

AstraZeneca

Financial Statements

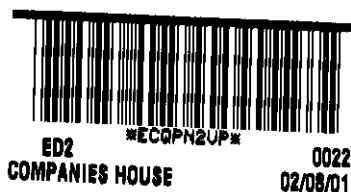
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Financial Statements

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Notes relating to the Financial Statements

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Directors' responsibilities in respect of the preparation of the financial statements

The Directors are required by United Kingdom 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 to 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report

The Board in 2000

Details of the Board appear on pages 30 and 31. Following his appointment as a Director and the Chief Executive Officer of Syngenta AG, Michael Pragnell resigned as a Director of the Company on 13 November 2000.

Re-election of Directors

All of the Directors retire under Article 65 of the Articles of Association and all, with the exception of Sir David Barnes CBE, are presenting themselves for re-election at the Annual General Meeting on 26 April 2001. All of the Directors presenting themselves for re-election are recommended for re-election. Sir David Barnes CBE will retire from the Board with effect from the date of the Annual General Meeting.

Principal activities

The Company is the holding company for a group of subsidiaries 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 105.

Dividends

The dividend for 2000 of \$0.70 (47.4 pence, SEK 6.59) per Ordinary Share amounts to \$1,236 million.

The Company also declared a dividend in specie on 13 November 2000 of \$2,117 million which was satisfied by the transfer to shareholders of 43,900,186 shares in Syngenta AG. This dividend in specie was recorded in the Group accounts at the book value of the net assets of the business which were deconsolidated, \$1,669 million.

Corporate governance

Throughout 2000, 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 approved by the London Stock Exchange.

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, policies and stewardship of the Company's resources. It concentrates mainly on strategy, financial performance and critical business issues and normally meets seven times a year. Executive Directors have specific remits and areas of responsibility which are shown on page 30. 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 (succeeding Michael O'Brien who retired from the Company at the end of January 2001); Carl-Gustaf Johansson, Executive Vice-President, North America and President and CEO, AstraZeneca LP; John Patterson, Executive Vice-President, Product Strategy and Licensing; Barrie Thorpe, Executive Vice-President, Operations; and Gunnar Christiani, Executive Vice-President, Human Resources. It normally meets once a month to review all 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 full 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 Chairmen, 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

Details of the Directors' remuneration are contained in the Report of the Board on Remuneration on pages 34 to 35.

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 participate in discussions with 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 next three 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 incentive schemes.

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 also designed to provide reasonable assurance of effective operations and compliance with laws and regulations, but 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 2000 were Karl von der Heyden (Chairman of the Committee), Dame Bridget Ogilvie and Marcus Wallenberg. They are all Non-Executive Directors. The Committee met five times during 2000 and is scheduled to meet on four occasions in 2001.

The remit of the 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.

Following 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 reviewed the effectiveness of the Group's system of non-financial controls, including operational and compliance controls and risk management. In particular, the Company's high level internal control arrangements have been reviewed and the global adequacy of this framework confirmed.

The Directors are confident that an effective embedded system of internal control has been maintained throughout this process, and that the Company complies with the Turnbull guidance.

Following completion of the merger on 6 April 1999, a formal review of a number of the Company's corporate policies was initiated. This review has been completed, and revised or new policies have been issued. These include a new AstraZeneca Code of Conduct. 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.

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 also 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, 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 26 April 2001 for the re-appointment of KPMG Audit Plc, London as auditor of the Company.

Purchase of own shares

At the AGM, 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 2000, in line with this policy, the Company purchased for cancellation 9,405,000 of its own Ordinary Shares with a nominal value of \$0.25 each for an aggregate sum of \$353 million. This number of shares represents 0.53% of the Company's total issued share capital.

Allotments

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

Political contributions

No political contributions in respect of which the Company is required to make any statements in this report were made in 2000.

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 77 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. It 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 schemes 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 will be 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, they 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.

Report of the Board on Remuneration of Directors

Membership and remit of the Nomination Committee

The members of the Nomination Committee during 2000 were Percy Barnevik (Chairman of the Committee), Sir David Barnes CBE, Håkan Mogren and one Non-Executive Director nominated by Percy Barnevik.

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

Membership and remit of the Remuneration Committee

The members of the Remuneration Committee during 2000 were Lars Ramqvist (Chairman of the Committee), Erna Möller and Sir Peter Bonfield CBE, FREng. 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 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 schemes 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.

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 them; 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 pharmaceuticals companies in the world; and
- 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;
- encourage employees to perform to their fullest capacity;
- encourage employees to align their interests with those of shareholders;
- support managers' responsibility to achieve business performance through people, and for them to recognise superior performance, in the short and longer-term;
- be as locally focused and flexible as realistic;
- be competitive and cost-effective in each of the relevant employment markets; and
- 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 designed to:

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

The 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 scheme;
- share participation – various schemes to provide the opportunity for employees to take a personal stake in the Company's wealth as shareholders; and
- other benefits – 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 Committee, taking account also of market competitiveness;
- short-term bonus – in respect of 2000, Executive Directors were entitled to an annual bonus related to the achievement of both the targeted performance of earnings per share and the achievement of individual measures relevant to each Director's particular area of responsibility; the bonus payable is on a scale of 0-100% of salary: 50% of salary is payable for the achievement of target business performance, 80% of the bonus relates to the achievement of the earnings per share target and 20% to the 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 any 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 – normally, UK Directors participate in the AstraZeneca contributory pension scheme and are members of the AstraZeneca pension fund which provides a pension of up to two-thirds of basic salary on retirement at age 62 with at least 20 years' service; the scheme also provides for dependants' pensions and lump sums on death in service.

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 of 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 Stavling 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 promise.

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

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

Emoluments in 2000: the emoluments of Directors of the Company are set out in Note 35 to the Financial Statements.

Full details of Directors' interests in Ordinary Shares of the Company and its subsidiaries (including options), together with options granted and exercised in 2000 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 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 grant of options under the Plan in August 2000, the Committee considered the overall performance of the Company against a range of key performance indicators, including the prospects for growth, new product launches and synergy benefits, and decided that it was sufficient to justify a grant of options. The 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. At the time of the Annual General Meeting on 26 April 2001, 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
7 February 2001

Independent auditor's report to the members of AstraZeneca PLC

We have audited the financial statements on pages 58 to 124.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and Form 20-F. As described on page 56 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 32 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, 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 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985. X

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 2000 and consolidated Shareholders' equity at 31 December 2000 and 1999, to the extent summarised on pages 115 to 124.

7 February 2001

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

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

Group Profit and Loss Account

for the year ended 31 December

| | Notes | Continuing operations \$m | Discontinued operations \$m | Exceptional items \$m | 2000 Total \$m |
|---|-------|------------------------------|--------------------------------|--------------------------|----------------------|
| Turnover: Group and share of joint ventures | | 15,999 | 2,299 | - | 18,298 |
| Less: Share of joint venture turnover | | (195) | - | - | (195) |
| Group turnover | 3 | 15,804 | 2,299 | - | 18,103 |
| Operating costs | 3 | (12,043) | (1,996) | (322) | (14,361) |
| Other operating income | 3 | 223 | 43 | - | 266 |
| Group operating profit | 3 | 3,984 | 346 | (322) | 4,008 |
| Share of operating (loss)/profit of joint ventures and associates | 4 | (12) | - | (137) | (149) |
| Profits less losses on sale, closure, or demerger of operations | 5 | - | - | (150) | (150) |
| Merger costs | 5 | - | - | - | - |
| Profits on sale of fixed assets | 5 | - | - | - | - |
| Dividend income | | 3 | - | - | 3 |
| Profit on ordinary activities before interest | | 3,975 | 346 | (609) | 3,712 |
| Net interest | 6 | 135 | - | - | 135 |
| Profit on ordinary activities before taxation | | 4,110 | 346 | (609) | 3,847 |
| Taxation | 7 | (1,192) | (135) | 28 | (1,299) |
| Profit on ordinary activities after taxation | | 2,918 | 211 | (581) | 2,548 |
| Attributable to minorities | | (9) | (1) | - | (10) |
| Net profit for the financial year | | 2,909 | 210 | (581) | 2,538 |
| Dividends to Shareholders | | | | | |
| Cash | 8 | | | | (1,236) |
| Dividend in specie – demerger of Zeneca Agrochemicals | 8 | | | | (1,669) |
| Profit/(loss) retained for the financial year | | | | | (367) |
| Earnings per \$0.25 Ordinary Share before exceptional items | 9 | \$1.64 | \$0.12 | - | \$1.76 |
| Earnings per \$0.25 Ordinary Share (basic) | 9 | \$1.64 | \$0.12 | (\$0.32) | \$1.44 |
| Earnings per \$0.25 Ordinary Share (diluted) | 9 | \$1.64 | \$0.12 | (\$0.32) | \$1.44 |
| Weighted average number of Ordinary Shares in issue (millions) | 9 | | | | 1,768 |

