(1)	(5)
Special termination benefits	19	34	-	-
Acquisitions and disposals	-	(1,114)	-	(23)
Benefits paid	(198)	(212)	(14)	(13)
Other movements including exchange	(98)	(344)	2	(2)
Benefit obligation at end of year	4,337	4,188	205	197

Change in plan assets

	Pension benefits	
	2001 \$m	2000 \$m
Fair value at 1 January	3,803	5,035
Actual return on plan assets	45	166
Group contribution	170	244
Participant contributions	17	19
Acquisitions and disposals	-	(1,119)
Benefits paid	(198)	(212)
Other movements, including exchange	(84)	(330)
Fair value of plan assets at end of year	3,753	3,803
Funded status of plans	(584)	(385)
Unrecognised net loss/(profit)	396	124
Prior service cost not recognised	35	58
Unrecognised net obligation on implementation	6	9
	(147)	(194)
Adjustments to recognise minimum liability	-	-
Intangible assets	-	-
Accumulated other comprehensive income	-	-
Accrued benefit liability	(147)	(194)

There were no plan assets in respect of other post-retirement benefits.

Additional Information for US Investors

Differences between UK and US accounting principles (continued)

At 31 December 2001, the projected benefit obligation, accumulated benefit obligation and fair value of the plan assets in respect of the retirement plans above with accumulated benefit obligations in excess of plan assets were \$97m, \$73m and \$nil, (2000 \$3,485m, \$3,226m and \$3,122m) respectively.

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 No. 132 purposes were as follows:

	Pension benefits			Other post-retirement benefits		
	2001 %	2000 %	1999 %	2001 %	2000 %	1999 %
Discount rate	6.0	5.6	5.7	7.1	7.1	7.2
Long term rate of increase in remuneration	4.4	4.4	4.5	n/a	n/a	n/a
Expected long term return on assets	6.5	6.2	6.3	n/a	n/a	n/a

The Group has assumed a long term rate of increase in healthcare costs of 7.5%, reducing to 5.3%.

	Pension benefits			Other post-retirement benefits		
	2001 \$m	2000 \$m	1999 \$m	2001 \$m	2000 \$m	1999 \$m
Net periodic cost						
Service cost – present value of benefits accruing during the year	102	152	147	7	10	9
Interest cost on projected benefit obligations	243	301	284	14	17	11
Expected (return)/loss on assets	(242)	(322)	(277)	-	-	-
Settlement and curtailment	-	-	75	-	-	(10)
Net amortisation and deferral	39	46	69	(2)	(1)	-
Net periodic cost for the year	142	177	298	19	26	10

It is estimated that a 1 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 2001:

	1 percentage point	
	increase	decrease
Accumulated benefit obligation	11	(10)
Net periodic cost	2	(1)

Taxation

For the years ended 31 December

Taxes on income from continuing operations

UK taxation

	2001 \$m	2000 \$m	1999 \$m
Corporation tax	147	79	212
Double taxation relief	(4)	(42)	(34)
Deferred taxation	10	(27)	3

Overseas taxation

	2001 \$m	2000 \$m	1999 \$m
Overseas taxes	831	956	493
Deferred taxation	125	-	(865)

	2001 \$m	2000 \$m	1999 \$m
Share of taxation of joint ventures and associates	-	3	1
Taxes on income from continuing operations	1,109	969	(190)

Differences between UK and US accounting principles (continued)

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

Years ended 31 December	2001 \$m	2000 \$m	1999 \$m
Income/(loss) on continuing operations	2,506	1,876	(4,261)
Taxation charge at UK corporation tax rate of 30% for 2001 (30% for 2000, 30.25% for 1999)	751	563	(1,289)
Acquisition related items	4	29	1,134
Goodwill, Advanta, and Salick Health Care impairment	190	576	275
Net effect of lower rates and eligible costs in other jurisdictions	(43)	(86)	(313)
Other	207	(113)	3
Tax on income from continuing operations	1,109	969	(190)

In 2001, claims amounting to \$109m 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.