Group Statement of Total Recognised Gains and Losses

for the year ended 31 December

| | Notes | 2000 \$m |
|---|-------|-------------|
| Net profit for the financial year | | 2,538 |
| Movement in unrealised holding gains and losses on short-term investments | 22 | - |
| Exchange adjustments on net assets | 22 | (1,038) |
| Translation differences on foreign currency borrowings | 22 | 154 |
| Tax on translation differences on foreign currency borrowings | 22 | (42) |
| Total recognised gains and losses relating to the financial year | | 1,612 |

\$m means millions of US dollars

| Continuing operations \$m | Discontinued operations \$m | Exceptional items \$m | 1999 Total \$m | Continuing operations \$m | Discontinued operations \$m | Exceptional items \$m | 1998 Total \$m |
|------------------------------|--------------------------------|--------------------------|----------------------|------------------------------|--------------------------------|--------------------------|----------------------|
| 15,334 | 3,319 | - | 18,653 | 12,383 | 4,099 | - | 16,482 |
| (200) | (8) | - | (208) | (1,065) | (15) | - | (1,080) |
| 15,134 | 3,311 | - | 18,445 | 11,318 | 4,084 | - | 15,402 |
| (11,704) | (3,022) | (1,162) | (15,888) | (8,891) | (3,650) | (72) | (12,613) |
| 140 | 49 | - | 189 | 119 | 71 | 163 | 353 |
| 3,570 | 338 | (1,162) | 2,746 | 2,546 | 505 | 91 | 3,142 |
| (10) | 3 | - | (7) | 534 | 5 | - | 539 |
| - | - | 237 | 237 | - | - | (46) | (46) |
| - | - | (1,013) | (1,013) | - | - | - | - |
| - | - | - | - | - | - | 17 | 17 |
| - | - | - | - | - | - | - | - |
| 3,560 | 341 | (1,938) | 1,963 | 3,080 | 510 | 62 | 3,652 |
| (4) | - | - | (4) | 47 | - | - | 47 |
| 3,556 | 341 | (1,938) | 1,959 | 3,127 | 510 | 62 | 3,699 |
| (1,048) | (118) | 351 | (815) | (903) | (179) | (4) | (1,086) |
| 2,508 | 223 | (1,587) | 1,144 | 2,224 | 331 | 58 | 2,613 |
| - | (1) | - | (1) | (3) | 1 | - | (2) |
| 2,508 | 222 | (1,587) | 1,143 | 2,221 | 332 | 58 | 2,611 |
| | | | (1,242) | | | | (1,061) |
| | | | - | | | | - |
| | | | (99) | | | | 1,550 |
| \$1.41 | \$0.13 | - | \$1.54 | \$1.25 | \$0.19 | - | \$1.44 |
| \$1.41 | \$0.13 | (\$0.90) | \$0.64 | \$1.25 | \$0.19 | \$0.03 | \$1.47 |
| \$1.41 | \$0.13 | (\$0.90) | \$0.64 | \$1.24 | \$0.19 | \$0.03 | \$1.46 |
| | | | 1,776 | | | | 1,779 |

| 1999 \$m | 1998 \$m |
|-------------|-------------|
| 1,143 | 2,611 |
| - | 2 |
| (740) | (178) |
| 132 | (7) |
| (22) | 2 |
| 513 | 2,430 |

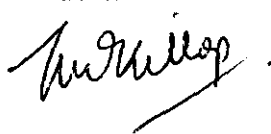
Group Balance Sheet

at 31 December

| | Notes | 2000 \$m | 1999 \$m |
|---|-------|----------------|----------------|
| Fixed assets | | | |
| Tangible fixed assets | 11 | 4,957 | 5,981 |
| Goodwill and intangible assets | 12 | 2,951 | 3,736 |
| Fixed asset investments | 13 | 11 | 185 |
| | | 7,919 | 9,902 |
| Current assets | | | |
| Stocks | 14 | 2,105 | 2,156 |
| Debtors | 15 | 3,960 | 4,470 |
| Short-term investments | 16 | 3,429 | 2,859 |
| Cash | | 1,021 | 429 |
| | | 10,515 | 9,914 |
| Total assets | | 18,434 | 19,816 |
| Creditors due within one year | | | |
| Short-term borrowings | 17 | (126) | (344) |
| Current instalments of loans | 19 | (88) | (34) |
| Finance leases | | - | (1) |
| Other creditors | 18 | (6,683) | (6,640) |
| | | (6,897) | (7,019) |
| Net current assets | | 3,618 | 2,895 |
| Total assets less current liabilities | | 11,537 | 12,797 |
| Creditors due after more than one year | | | |
| Loans | 19 | (631) | (739) |
| Finance leases | | - | (1) |
| Other creditors | 18 | (296) | (462) |
| | | (927) | (1,202) |
| Provisions for liabilities and charges | 21 | (1,068) | (1,253) |
| Net assets | | 9,542 | 10,342 |
| Capital and reserves | | | |
| Called-up share capital | 40 | 442 | 444 |
| Share premium account | 23 | 235 | 202 |
| Capital redemption reserve | 23 | 3 | 1 |
| Merger reserve | 23 | 433 | 441 |
| Other reserves | 23 | 1,451 | 676 |
| Profit and loss account | 23 | 6,957 | 8,538 |
| Shareholders' funds – equity interests | 22 | 9,521 | 10,302 |
| Minority equity interests | | 21 | 40 |
| Shareholders' funds and minority interests | | 9,542 | 10,342 |

The financial statements on pages 58 to 124 were approved by the Board of Directors on 7 February 2001 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 | 2000 \$m | 1999 \$m | 1998 \$m |
|--|-------|----------------|----------------|--------------|
| Cash flow from operating activities | | | | |
| Net cash inflow from trading operations | 24 | 4,992 | 4,699 | 3,817 |
| (Outflow)/inflow related to exceptional items | 25 | (809) | (1,586) | 15 |
| Net cash inflow from operating activities | | 4,183 | 3,113 | 3,832 |
| Dividends received from joint ventures | | - | 3 | 262 |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 180 | 132 | 229 |
| Interest paid | | (145) | (97) | (124) |
| Dividends paid by subsidiaries to minority interests | | (16) | (6) | (2) |
| | | 19 | 29 | 103 |
| Tax paid | | (648) | (1,020) | (775) |
| Capital expenditure and financial investment | | | | |
| Cash expenditure on tangible fixed assets | 11 | (1,347) | (1,490) | (1,392) |
| Cash expenditure on intangible assets | | (113) | (1,263) | (114) |
| New fixed asset investments | | (3) | (6) | (18) |
| Disposals of fixed assets | | 37 | 28 | 155 |
| | | (1,426) | (2,731) | (1,369) |
| Acquisitions and disposals | | | | |
| Acquisitions and purchases of minority interests | 26 | (167) | (23) | (2,013) |
| 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 | - |
| | | 740 | 1,978 | (2,013) |
| Equity dividends paid to Shareholders | | (1,220) | (1,216) | (995) |
| Net cash inflow/(outflow) before management of liquid resources and financing | 30 | 1,648 | 156 | (955) |
| Management of liquid resources and financing | | | | |
| Movement in short-term investments and fixed deposits (net) | | (608) | (254) | 974 |
| Financing | 31 | (400) | (182) | (205) |
| Increase/(decrease) in cash in the year | 29 | 640 | (280) | (186) |

Basis of consolidation and presentation of financial information

The preparation of 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.

Continuing operations

Continuing operations include the ongoing Healthcare operations of the Group and 'Other trading', including Marlow Foods.

Discontinued operations

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

The following new accounting standards were adopted during the year:

UK Financial Reporting Standard 15 – 'Tangible Fixed Assets' sets out the principles of accounting for initial measurement, valuation and depreciation of tangible fixed assets, with the exception of investment properties. The impact of adoption on AstraZeneca's financial statements was not material.

UK Financial Reporting Standard 16 – 'Current Tax' specifies how current tax, in particular withholding tax and tax credits, should be reflected in financial statements. 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 adopted:

UK Financial Reporting Standard 17 – 'Retirement Benefits' is applicable for accounting periods ending on or after 22 June 2003, with disclosure requirements applicable for accounting periods ending on or after 22 June 2001. The Standard sets out the requirements for accounting for retirement benefits, including the fair value of assets and liabilities arising from employer's obligations, treatment of related costs, and level of disclosure. AstraZeneca has not yet determined the effect on the financial statements of the adoption of the Standard.

UK Financial Reporting Standard 18 – 'Accounting Policies' is applicable for accounting periods ending on or after 22 June 2001. The Standard 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 the financial statements to understand the policies adopted and how they have been implemented. The impact of adoption on AstraZeneca's financial statements is not anticipated to be material.

UK Financial Reporting Standard 19 – 'Deferred Tax' is applicable for accounting periods ending on or after 23 January 2002. The Standard 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. The notes to the accounts give a broad indication of the effect of moving to a fully deferred basis (prior to the application of discounting, which the new standard allows, but does not mandate) but AstraZeneca has not yet determined the specific figures which will arise from the adoption of the detailed provisions of the new Standard.

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 United Kingdom generally accepted accounting principles (UK GAAP). Where there are significant differences to US GAAP these have been described in the UK/US GAAP section on pages 115 to 124. The net profit and shareholders' funds in accordance with International Accounting Standards are not significantly different from those presented under UK GAAP. 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 is shown in Note 27.

Fixed Assets, Depreciation and Amortisation

AstraZeneca's policy is to write off the cost of each tangible fixed asset 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 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). 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. Goodwill is reviewed for impairment when there are indications that the carrying value may not be recoverable.

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.

Accounting policies (continued)

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.

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.

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 relating 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 235 at 31 December 2000. 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 relating to the financial statements

3 Group operating profit

| | Continuing operations | | Discontinued operations | | 2000 Total \$m |
|--|------------------------------------|-----------------------------|------------------------------------|-----------------------------|----------------------|
| | Pre exceptional items \$m | Exceptional items \$m | Pre exceptional items \$m | Exceptional items \$m | |
| Group turnover | 15,804 | - | 2,299 | - | 18,103 |
| Operating costs | | | | | |
| Cost of sales | (4,181) | (11) | (1,299) | - | (5,491) |
| Distribution costs | (210) | - | (76) | - | (286) |
| Research and development | (2,620) | (51) | (222) | - | (2,893) |
| Selling, general and administrative expenses | (5,032) | (260) | (399) | - | (5,691) |
| | (12,043) | (322) | (1,996) | - | (14,361) |
| Other operating income | | | | | |
| Government grants | - | - | - | - | - |
| Royalties | 160 | - | 33 | - | 193 |
| Other income | 63 | - | 10 | - | 73 |
| | 223 | - | 43 | - | 266 |
| Group operating profit | 3,984 | (322) | 346 | | 4,008 |
| Charges included above | | | | | |
| - for depreciation | 585 | - | 102 | - | 687 |
| - for amortisation | 281 | - | 14 | - | 295 |
| - for impairment | 6 | 18 | - | - | 24 |
| Gross profit, as defined by the Companies Act 1985 | 11,623 | (11) | 1,000 | - | 12,612 |

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

| | Continuing operations | | Discontinued operations | | 2000 Total \$m |
|--|------------------------------------|-----------------------------|------------------------------------|-----------------------------|----------------------|
| | Pre exceptional items \$m | Exceptional items \$m | Pre exceptional items \$m | Exceptional items \$m | |
| Share of operating (loss)/profit of joint ventures | (12) | (137) | - | - | (149) |
| Share of operating profit of associates | - | - | - | - | - |
| | (12) | (137) | - | - | (149) |

The Group has taken an exceptional charge of \$137m to provide for impairment of its 50% interest in the seed company Advanta, including a write off of \$49m of related goodwill previously taken to reserves (see Note 5).

On 1 July 1998, Astra Merck Inc., the joint venture with Merck Inc., was restructured in connection with the formation of a new operating entity and the results of these US operations have been fully consolidated since this date. Prior to this restructuring, the joint venture was accounted for, under UK GAAP, on the equity accounting basis in these financial statements. The Group's 50% share of Astra Merck Inc.'s results in the first six months of 1998, which are included within 'Continuing Operations', and the share of net assets at 30 June 1998 were as follows:

| | 6 months to 30 June 1998 \$m |
|---|---------------------------------------|
| Profit and loss account | |
| Turnover | 857 |
| Profit on ordinary activities before taxation | 536 |
| Taxation | (210) |
| Profit on ordinary activities after taxation | 326 |

| Continuing operations | | Discontinued operations | | 1999 Total \$m | Continuing operations | | Discontinued operations | | 1998 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 | |
| 15,134 | - | 3,311 | - | 18,445 | 11,318 | - | 4,084 | - | 15,402 |
| (4,087) | (15) | (1,913) | (22) | (6,037) | (2,651) | - | (2,310) | - | (4,961) |
| (230) | - | (113) | - | (343) | (201) | - | (166) | - | (367) |
| (2,472) | (110) | (341) | - | (2,923) | (2,103) | - | (370) | - | (2,473) |
| (4,915) | (912) | (655) | (103) | (6,585) | (3,936) | (72) | (804) | - | (4,812) |
| (11,704) | (1,037) | (3,022) | (125) | (15,888) | (8,891) | (72) | (3,650) | - | (12,613) |
| - | - | - | - | - | 1 | - | 1 | - | 2 |
| 123 | - | 36 | - | 159 | 56 | - | 38 | - | 94 |
| 17 | - | 13 | - | 30 | 62 | 163 | 32 | - | 257 |
| 140 | - | 49 | - | 189 | 119 | 163 | 71 | - | 353 |
| 3,570 | (1,037) | 338 | (125) | 2,746 | 2,546 | 91 | 505 | - | 3,142 |
| (600) | - | (156) | - | (756) | (508) | - | (172) | - | (680) |
| (296) | - | (17) | - | (313) | (131) | - | (10) | - | (141) |
| - | (123) | - | (26) | (149) | - | - | - | - | - |
| 11,047 | (15) | 1,398 | (22) | 12,408 | 8,667 | - | 1,774 | - | 10,441 |

| Continuing operations | | Discontinued operations | | 1999 Total \$m | Continuing operations | | Discontinued operations | | 1998 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 | |
| (10) | - | 1 | - | (9) | 534 | - | 4 | - | 538 |
| - | - | 2 | - | 2 | - | - | 1 | - | 1 |
| (10) | - | 3 | - | (7) | 534 | - | 5 | - | 539 |

Balance sheet

| | |
|--------------------------------------|------------------------|
| Fixed assets | 30 June 1998 \$m |
| Current assets | 565 |
| Creditors due within one year | 661 |
| Creditors due after one year or more | (660) |
| Net assets | (30) |
| | 536 |

Notes relating to the financial statements

5 Exceptional items

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|--------------|----------------|-------------|
| Integration and synergy costs | (322) | (864) | - |
| AstraZeneca LP restructuring costs | - | (28) | (72) |
| Salick Health Care - impairment and rationalisation costs | - | (145) | - |
| Granting of US <i>Imdur</i> marketing rights | - | - | 163 |
| Continuing operations | (322) | (1,037) | 91 |
| Discontinued - Agrochemicals restructuring costs | - | (125) | - |
| Exceptional items included in operating profits | (322) | (1,162) | 91 |
| Continuing operations | | | |
| Provision of impairment of investment in Advanta B.V. (after charging \$49m of goodwill previously written off to reserves) | (137) | - | - |
| Share of operating (loss)/profit of joint ventures and associates | (137) | - | - |
| Discontinued operations | | | |
| Costs related to the demerger of Zeneca Agrochemicals and formation of Syngenta | (150) | - | - |
| Gain on disposal of Specialties business (after charging \$406m of goodwill previously written off to reserves) | - | 237 | - |
| Loss on closure of organophosphate intermediates business | - | - | (46) |
| Profits less losses on sale, closure, or demerger of operations | (150) | 237 | (46) |
| Continuing operations | | | |
| Merck 'Trigger Event' payment and related costs | - | (809) | - |
| Other merger costs | - | (204) | - |
| Merger costs | - | (1,013) | - |
| Profit on sale of fixed assets - continuing operations | - | - | 17 |
| Total exceptional items before taxation | (609) | (1,938) | 62 |
| Net taxation credit/(charge) | 28 | 351 | (4) |
| Total exceptional items after taxation | (581) | (1,587) | 58 |

The integration and synergy programme initiated in 1999 continued during 2000, with further exceptional charges of \$322m, principally for manpower related costs, advisors' fees, and contractors. This brings the cumulative charges to \$1,186m against a total estimated cost of \$1,340m.

The Group has taken an exceptional charge of \$137m to provide for impairment of its 50% interest in the seed company Advanta, including a write off of \$49m of related goodwill previously taken to reserves. With the demerger of Agrochemicals, the seeds business no longer has a strategic fit within AstraZeneca, is loss making, there is a dispute with the other 50% shareholder, and some of Advanta's US subsidiaries face significant potential litigation claims.

The costs related to the demerger of Zeneca Agrochemicals and formation of Syngenta include 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 1999 exceptional items are as follows:

- A charge of \$864m for the costs committed by the end of 1999 on the AstraZeneca integration and synergy programme (including \$379m manpower related costs, \$160m legal and other advisors' costs, \$145m in respect of information systems integration, \$45m for asset impairment and \$135m other costs) of which \$316m relates to integration and \$548m to synergy. Job reductions in excess of 2,800 were achieved in 1999.
- A charge of \$28m (1998 \$72m) 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 refocussing 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 resulting in some 600 job reductions and 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).

The 1998 exceptional charges included rationalisation costs of Astra's US operations (as noted above), a gain on granting US *Imdur* marketing rights of \$163m, a loss on closure of the organophosphates intermediates business of \$46m and profit on sale of fixed assets of \$17m.