Shareholders' equity	2001 \$m	2000 \$m
Total shareholders' equity under UK GAAP	9,786	9,521

Adjustments to conform to US GAAP

Purchase accounting adjustments (including goodwill and intangibles)

Deemed acquisition of Astra		
Goodwill	11,062	12,610
Tangible and intangible fixed assets	8,139	9,510
Others	31	31
Capitalisation, less disposals and amortisation of interest	192	135
Deferred taxation		
On fair value of Astra	(2,313)	(2,702)
Others	(268)	(278)
Dividend	820	830
Pension expense	(162)	(129)
Post-retirement benefits/plan amendment	(28)	(32)
Software costs capitalised	110	120
Restructuring costs	-	22
Others	33	69
Shareholders' equity in accordance with US GAAP	27,402	29,707

Additional Information for US Investors

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Cash Flows

For the years ended 31 December	2001 \$m	2000 \$m	1999 \$m
Cash flows from operating activities	3,126	3,554	1,698
Cash flows from investing activities			
Movement in short-term investments and fixed deposits	260	(608)	(97)
New fixed asset investments	(5)	(3)	(7)
Disposal of fixed assets	44	37	28
Acquisitions and disposals	(44)	740	2,235
Capital expenditure	(1,582)	(1,460)	(2,383)
Net cash outflows from investing activities	(1,327)	(1,294)	(224)
Net cash flow before financing	1,799	2,260	1,474
Cash flows from financing activities			
Equity dividends paid	(1,236)	(1,220)	(1,216)
Repurchase of AstraZeneca PLC Shares	(994)	(334)	(161)
Net increase/(decrease) in short-term borrowings	7	(67)	(16)
New loans/loans repaid	28	3	(8)
Repayment of lease finance	-	(2)	(6)
Net cash outflows from financing activities	(2,195)	(1,620)	(1,407)
(Decrease)/increase in cash	(396)	640	67
Cash:			
At 1 January	908	262	206
(Decrease)/increase in cash	(396)	640	67
Exchange movements	(2)	6	(11)
At 31 December	510	908	262

(1) The acquisition of Astra in 1999 was completed as a share for share exchange.

(2) Interest paid was \$84m in 2001 (\$145m in 2000, \$87m in 1999).
Interest received was \$232m in 2001 (\$180m in 2000, \$102m in 1999).

(3) Tax paid was \$792m in 2001 (\$648m in 2001, \$952m in 1999).

2001 Listing

246	Total Subsidiaries	Country of Incorporation	Effective Equity %
6979	A.S.P. S.A.,	France	100
6908	Aktiebolaget Astromen	Sweden	100
6914	Aktiebolaget Draco	Sweden	100
6913	Aktiebolaget Hassle	Sweden	100
6901	Aktiebolaget Medena	Sweden	100
6893	Aktiebolaget Rila	Sweden	100
5544	Ambulatory Diagnostic Testing Services, Inc.	United States of America	100
5339	Arbil International Insurance Limited	Cayman Islands	51
6964	Astra Alpha Produtos Farmaceuticos Lda	Portugal	100
6899	Astra Arcus AB	Sweden	100
6895	Astra Biotech AB	Sweden	100
6919	Astra Export & Trading AB	Sweden	100
6909	Astra Fondaktiebolag	Sweden	100
6923	Astra Lakemedel AB	Sweden	100
6905	Astra Middle East AB	Sweden	100
6998	Astra Norge AS	Norway	100
6911	Astra Pharma AB	Sweden	100
6992	Astra Pharmaceutica AG	Switzerland	100
6942	Astra Pharmaceuticals (Poland) sp.z.o.o	Poland	100
7405	Astra Pharmaceuticals (Pty) Ltd	South Africa	100
6917	Astra Pharmaceuticals AB	Sweden	100
4186	Astra Pharmaceuticals Holdings Pty Ltd.	Australia	100
6984	Astra Pharmaceuticals Ltd.,	England and Wales	100
7290	Astra Pharmaceuticals Pakistan (Private) Limited	Pakistan	100
6959	Astra Tech	Austria	100
6939	Astra Tech A/S	Denmark	100
6918	Astra Tech Aktiebolag	Sweden	100
6932	Astra Tech AS	Norway	100
6933	Astra Tech B.V.	Holland	100
6944	Astra Tech France SAS	France	100
6916	Astra Tech GmbH	Germany	100
6902	Astra Tech International Aktiebolag	Sweden	100
6972	Astra Tech Italy SpA	Italy	100
5567	Astra Tech Ltd	England and Wales	100
5568	Astra Tech Oy	Finland	100
6962	Astra Tech S.A.	Spain	100
5570	Astra Tech, 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
6985	AstraPharm	England and Wales	100
5667	Astra-Thai Holdings	United States of America	100
7358	AstraZeneca (Thailand) Ltd	Thailand	100
7319	AstraZeneca (Wuxi) Pharmaceutical Co., Ltd.	China - People's Republic of China	100
6999	AstraZeneca A/S	Denmark	100
6892	AstraZeneca AB	Sweden	100
6440	AstraZeneca AG	Switzerland	100
6988	AstraZeneca Alpha B.V.	Holland	100
6142	AstraZeneca AS	Norway	100
6020	AstraZeneca B.V.	Holland	100
5668	AstraZeneca Canada Inc.,	Canada	100
7344	AstraZeneca China Ltd	Hong Kong	100
3700	AstraZeneca China UK Limited	England and Wales	100