6 Net interest

| | 2000 \$m | 1999 \$m | 1998 \$m |
|--|-------------|-------------|-------------|
| Interest payable and similar charges | | | |
| Loan interest | (50) | (57) | (64) |
| Interest on short-term borrowings and other financing costs | (62) | (91) | (67) |
| Discount on liability | (19) | (19) | - |
| Joint ventures | (3) | (3) | (2) |
| | (134) | (170) | (133) |
| Interest receivable and similar income from investments | | | |
| Securities | 30 | 70 | 139 |
| Short-term deposits | 192 | 95 | 39 |
| Exchange gain | 46 | - | - |
| Joint ventures | 1 | 1 | 2 |
| | 269 | 166 | 180 |
| Net interest receivable/(payable) | 135 | (4) | 47 |

The discounting charge above relates to amounts owed in respect of the reacquisition of certain distribution rights which are payable over the next four 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 relating to the financial statements

7 Taxation

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

| | 2000 \$m | 1999 \$m | 1998 \$m |
|----------------|--------------|--------------|--------------|
| United Kingdom | 808 | 176 | 670 |
| Overseas | 3,039 | 1,783 | 3,029 |
| | 3,847 | 1,959 | 3,699 |

Taxes on profit on ordinary activities were as follows:

UK taxation

| | | | |
|------------------------|------------|------------|------------|
| Corporation tax | 130 | 233 | 246 |
| Double taxation relief | (42) | (34) | (31) |
| Deferred taxation | 59 | (58) | (21) |
| | 147 | 141 | 194 |

Overseas taxation

| | | | |
|-------------------|--------------|------------|------------|
| Overseas taxes | 1,070 | 845 | 692 |
| Deferred taxation | 79 | (172) | (14) |
| | 1,149 | 673 | 678 |

Share of taxation of joint ventures
and associates

3 1 214

Tax on profit on ordinary activities

1,299 815 1,086

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 \$5,679m at 31 December 2000. 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

| | | | |
|---|------|-------|---|
| Tax (credit)/charge on exceptional items* | (28) | (351) | 4 |
|---|------|-------|---|

* Includes deferred tax relief of \$66m (1999 \$375m, 1998 \$7m).

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 \$42m in 2000 (1999 \$22m, 1998 \$2m credit), and have been reported in the statement of total recognised gains and losses.

Tax reconciliation to UK statutory rate

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

7 Taxation (continued)

| | 2000 \$m | 1999 \$m | 1998 \$m |
|--|-------------|-------------|-------------|
| Profit on ordinary activities before taxation | 3,847 | 1,959 | 3,699 |
| Taxation charge at United Kingdom corporation tax rate of 30% for 2000 (30.25% for 1999, 31% for 1998) | 1,154 | 593 | 1,147 |
| Provisions not allowable | - | - | 17 |
| Timing differences not recognised | (21) | 280 | (53) |
| Exceptional items | 155 | 235 | - |
| Net effect of lower rates and eligible costs in other jurisdictions | (114) | (266) | (91) |
| Other | 125 | (27) | 66 |
| Taxes on profit on ordinary activities | 1,299 | 815 | 1,086 |

Balance sheet

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Deferred taxation asset movement | | | |
| At beginning of year | 369 | 173 | 72 |
| Profit and loss account | (138) | 230 | 35 |
| Other movements | (9) | (34) | 66 |
| At end of year | 222 | 369 | 173 |
| Debtors – amount due within one year (Note 15) | 118 | 78 | 84 |
| Debtors – amount due after more than one year (Note 15) | 189 | 435 | 101 |
| Provisions (Note 21) | (85) | (144) | (12) |
| | 222 | 369 | 173 |

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 2000 | | | Year ended 31 December 1999 | | |
|---|--|------------------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| | 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 | - | 298 | 298 | - | 455 | 455 |
| Non-UK fixed assets | 76 | 214 | 290 | 63 | 303 | 366 |
| Capital gains rolled over | - | 79 | 79 | - | 99 | 99 |
| Interest accruals | 10 | - | 10 | 13 | - | 13 |
| Other | 43 | 124 | 167 | 78 | 90 | 168 |
| | 129 | 715 | 844 | 154 | 947 | 1,101 |
| Deferred tax assets | | | | | | |
| Intercompany inventory transfers | - | 355 | 355 | - | 326 | 326 |
| Merger, integration and restructuring charges | 225 | 16 | 241 | 328 | 35 | 363 |
| Environmental | 12 | 13 | 25 | 36 | 26 | 62 |
| Pension and post-retirement benefits | 52 | 64 | 116 | 62 | 81 | 143 |
| Other | 62 | 123 | 185 | 97 | 354 | 451 |
| | 351 | 571 | 922 | 523 | 822 | 1,345 |
| Valuation allowance | - | - | - | - | (4) | (4) |
| | 351 | 571 | 922 | 523 | 818 | 1,341 |
| Deferred tax asset/(liability) | 222 | (144) | 78 | 369 | (129) | 240 |

Notes relating to the financial statements

8 Dividends

| | 2000 Per Share | 1999 Per Share | 1998 Per Share | 2000 \$m | 1999 \$m | 1998 \$m |
|---|----------------------|----------------------|----------------------|-------------|-------------|-------------|
| AstraZeneca PLC | | | | | | |
| Interim, paid on 23 October 2000 | \$0.23 | \$0.23 | – | 406 | 408 | – |
| Second interim, to be confirmed as final, payable 9 April 2001 | \$0.47 | \$0.47 | – | 830 | 834 | – |
| | \$0.70 | \$0.70 | – | 1,236 | 1,242 | – |
| Dividend in specie – demerger of Zeneca Agrochemicals | | | | 1,669 | – | – |
| Zeneca Group PLC | | | | | | |
| Interim | – | – | £0.14 | – | – | 220 |
| Final | – | – | £0.28 | – | – | 448 |
| | – | – | £0.42 | – | – | 668 |
| Astra AB | | | | | | |
| Dividend | – | – | SEK1.90 | – | – | 393* |
| | | | | 2,905 | 1,242 | 1,061 |

* The record date for the payment of Zeneca's final dividend and Astra's dividend for the 1998 fiscal year was 9 April 1999. Former Astra stockholders who accepted the merger offer prior to the record date received a dividend corresponding to 28 pence per AstraZeneca share (total payment \$359m). Astra stockholders who did not accept the merger offer prior to the record date received Astra's proposed dividend of SEK1.90 per share.

The demerger of Zeneca Agrochemicals is 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

| | 2000 | 1999 | 1998 |
|--|----------|----------|--------|
| Net profit for the financial year before exceptional items (\$m) | 3,119 | 2,730 | 2,553 |
| Exceptional items after tax (\$m) (see Note 5) | (581) | (1,587) | 58 |
| Net profit for the financial year (\$m) | 2,538 | 1,143 | 2,611 |
| Earnings per Ordinary Share before exceptional items (\$) | \$1.76 | \$1.54 | \$1.44 |
| (Loss)/gain per Ordinary Share on exceptional items (\$) | (\$0.32) | (\$0.90) | \$0.03 |
| Earnings per Ordinary Share (\$) | \$1.44 | \$0.64 | \$1.47 |
| Diluted earnings per Ordinary Share before exceptional items (\$) | \$1.76 | \$1.54 | \$1.43 |
| Diluted (loss)/gain per Ordinary Share on exceptional items (\$) | (\$0.32) | (\$0.90) | \$0.03 |
| Diluted earnings per Ordinary Share (\$) | \$1.44 | \$0.64 | \$1.46 |
| Weighted average number of Ordinary Shares in issue for basic earnings (millions) | 1,768 | 1,776 | 1,779 |
| Dilutive impact of share options outstanding (millions) | 2 | 3 | 4 |
| Diluted average number of Ordinary Shares in issue (millions) | 1,770 | 1,779 | 1,783 |

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**

A description of the principal activities of the classes of business is given in the Operational Review on pages • to •. The Zeneca Agrochemicals business is treated as discontinued following its demerger from the Group and its merger with the crop protection and seeds activities of Novartis to form Syngenta on 13 November 2000.

| | | Turnover | | |
|--|-------------|-------------|-------------|-------------|
| | | 2000 \$m | 1999 \$m | 1998 \$m |
| Healthcare | | 15,698 | 15,042 | 11,223 |
| Other trading | | 106 | 92 | 95 |
| Continuing operations | | 15,804 | 15,134 | 11,318 |
| Discontinued operations – Agrochemicals | External | 2,299 | 2,657 | 2,790 |
| | Intra-Group | - | 3 | - |
| Discontinued operations – Specialties | External | - | 654 | 1,294 |
| | Intra-Group | - | 3 | 8 |
| | | 2,299 | 3,317 | 4,092 |
| | | 18,103 | 18,451 | 15,410 |
| Intra-Group eliminations | | - | (6) | (8) |
| Group turnover | | 18,103 | 18,445 | 15,402 |
| Share of joint venture turnover | | 195 | 208 | 1,080 |
| Group turnover and share of joint venture turnover | | 18,298 | 18,653 | 16,482 |

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

| | Operating profit/(loss) after exceptionals | | | Profit/(loss) before interest and taxation | | |
|--|---|-------------|-------------|---|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m | 2000 \$m | 1999 \$m | 1998 \$m |
| Profit/(loss) arising in | | | | | | |
| Healthcare | 3,689 | 2,558 | 2,664 | 3,692 | 1,545 | 2,664 |
| Other trading | (27) | (25) | (27) | (27) | (25) | (10) |
| Continuing operations | 3,662 | 2,533 | 2,637 | 3,665 | 1,520 | 2,654 |
| Discontinued operations – Agrochemicals | 346 | 142 | 359 | 196 | 142 | 359 |
| Discontinued operations – Specialties | - | 71 | 146 | - | 308 | 100 |
| | 4,008 | 2,746 | 3,142 | 3,861 | 1,970 | 3,113 |
| Share of operating (loss)/profit of joint ventures and associates | | | | (149) | (7) | 539 |
| | | | | 3,712 | 1,963 | 3,652 |

Corporate overheads have been allocated to each business segment on a consistent basis over the periods presented. The effect of these allocations is not material.

Notes relating to the financial statements

10 Segment information (continued)

| | Net assets/(liabilities) | | | Total assets | | |
|--|--------------------------|-------------|-------------|--------------|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m | 2000 \$m | 1999 \$m | 1998 \$m |
| Healthcare | 7,585 | 7,496 | 6,975 | 13,162 | 12,403 | 10,225 |
| Other trading | 19 | (108) | 88 | 496 | 564 | 609 |
| Continuing operations | 7,604 | 7,388 | 7,063 | 13,658 | 12,967 | 10,834 |
| Discontinued operations – Agrochemicals | – | 1,860 | 2,027 | – | 2,879 | 2,977 |
| Discontinued operations – Specialties | (126) | (164) | 656 | 3 | 19 | 1,002 |
| | 7,478 | 9,084 | 9,746 | 13,661 | 15,865 | 14,813 |
| Intra-Group eliminations | – | – | – | (12) | (102) | (17) |
| Non-operating assets* | 2,064 | 1,144 | 1,074 | 4,785 | 3,939 | 3,520 |
| Investments in joint ventures and associates | – | 114 | 162 | – | 114 | 162 |
| | 9,542 | 10,342 | 10,982 | 18,434 | 19,816 | 18,478 |

* 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 | | |
|---|-----------------------|-------------|-------------|--|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m | 2000 \$m | 1999 \$m | 1998 \$m |
| Healthcare | 1,244 | 2,963 | 1,076 | 884 | 1,004 | 617 |
| Other trading | 4 | 19 | 21 | 6 | 21 | 22 |
| Continuing operations | 1,248 | 2,982 | 1,097 | 890 | 1,025 | 639 |
| Discontinued operations – Agrochemicals | 153 | 194 | 333 | 121 | 171 | 126 |
| Discontinued operations – Specialties | – | 55 | 96 | – | 91 | 56 |
| | 1,401 | 3,231 | 1,526 | 1,011 | 1,287 | 821 |

** Capital expenditure includes expenditure on goodwill and intangible assets. Healthcare capital expenditure in 1999 included the \$957m first option payment to Merck and \$720m in respect of the reacquisition of marketing rights.

Employees

Average number of people employed by the Group in

| | | | |
|---|--------|--------|--------|
| United Kingdom | 10,000 | 9,700 | 9,100 |
| Continental Europe | 20,400 | 19,200 | 17,000 |
| The Americas | 14,200 | 12,900 | 12,700 |
| Asia, Africa & Australasia | 5,500 | 5,400 | 6,000 |
| Continuing operations | 50,100 | 47,200 | 44,800 |
| Discontinued operations – Agrochemicals | 6,900 | 8,100 | 8,000 |
| Discontinued operations – Specialties | – | 2,700 | 5,500 |
| | 57,000 | 58,000 | 58,300 |

The number of people employed by the Group at the end of 2000 was 52,300 (1999 55,200, 1998 60,900).

10 Segment information (continued)

| Profit from | Operating profit after exceptional items | | | Profit after exceptional items before interest and taxation | | |
|---|---|-------------|-------------|--|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m | 2000 \$m | 1999 \$m | 1998 \$m |
| United Kingdom | 666 | 443 | 552 | 661 | 278 | 548 |
| Continental Europe | 1,084 | 1,572 | 1,160 | 943 | 1,515 | 1,163 |
| The Americas | 1,740 | 478 | 790 | 1,740 | (322) | 1,344 |
| Asia, Africa & Australasia | 172 | 40 | 135 | 172 | 39 | 133 |
| Continuing operations | 3,662 | 2,533 | 2,637 | 3,516 | 1,510 | 3,188 |
| Discontinued operations – Agrochemicals | 346 | 142 | 359 | 196 | 144 | 360 |
| Discontinued operations – Specialties | – | 71 | 146 | – | 309 | 104 |
| | 4,008 | 2,746 | 3,142 | 3,712 | 1,963 | 3,652 |

| | Net operating assets | | |
|---|----------------------|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m |
| United Kingdom | 2,041 | 1,873 | 2,140 |
| Continental Europe | 4,649 | 3,638 | 1,001 |
| The Americas | 184 | 1,130 | 1,131 |
| Asia, Africa & Australasia | 733 | 747 | 2,791 |
| Continuing operations | 7,607 | 7,388 | 7,063 |
| Discontinued operations – Agrochemicals | – | 1,860 | 2,027 |
| Discontinued operations – Specialties | (126) | (164) | 656 |
| | 7,481 | 9,084 | 9,746 |

| | Tangible fixed assets | | |
|---|-----------------------|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m |
| United Kingdom | 1,631 | 1,531 | 1,471 |
| Sweden | 1,327 | 1,434 | 1,295 |
| United States | 818 | 623 | 612 |
| Others | 1,181 | 1,147 | 1,028 |
| Continuing operations | 4,957 | 4,735 | 4,406 |
| Discontinued operations – Agrochemicals | – | 1,246 | 1,336 |
| Discontinued operations – Specialties | – | – | 539 |
| | 4,957 | 5,981 | 6,281 |

Notes relating to the financial statements

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 | | |
|---|-------------|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m |
| United Kingdom | | | |
| External | 997 | 1,115 | 1,116 |
| Intra-Group | 2,155 | 1,905 | 1,553 |
| | 3,152 | 3,020 | 2,669 |
| Continental Europe | | | |
| France | 861 | 864 | 723 |
| Germany | 778 | 849 | 861 |
| Italy | 532 | 545 | 448 |
| Netherlands | 297 | 284 | 245 |
| Spain | 402 | 441 | 273 |
| Sweden | 601 | 599 | 639 |
| Others | 891 | 950 | 855 |
| Intra-Group | 1,371 | 1,203 | 862 |
| | 5,733 | 5,735 | 4,906 |
| The Americas | | | |
| Canada | 479 | 419 | 367 |
| United States* | 8,129 | 7,344 | 4,331 |
| North America | 8,608 | 7,763 | 4,698 |
| Brazil | 133 | 132 | 179 |
| Others | 186 | 162 | 137 |
| Intra-Group | 183 | 201 | 182 |
| | 9,110 | 8,258 | 5,196 |
| Asia, Africa & Australasia | | | |
| Japan | 815 | 715 | 567 |
| Others | 703 | 715 | 577 |
| Intra-Group | 177 | 120 | 74 |
| | 1,695 | 1,550 | 1,218 |
| Continuing operations | 19,690 | 18,563 | 13,989 |
| Discontinued operations – Agrochemicals | 3,396 | 3,971 | 4,117 |
| Discontinued operations – Specialties | – | 784 | 1,553 |
| | 23,086 | 23,318 | 19,659 |
| Intra-Group eliminations | (4,983) | (4,873) | (4,257) |
| | 18,103 | 18,445 | 15,402 |

* As disclosed above, sales in the United States do not include the Group's share of sales of Astra Merck Inc., which amounted to \$857m for the first six months of 1998.

Export sales from the UK totalled \$3,429m for the year ended 31 December 2000 (1999 \$3,587m, 1998 \$3,388m).

10 Segment information (continued)

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Geographic markets | | | |
| Turnover in each geographic market in which customers located | | | |
| United Kingdom | 797 | 863 | 888 |
| Continental Europe | 4,347 | 4,555 | 4,050 |
| The Americas | 8,992 | 8,140 | 5,068 |
| Asia, Africa & Australasia | 1,668 | 1,576 | 1,312 |
| Continuing operations | 15,804 | 15,134 | 11,318 |
| Discontinued operations – Agrochemicals | 2,299 | 2,657 | 2,790 |
| Discontinued operations – Specialties | – | 654 | 1,294 |
| | 18,103 | 18,445 | 15,402 |

Notes relating 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 | 2,795 | 6,361 | 1,039 | 10,195 |
| Exchange adjustments | (212) | (465) | (87) | (764) |
| Capital expenditure | 167 | 290 | 909 | 1,366 |
| Transfer of assets into use | 179 | 404 | (583) | - |
| Agrochemicals demerger | (339) | (1,678) | (181) | (2,198) |
| Disposals and other movements | (38) | (355) | (5) | (398) |
| At end of year | 2,552 | 4,557 | 1,092 | 8,201 |
| Depreciation | | | | |
| At beginning of year | 852 | 3,362 | - | 4,214 |
| Exchange adjustments | (58) | (256) | - | (314) |
| Charge for year | 91 | 596 | - | 687 |
| Impairment | 18 | 8 | - | 26 |
| Agrochemicals demerger | (111) | (891) | - | (1,002) |
| Disposals and other movements | (53) | (314) | - | (367) |
| At end of year | 739 | 2,505 | - | 3,244 |
| Net book value at 31 December 2000 | 1,813 | 2,052 | 1,092 | 4,957 |
| Net book value at 31 December 1999 | 1,943 | 2,999 | 1,039 | 5,981 |