7170	AstraZeneca Colombia S.A.	Colombia	100
6986	AstraZeneca Continent B.V.,	Holland	100
6943	AstraZeneca Czech Republic, s.r.o.	Czech-Republic	100
6912	AstraZeneca Development AB	Sweden	100
7117	AstraZeneca do Brasil Limitada	Brazil	100
1012	AstraZeneca Employee Share Trust Ltd	England and Wales	100
6150	AstraZeneca Epsilon B.V.	Holland	100
4182	AstraZeneca Executive Superannuation Plan Pty Ltd	Australia	100
7161	AstraZeneca Farmaceutica Chile Ltda	Chile	100
6159	AstraZeneca Farmaceutica Holding Spain SA	Spain	100
6219	AstraZeneca Farmaceutica Spain S.A.	Spain	100
8911	AstraZeneca Finance Limited	England and Wales	100
6941	AstraZeneca Finance SAS	France	100
6103	AstraZeneca GmbH	Germany	100
6145	AstraZeneca Holding AktieBolag	Sweden	100
6982	AstraZeneca Holding France SAS	France	100
6013	AstraZeneca Holding GmbH	Germany	100
6267	AstraZeneca Holdings A/S	Denmark	100
6226	AstraZeneca Holdings B.V.	Holland	100
7326	AstraZeneca Hong Kong Ltd	Hong Kong	100
7335	AstraZeneca Ilac Sanayi Ve Ticaret A.S.	Turkey	100
6171	AstraZeneca Iliad B.V.	Holland	100
7264	AstraZeneca India Private Limited	India	100
8044	AstraZeneca Insurance Company Limited	England and Wales	100
6910	AstraZeneca International Holdings AB	Sweden	100
8097	AstraZeneca Investments Ltd	England and Wales	100
7333	AstraZeneca Japan Limited	England and Wales	100
6208	AstraZeneca Jota B.V.	Holland	100
6212	AstraZeneca Kappa B.V.	Holland	100
6945	AstraZeneca Kft	Hungary	100
7275	AstraZeneca KK	Japan	80
7327	AstraZeneca Korea Ltd	South Korea	100
6224	AstraZeneca Lambda B.V.	Holland	100
5310	AstraZeneca Latin America Inc	United States of America	100
4189	AstraZeneca Limited	New Zealand	100
6976	AstraZeneca Luxembourg sarl	Luxembourg	100
6990	AstraZeneca Management Resources AG	Switzerland	100
6980	AstraZeneca Monts S.A.	France	100
8098	AstraZeneca Nominees Ltd	England and Wales	100
6213	AstraZeneca Omega B.V.	Holland	100
6305	AstraZeneca Österreich GmbH	Austria	100
6995	AstraZeneca OY.	Finland	100
7262	AstraZeneca Pharma India Limited	India	51.5
6983	AstraZeneca Pharmaceuticals (Ireland) Limited	Republic of Ireland	100
7176	AstraZeneca Pharmaceuticals (Malaysia) SDN BHD	Malaysia	100
7270	AstraZeneca Pharmaceuticals (Phils.) Inc.,	Philippines	100
7400	AstraZeneca Pharmaceuticals (Pty) Ltd	South Africa	100
5563	AstraZeneca Pharmaceuticals, LP	United States of America	100
6227	AstraZeneca Pi B.V.	Holland	100
4188	AstraZeneca PTY Ltd	Australia	100
1006	AstraZeneca Quest Limited	England and Wales	100
6120	AstraZeneca Reims SAS	France	100
6209	AstraZeneca Rho B.V.	Holland	100
6119	AstraZeneca S.A.	France	100
6971	AstraZeneca S.A.	Greece	99.97
7960	AstraZeneca S.A.	Argentina	99.9