Capital expenditure in the year of \$1,366m (1999 \$1,476m) did not include any capitalised finance leases (1999 \$nil); cash expenditure on tangible fixed assets was \$1,347m (1999 \$1,490m). Land and buildings includes non-depreciated land which cost \$179m (1999 \$206m).

| | 2000 \$m | 1999 \$m |
|--|--------------|--------------|
| The net book value of land and buildings comprised | | |
| Freeholds | 1,809 | 1,932 |
| Long leases (over 50 years unexpired) | 2 | 5 |
| Short leases | 2 | 6 |
| | 1,813 | 1,943 |

12 Goodwill and intangible assets

| | Goodwill \$m | Intangible assets \$m | Total \$m |
|---|-----------------|-----------------------------|--------------|
| Cost | | | |
| At beginning of year | 1,184 | 3,223 | 4,407 |
| Exchange adjustments | (21) | (279) | (300) |
| Additions | 32 | 3 | 35 |
| Agrochemicals demerger | (214) | (128) | (342) |
| Disposals and other movements | (9) | - | (9) |
| At end of year | 972 | 2,819 | 3,791 |
| Depreciation | | | |
| At beginning of year | 99 | 572 | 671 |
| Exchange adjustments | (1) | (62) | (63) |
| Charge for year | 60 | 235 | 295 |
| Impairment | - | 3 | 3 |
| Agrochemicals demerger | (28) | (30) | (58) |
| Disposals and other movements | (8) | - | (8) |
| At end of year | 122 | 718 | 840 |
| Net book value at 31 December 2000 | 850 | 2,101 | 2,951 |
| Net book value at 31 December 1999 | 1,085 | 2,651 | 3,736 |

13 Fixed asset investments

| | Joint ventures \$m | Associates \$m | Other investments Listed \$m | Unlisted \$m | Total \$m |
|--|--------------------------|-------------------|------------------------------------|-----------------|--------------|
| Cost | | | | | |
| At beginning of year | 138 | 3 | 51 | 20 | 212 |
| Additions | 2 | - | - | 6 | 8 |
| Agrochemicals demerger | (2) | - | - | (9) | (11) |
| Disposals and other movements, including exchange | (4) | (3) | (51) | (6) | (64) |
| At end of year | 134 | - | - | 11 | 145 |
| Share of post-acquisition reserves | | | | | |
| At beginning of year | (30) | 3 | - | - | (27) |
| Retained loss (including provision for impairment \$88m) | (105) | (3) | - | - | (108) |
| Exchange | 1 | - | - | - | 1 |
| At end of year | (134) | - | - | - | (134) |
| Net book value at 31 December 2000 | - | - | - | 11 | 11 |
| Net book value at 31 December 1999 | 108 | 6 | 51 | 20 | 185 |

The market value of the listed investments at 31 December 2000 was \$nil (1999 \$111m).

The fair values of the unlisted investments are not materially different from their carrying values.

Notes relating to the financial statements

13 Fixed asset investments (continued)

Share of joint venture assets and liabilities

| | 2000 \$m | 1999 \$m |
|-------------------|-------------|-------------|
| Gross assets | 98 | 218 |
| Gross liabilities | (98) | (110) |
| | - | 108 |

14 Stocks

| | 2000 \$m | 1999 \$m |
|-------------------------------------|-------------|-------------|
| Raw materials and consumables | 543 | 581 |
| Stocks in process | 768 | 699 |
| Finished goods and goods for resale | 794 | 876 |
| | 2,105 | 2,156 |

15 Debtors

| | 2000 \$m | 1999 \$m |
|---|-------------|-------------|
| Amounts due within one year | | |
| Trade debtors | 2,702 | 3,026 |
| Less: Amounts provided for doubtful debts | (39) | (118) |
| | 2,663 | 2,908 |
| Deferred taxation | 118 | 78 |
| Other debtors | 468 | 619 |
| Prepayments and accrued income* | 358 | 225 |
| | 3,607 | 3,830 |
| Amounts due after more than one year | | |
| Deferred taxation | 189 | 435 |
| Other debtors | 76 | 111 |
| Prepayments and accrued income* | 88 | 94 |
| | 353 | 640 |
| | 3,960 | 4,470 |

* Figures include prepaid pension costs (Note 33).

Provisions for doubtful debts

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Balance at beginning of year | 118 | 139 | 127 |
| Profit and loss account charge | 34 | 60 | 39 |
| Amounts utilised and other movements (incl. Agrochemicals demerger) | (113) | (81) | (27) |
| Balance at end of year | 39 | 118 | 139 |

16 Short-term investments

| | 2000 \$m | 1999 \$m |
|--------------------------|-------------|-------------|
| Listed debt securities | 441 | 542 |
| Other listed investments | 46 | — |
| Other debt securities | — | 17 |
| Investment securities | 487 | 559 |
| Fixed deposits | 2,942 | 2,300 |
| | 3,429 | 2,859 |

The Group's insurance subsidiaries hold cash and short-term investments totalling \$206m (1999 \$234m), of which \$132m (1999 \$150m) 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 \$350m 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 \$165m at the year end.

17 Short-term borrowings

| | 2000 \$m | 1999 \$m |
|-------------------------------------|-------------|-------------|
| Bank borrowings | | |
| Fixed securities | 21 | 38 |
| Secured by floating charge | 11 | 6 |
| Unsecured | 91 | 299 |
| | 123 | 343 |
| Other borrowings (unsecured) | 3 | 1 |
| | 126 | 344 |

Notes relating to the financial statements

18 Other creditors

| | 2000 \$m | 1999 \$m |
|---|--------------|--------------|
| Amounts due within one year | | |
| Trade creditors | 3,003 | 1,614 |
| Corporate taxation | 891 | 640 |
| Value added and payroll taxes and social security | 76 | 55 |
| Other creditors | 1,132 | 1,753 |
| Accruals | 751 | 1,744 |
| Dividends to Shareholders | 830 | 834 |
| | 6,683 | 6,640 |
| Amounts due after more than one year | | |
| Other creditors | 296 | 460 |
| Grants not yet credited to income | - | 2 |
| | 296 | 462 |

Included in other creditors are amounts totalling \$117m (1999 \$171m) 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 \$248m in respect of synergy and integration costs, \$56m in respect of the Agrochemicals demerger and \$89m in respect of the Specialties disposal and other minor restructurings.

19 Loans

| | Repayment Dates | 2000 \$m | 1999 \$m |
|---|--------------------|-------------|-------------|
| Secured loans | | | |
| Secured by fixed charge | 2006/2007 | 34 | 19 |
| Secured by floating charge | 2003/2010 | - | 28 |
| Total secured | | 34 | 47 |
| Unsecured loans | | | |
| US dollars | | | |
| Bank loan - variable rate | 2001 | 80 | 80 |
| 6.3% Guaranteed notes | 2003 | 283 | 198 |
| 7% Guaranteed debentures | 2023 | 295 | 295 |
| Others | 2002/2013 | 27 | 153 |
| Total unsecured | | 685 | 726 |
| Total loans | | 719 | 773 |
| Less: current instalments of loans | | (88) | (34) |
| Loans due after more than one year | | 631 | 739 |

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 \$119m (1999 \$169m) of which \$32m (1999 \$42m) 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 • to •. The following disclosures exclude all short-term 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 2000 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 | 655 | 10 | 377 | 1,042 | 10.6 | 9.2 |
| Euro | 26 | - | - | 26 | - | - |
| Other | 118 | 36 | - | 154 | 5.9 | 4.3 |
| | 799 | 46 | 377 | 1,222 | | |
| Financial assets | | | | | | |
| US dollar | 3,538 | - | - | 3,538 | | |
| Euro | 91 | - | - | 91 | | |
| Other | 775 | - | 57 | 832 | | |
| | 4,404 | - | 57 | 4,461 | | |

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 \$126m 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 of 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 40 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 \$11m of other fixed asset investments on which no interest is received.

Currency exposures

One hundred per cent 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 2000, 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 and yen) are hedged using a mixture of purchased currency options and forward foreign exchange contracts. As at 31 December 2000 the Group held forward and option contracts to hedge the following forecast foreign currency transaction exposures.

| | 2000 Hedged amount \$m |
|-------------------|---------------------------------|
| Sterling payables | 1,204 |
| SEK payables | 635 |
| Euro receivables | 537 |
| Yen receivables | 51 |

Notes relating to the financial statements

20 Financial instruments (continued)

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 2000 was as follows:

| Analysis by year of repayment | 2000 | | | 1999 | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Loans \$m | Other \$m | Total \$m | Loans \$m | Other \$m | Total \$m |
| After five years | 323 | — | 323 | 332 | — | 332 |
| From five to four years | — | — | — | — | — | — |
| From four to three years | 7 | — | 7 | 294 | 108 | 402 |
| From three to two years | 291 | 120 | 411 | 18 | 127 | 145 |
| From two to one years | 10 | 128 | 138 | 95 | 116 | 211 |
| Due after more than one year | 631 | 248 | 879 | 739 | 351 | 1,090 |
| Due within one year | 88 | 255 | 343 | 34 | 448 | 482 |
| | 719 | 503 | 1,222 | 773 | 799 | 1,572 |

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 \$1.0bn at 31 December 2000. Included in this were undrawn committed facilities in respect of which all conditions precedent had been met at that date as follows:

| | 2000 \$m | 1999 \$m |
|--|-------------|-------------|
| Expiring in one year or less | 375 | — |
| Expiring in more than one year but not more than two years | 150 | 375 |
| Expiring in more than two years | — | 150 |
| | 525 | 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 2000 and 1999.

| | 2000 Carrying value \$m | 2000 Fair value \$m | 1999 Carrying value \$m | 1999 Fair value \$m |
|---|----------------------------------|------------------------------|----------------------------------|------------------------------|
| Primary financial instruments | | | | |
| Short-term borrowings | (126) | (126) | (344) | (344) |
| Loans | (738) | (746) | (792) | (778) |
| Cash | 1,021 | 1,021 | 429 | 429 |
| Short-term investments | 3,429 | 3,547 | 2,859 | 2,858 |
| Fixed asset investments | 11 | 11 | 71 | 131 |
| Derivative financial instruments held to manage the interest rate and currency profile | | | | |
| Cross-currency swaps and interest rate swaps | 19 | 64 | 19 | 14 |
| Derivative financial instruments held or issued to hedge the currency exposure on existing transactions | | | | |
| Forward foreign exchange contracts | (1) | (1) | 20 | 20 |
| Foreign currency option contracts | 1 | – | 32 | 35 |
| 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 | 80 | 80 | 32 | 35 |

In addition to the primary financial instruments above, the Group has financial liabilities of \$377m comprising deferred payments due, totalling \$403m before discounting. The Group has a standby letter of credit covering these financial liabilities and 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 2001. 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 estimated using the spot rates of exchange existing at year end and accruing any interest differential.
- Foreign currency option contracts – the Group has foreign currency option contracts to hedge anticipated, but not firmly committed, non-dollar commercial transactions for 2001. The fair value of option contracts is estimated using Black-Scholes valuation techniques as adapted by Garman 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 relating 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/(losses) \$m |
|---|--------------|---------------|------------------------------------|
| Unrecognised gains and losses on hedges at 1 January 2000 | 3 | (9) | (6) |
| Gains and losses arising in previous years that were recognised in 2000 | 3 | (4) | (1) |
| Gains and losses arising in previous years that were not recognised in 2000 | - | (5) | (5) |
| Unrecognised gains and losses on hedges at 31 December 2000 | 46 | (1) | 45 |
| Gains and losses expected to be recognised in 2001 | 9 | (1) | 8 |
| Gains and losses expected to be recognised in 2002 or later | 37 | - | 37 |

21 Provisions for liabilities and charges

| | Integration and synergies \$m | Employee benefits \$m | Environmental and other provisions \$m | Total \$m |
|--------------------------------------|-------------------------------------|-----------------------------|---|--------------|
| At 1 January 1999 | - | 796 | 249 | 1,045 |
| Profit and loss account | 819 | 128 | 132 | 1,079 |
| Net amounts paid or becoming current | (703) | (98) | (71) | (872) |
| Disposals | - | (11) | (4) | (15) |
| Other movements, including exchange | (2) | (35) | 53 | 16 |
| At 31 December 1999 | 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 |

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 \$85m (1999 \$144m) 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

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Shareholders' funds at beginning of year | 10,302 | 10,929 | 9,552 |
| Net profit for the financial year | 2,538 | 1,143 | 2,611 |
| Dividends | | | |
| Cash | (1,236) | (1,242) | (1,061) |
| Dividend in specie | (1,669) | - | - |
| | (367) | (99) | 1,550 |
| Issues of AstraZeneca PLC Ordinary Shares | 19 | 19 | 12 |
| Repurchase of AstraZeneca PLC Ordinary Shares | (353) | (183) | - |
| Astra AB minority interest buyout | (8) | (142) | - |
| Goodwill written back | 862 | 410 | - |
| Exchange adjustments on net assets | (1,038) | (740) | (178) |
| Translation differences on foreign currency borrowings | 154 | 132 | (7) |
| Tax on translation differences on foreign currency borrowings | (42) | (22) | 2 |
| Movement in unrealised holding gains and losses on short-term investments | - | - | 2 |
| Other movements | (8) | (2) | (4) |
| Net (reduction in)/addition to Shareholders' funds | (781) | (627) | 1,377 |
| Shareholders' funds at end of year | 9,521 | 10,302 | 10,929 |

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 1997 | 40 | - | 583 | 97 | (15) | 8,249 | 8,954 |
| Profit retained for year | | | | | (3) | 1,553 | 1,550 |
| Share premiums | 14 | | | | | (4) | 10 |
| Exchange adjustments: | | | | | | | |
| Goodwill | | | | (43) | | 43 | - |
| Net assets | | | | | 6 | (184) | (178) |
| On foreign currency borrowings | | | | | | (7) | (7) |
| Foreign currency borrowings tax effect | | | | | | 2 | 2 |
| | | | | (43) | 6 | (146) | (183) |
| Movement in unrealised holding gains and losses | | | | 2 | | | 2 |
| Other movements | | | | | | (4) | (4) |
| Net movements | 14 | - | - | (41) | 3 | 1,399 | 1,375 |

Notes relating 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 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) | - |
| Astra AB minority interest buyout | | | (142) | | | | (142) |
| Repurchase of shares | | 1 | | | | (183) | (182) |
| Goodwill written back | | | | 410 | | | 410 |
| Exchange adjustments: | | | | | | | |
| Goodwill | | | | 80 | | (80) | - |
| Net assets | | | | | 1 | (741) | (740) |
| On foreign currency borrowings | | | | | | 132 | 132 |
| Foreign currency borrowings tax effect | | | | | | (22) | (22) |
| | | | | 80 | 1 | (711) | (630) |
| Other movements | | | | | | (2) | (2) |
| Net movements | 148 | 1 | (142) | 647 | (15) | (1,110) | (471) |
| 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 |

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 \$606m (1999 \$1,537m, 1998 \$2,027m), using 2000 year-end rates of exchange.

23 Reserves (continued)

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 United Kingdom 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

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Operating profit before exceptional items | 4,330 | 3,908 | 3,051 |
| Depreciation and amortisation | 988 | 1,069 | 821 |
| Stocks increase | (670) | (416) | (262) |
| Debtors increase | (987) | (448) | (479) |
| Creditors increase | 1,317 | 645 | 818 |
| Other non-cash movements | 14 | (59) | (132) |
| | 4,992 | 4,699 | 3,817 |

25 Cash flows related to exceptional items

| | 2000 \$m | 1999 \$m | 1998 \$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 | (532) | (527) | (148) |
| Salick Health Care rationalisation | (11) | 12 | - |
| Agrochemicals restructuring | (46) | (20) | - |
| Costs relating to the disposal of Specialties business | (62) | (338) | - |
| Demerger of Zeneca Agrochemicals and formation of Syngenta | (65) | - | - |
| Granting of US Imdur marketing rights | - | - | 163 |
| Outflow related to exceptional charges | (809) | (1,586) | 15 |
| Proceeds from the disposal of Specialties business (included in 'Acquisitions and disposals') | - | 1,956 | - |
| Repayment of debt by Zeneca Agrochemicals | 909 | - | - |
| Exceptional item cash flow | 100 | 370 | 15 |
| 'First Option' payment to Merck (included in 'Net cash expenditure on fixed assets') | - | (967) | - |
| Exceptional and merger related cash flow | 100 | (597) | 15 |

Notes relating to the financial statements

26 Acquisitions and purchases of minority interests

There were no significant business acquisitions in 2000 or 1999. The principal acquisitions during 1998 were the purchase of Ishihara Sangyo Kaisha Ltd's worldwide chlorothalonil business on 4 February 1998, the remaining 50% of the Astra Merck partnership on 30 June 1998, and the pharmaceuticals business of Orica Ltd on 4 September 1998. All these acquisitions have been accounted for by the acquisition method of accounting.

| | 2000 Total fair value \$m | 1999 Total fair value \$m | 1998 Total fair value \$m |
|--|------------------------------------|------------------------------------|------------------------------------|
| Fixed assets | - | - | 1,028 |
| Current assets | - | 10 | 1,298 |
| Creditors due within one year | - | (7) | (953) |
| Creditors due after more than one year | - | - | (53) |
| Provisions for liabilities and charges | - | - | (79) |
| Minority interest | - | (1) | - |
| Fair value of net assets acquired | - | 2 | 1,241 |
| Goodwill acquired | 32 | 7 | 1,322 |
| Consideration for subsidiaries and operations acquired | 32 | 9 | 2,563 |
| Purchases of minority interest | 135 | 20 | 7 |
| | 167 | 29 | 2,570 |
| Less: | | | |
| Equity accounted carrying value of existing interest | - | - | (537) |
| Cash included in undertaking acquired | - | (1) | (3) |
| Deferred consideration | - | (5) | (17) |
| Net cash consideration | 167 | 23 | 2,013 |

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 the year.