7194	AstraZeneca SA	Uruguay	100
1013	AstraZeneca Share Trust Ltd	England and Wales	100
6210	AstraZeneca Sigma B.V.	Holland	100
7318	AstraZeneca Singapore Pte Ltd	Singapore	100
6329	AstraZeneca Sp. z o.o.	Poland	100
6125	AstraZeneca SpA	Italy	100
4181	AstraZeneca Superannuation Plan Pty Ltd	Australia	100
6793	AstraZeneca Sverige AB	Sweden	100
7330	ASTRAZENECA TAIWAN LIMITED	Taiwan, Republic of China	100
6222	AstraZeneca Theta B.V.	Holland	100
1019	AstraZeneca Treasury Limited	England and Wales	100
1002	AstraZeneca UK Limited	England and Wales	100
7120	AstraZeneca Venezuela SA	Venezuela	100
6206	AstraZeneca Zeta B.V.	Holland	100
5564	AstraZeneca, LP	United States of America	99
5569	AstraZeneca, S.A. de C.V.	Mexico	100
6221	AstraZeneca Gamma B.V.	Holland	100
6960	AstraZeneca Produtos Farmaceuticos Lda	Portugal	100
5286	Atkemix Nine Inc.	United States of America	100
5301	Atkemix Ten Inc.	United States of America	100
5303	Atkemix Twelve Inc.	United States of America	100
3302	Avlex Limited	England and Wales	100
3915	AYZEE 1 Limited	England and Wales	100
3924	AYZEE 10 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
6949	AZ Pharma AS	Norway	100
5336	AZ Reinsurance Limited	Cayman Islands	100
5502	AZ-Mont Insurance Company	United States of America	100
6970	Bio-Therabel SA	Belgium	100
3348	Care Laboratories Ltd	England and Wales	100
3350	Care Products Ltd	England and Wales	100
6938	Carl Schneider ApS	Denmark	100
5517	Carlos Dominguez, M.D., FACP, Inc.,	United States of America	100
5302	CCC Management Company of California, Inc.	United States of America	100
5309	CCC Management Company of New York, Inc.	United States of America	100
5305	CCC Management Company, Inc.	United States of America	100
5553	CCC of North Miami Beach Inc.	United States of America	100
5541	Century Dialysis Corporation	United States of America	100
5511	Comprehensive Cancer Centers Inc.	United States of America	100
5036	Comprehensive Cancer Corporation of New York Inc	United States of America	100
6989	Copthorne AG	Switzerland	100
5530	Corpus Christi Holdings Inc.	United States of America	100
6903	Crafon Aktiebolag	Sweden	100
6922	Draco Lakemedel Aktiebolag	Sweden	100
6996	DuraNor AS,	Norway	100
6906	Durapharm Aktiebolag	Sweden	100
5518	Enrique Davilla, M.D., FACP, Inc.,	United States of America	100
6920	Hassle Lakemedel Aktiebolag	Sweden	100
6894	Hassle Research Aktiebolag	Sweden	100

8035	I.C. Insurance Holdings Limited	England and Wales	51
3330	IC Insurance Limited	England and Wales	51
6904	Imeco Aktiebolag	Sweden	100
5550	Infusx, Inc.	United States of America	100
5542	Intercenter Cancer Research Group	United States of America	100
7137	IPR Pharmaceuticals, Inc.	Puerto Rico	100
6105	Ivamed GmbH	Germany	100
4183	J Glover Distributors Pty Limited	Australia	100
4171	J Glover Laboratories Pty Limited	Australia	100
6083	Laboratorio Beta, S.A.	Spain	100
6005	Laboratorio Epsilon, S.A.	Spain	100
6084	Laboratorio Icaro SA	Spain	100
6004	Laboratorio Lailan, S.A.	Spain	100
6085	Laboratorio Odin, S.A.	Spain	100
6080	Laboratorio Tau S.A.	Spain	100
5554	Logic Health Systems, Inc.	United States of America	100
8062	Marlow Foods Ltd	England and Wales	100
5519	Michael A. Schwartz, M.D., Inc.,	United States of America	100
6978	N.V. Astra Pharmaceuticals S.A.	Belgium	100
6977	N.V. Vitalpharma Astra S.A.	Belgium	100
5521	Nixon, Blaustein, Tuchman-Ratzan & Lutzky, M.D.'s, Inc.,	United States of America	100
6332	Novastra	Portugal	100
6127	NV AstraZeneca SA	Belgium	100
5514	OAMG, Inc.,	United States of America	100
7336	P.T. AstraZeneca Indonesia	Indonesia	95
4170	Pharmaceutical Manufacturing Company Pty Limited	Australia	100
6108	Pharma-Stern GmbH	Germany	100
6109	Promed Arzneimittel GmbH	Germany	100
6104	Rhein-Pharma Arzneimittelwerk GmbH	Germany	100
5403	Salick Health Care Holdings Inc.	United States of America	100
5560	Safick Health Care, Inc.	United States of America	100
5515	Salick MG, Inc.,	United States of America	100
5556	Salicknet Inc.	United States of America	100
5516	SHC - NY Consulting Services, Inc.,	United States of America	100
5524	SHC Cancer Care LLC	United States of America	100
5545	SHC Laboratories, Inc.	United States of America	100
6974	Simesa SpA	Italy	100
5332	Stauffer Chemical Co. Canada Limited	Canada	100
8915	Stauffer Chemical Company Trust	United States of America	100
5315	Stauffer Management Company LLC	United States of America	100
6078	STUART - PRODUTOS FARMACEUTICOS, LDA	Portugal	100
6218	Stuart Pharma AB	Sweden	100
7421	Stuart Pharmaceuticals (South Africa) (Pty) Ltd	South Africa	100
3303	Stuart Pharmaceuticals Ltd	England and Wales	100
6900	Swedish Graft Technique Aktiebolag	Sweden	100
6925	Symbicom Aktiebolag	Sweden	100
5308	The Breast Center, Inc	United States of America	100
5520	The Quorn Company	United States of America	100
6921	Tika Lakemedel Aktiebolag	Sweden	100
5512	Ushaw Inc.	United States of America	100
1007	Wilmington Pharmaceuticals Limited	England and Wales	100
1005	Zenco (No 6) Limited	England and Wales	100
1017	Zenco (No 8) Ltd	England and Wales	100
1018	Zenco (No 9) Ltd	England and Wales	100
8094	ZENCO (No. 11) Limited	England and Wales	100
3395	ZENCO (No. 12) Limited	England and Wales	100

6315	Zeneca AG	Switzerland	100
5313	Zeneca Ag Products Holdings Inc. II	United States of America	100
4184	Zeneca Australia Superannuation Pty Limited	Australia	100
8914	Zeneca Bioscience Ltd	England and Wales	100
5283	Zeneca Delaware Holdings Inc.	United States of America	100
6965	Zeneca Eplison Farmaceuticos Lda	Portugal	100
8910	Zeneca Finance (Netherlands) Company	England and Wales	100
4190	ZENECA HOLDINGS AUSTRALIA PTY LTD	Australia	100
5406	Zeneca Holdings Financial Corp.	United States of America	100
5500	Zeneca Holdings Inc.	United States of America	100
8913	Zeneca Holdings Ltd	England and Wales	100
7357	Zeneca Ilac Sanayi Ve Ticaret A.S.	Turkey	100
5501	Zeneca Inc.	United States of America	100
5304	Zeneca International Inc.	United States of America	100
6030	Zeneca Italia S.r.l.	Italy	100
6143	Zeneca Lakemedel AB	Sweden	100
1004	Zeneca Limited	England and Wales	100
7348	Zeneca Pharma Asiatic Limited	Thailand	100
5603	Zeneca Pharma Inc.	United States of America	100
8007	Zeneca Pharmaceuticals (Number 2) Limited	England and Wales	100
4185	ZENECA PHARMACEUTICALS AUSTRALIA PTY LTD	Australia	100
4187	ZENECA PHARMACEUTICALS NEW ZEALAND LTD	New Zealand	100
6306	Zeneca Produtos Biociencia, Limitada	Portugal	99.88
5418	Zeneca Resins Holdings Inc.	United States of America	100
7378	Zeneca Sino-pharm Development Consulting Company Limited	China - People's Republic of China	75
8907	Zeneca Wilmington Inc.	United States of America	100