27 Zeneca Agrochemicals demerger

On 13 November 2000 Zeneca Agrochemicals was demerged from the AstraZeneca 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 is set out below.

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

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

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

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'. 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 also disposed of for \$25m.

Notes relating to the financial statements

29 Reconciliation of net cash flow to movement in net funds

| | 2000 \$m | 1999 \$m | 1998 \$m |
|--|--------------|--------------|--------------|
| Increase/(decrease) in cash | 640 | (280) | (186) |
| Cash outflow from decrease in loans, short-term borrowings and leases | 66 | 21 | 217 |
| Cash outflow/(inflow) from increase/(decrease) in short-term investments | 608 | 254 | (974) |
| Change in net funds resulting from cash flows | 1,314 | (5) | (943) |
| Debt released on disposals/cash acquired on acquisitions | 127 | 12 | 391 |
| Other non-cash changes | 48 | - | (2) |
| Exchange movements | (53) | (92) | (63) |
| Movement in net funds | 1,436 | (85) | (617) |
| Net funds at 1 January | 2,169 | 2,254 | 2,871 |
| Net funds at 31 December | 3,605 | 2,169 | 2,254 |

30 Analysis of net funds

| | At 1 Jan 2000 \$m | Cash flow \$m | Acquisitions* and disposals \$m | Other non-cash \$m | Exchange movements \$m | At 31 Dec 2000 \$m |
|---|-------------------------|---------------------|---------------------------------------|--------------------------|------------------------------|--------------------------|
| Loans due after one year | (739) | (28) | 25 | 99 | 12 | (631) |
| Current instalments of loans | (34) | 25 | 11 | (97) | 7 | (88) |
| Finance leases | (2) | 2 | - | - | - | - |
| Total loans and lease finance | (775) | (1) | 36 | 2 | 19 | (719) |
| Short-term investments | 2,859 | 608 | (1) | 46 | (83) | 3,429 |
| Cash | 429 | 613 | - | - | (21) | 1,021 |
| Overdrafts | (167) | 27 | - | - | 27 | (113) |
| Short-term borrowings, excluding overdrafts | (177) | 67 | 92 | - | 5 | (13) |
| | 2,944 | 1,315 | 91 | 46 | (72) | 4,324 |
| Net funds | 2,169 | 1,314 | 127 | 48 | (53) | 3,605 |

Financing item included in cash movements above:

| | |
|----------------------|------|
| Issue of shares | (19) |
| Repurchase of shares | 353 |

Net cash inflow before management of liquid resources and financing

1,648

* Excluding cash and overdrafts

31 Financing

| | Notes | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------|-------------|-------------|-------------|
| Issues of AstraZeneca PLC Ordinary Shares | | 19 | 19 | 12 |
| Repurchase of AstraZeneca PLC Ordinary Shares | | (353) | (183) | - |
| Issue of shares by subsidiaries to minority interests | | - | 3 | - |
| | 30 | (334) | (161) | 12 |
| Repayment of lease finance | 30 | (2) | (6) | (9) |
| New loans | | 39 | 39 | - |
| Loans repaid | | (36) | (40) | (110) |
| Net decrease in short-term borrowings | 30 | (67) | (14) | (98) |
| | | (64) | (15) | (208) |
| Net cash outflow from financing | | (400) | (182) | (205) |

A major non-cash financing transaction in 1999 was the issue of shares in connection with the merger, as described in Note 40.

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. Former Zeneca plans are, generally, funded plans which are effected through separate trustee-administered funds. The Swedish plan for salaried employees is administered by Pritjänst AB, a joint company for Swedish industry, and benefit levels and actuarial assumptions are established by Försäkringsbolaget SPP. 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 2000 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 6.1% 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 £2,650m, equivalent, after allowing for future increases in earnings and pensions, to 101% of the benefit obligation that had accrued to members at the valuation date using the accounting basis, or 90% 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 15.5% of members' total pensionable salaries. The Group has increased its total contributions to the fund in accordance with the actuary's advice.

Since the valuation date the UK fund has been split, with approaching a quarter of the UK fund's assets and liabilities representing both current and former employees being transferred to a Zeneca Agrochemicals Pension Fund. Following this split, and the transfer in of employees in the smaller legacy Astra UK defined benefit pension scheme on 31 December 2000, a further actuarial valuation of the main UK defined benefit fund will be completed as at 31 March 2001.

In total the Group's main funded defined benefit plans (including the UK plans) held assets at their most recent valuation dates whose market values amounted to \$4,987m. After allowing for future increases in earnings and pensions, 100% 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 2000 was \$184m (1999 \$298m, 1998 \$265m). In the Group balance sheet at 31 December 2000, accrued pension costs amounted to \$23m (1999 \$44m) and were included in other creditors (Note 18); provisions for unfunded benefit obligations, included in provisions (Note 21), amounted to \$413m (1999 \$451m). Prepaid pension costs amounting to \$4m (1999 \$74m) were included in debtors (Note 15).

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 6,761 retired employees and covered dependants currently benefit from these provisions and some 12,743 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 2000 was \$25m (1999 \$21m, 1998 \$22m). Provisions for the benefit obligations at 31 December 2000 amounted to \$233m (1999 \$232m, 1998 \$237m). Other than this provision there were no plan assets at 31 December 2000.

Notes relating to the financial statements

33 Employee costs and share option plans for employees

Employee costs

The average number of people employed by the Group in 2000 was 57,000 (1999 58,000, 1998 58,300) and the costs incurred during the year in respect of these employees were:

| | 2000 \$m | 1999 \$m | 1998 \$m |
|------------------------|-------------|-------------|-------------|
| Salaries | 2,862 | 2,849 | 2,810 |
| Social security costs | 464 | 479 | 480 |
| Pension costs | 184 | 202 | 170 |
| Other employment costs | 170 | 194 | 210 |
| | 3,680 | 3,724 | 3,670 |

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

The Zeneca Employee Performance Bonus Plan, a discretionary bonus scheme for UK staff based on trading results with bonuses being related to the achievement of performance targets, was discontinued at the end of 2000. It has been superseded in 2001 by 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 supersedes the Zeneca Executive Performance Bonus Scheme and 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

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. The Remuneration Committee sets the policy for the Company's operation of the plan. Further details are set out below.

Sweden

The Astra Profit Sharing Plan was discontinued at the end of 1999 and has been replaced in Sweden by an all employee performance bonus plan effective from 2000. The plan rewards good performance at corporate, function and individual/team level. Bonuses for corporate and function performance are always paid in the form of AstraZeneca Ordinary Shares. Bonuses for individual/team performance may be paid in Ordinary Shares or in cash, at the employee's discretion. Existing Ordinary Shares are used to pay bonuses awarded under the plan. These are purchased in the market. They must be left in trust for three years.

The AstraZeneca Executive Annual Bonus Scheme and the AstraZeneca Share Option Plan both operate in respect of relevant AstraZeneca employees in Sweden.

USA

In the USA, 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 271 participants in these schemes. AstraZeneca ADSs necessary to satisfy the awards under these schemes are purchased on the open market, and no subscriptions for new Ordinary Shares have been involved.

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

Share Option Schemes

At 31 December 2000, 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 criterion at intervals to ensure that it continues 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 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 ten 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 per cent 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).

Notes relating to the financial statements

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.

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.

Demerger of Zeneca Agrochemicals

In order to recognise the potential loss in value of options over AstraZeneca Ordinary Shares as a result of the demerger of Zeneca Agrochemicals by way of the declaration and payment of a dividend in specie (to which option holders, unlike shareholders, were not entitled), the Company took the steps outlined below with regard to all individuals who held options over AstraZeneca Ordinary Shares on 10 November 2000 under either the Zeneca 1993 Senior Staff Share Option Scheme, the Zeneca 1994 Executive Share Option Scheme, the AstraZeneca Savings-Related Share Option Scheme or the AstraZeneca Share Option Plan. Option holders under the Astra Shareholder Value Incentive Plan will be treated in the same way. These arrangements were reviewed and approved by the Remuneration Committee and the overall calculation of the number of additional Ordinary Shares allocated was reviewed independently by Goldman Sachs International and confirmed by them as fair and reasonable in the circumstances.

- (a) Option holders were allocated additional AstraZeneca Ordinary Shares on an ex gratia basis in accordance with the following formula:

$$\text{Number of AstraZeneca Ordinary Shares under option on 10 November 2000} \times \frac{33.65}{40.237651 \times 35.14} \times 30\%$$

£33.65 = the Syngenta global offer price per share

£35.14 = the AstraZeneca Ordinary Share closing price in London on 11 October 2000 (the date of the EGM to approve the dividend in specie)

40.237651 = the final ratio for determining the number of AstraZeneca shares required to be held in order to receive 1 Syngenta share.

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

(b) Option holders under the AstraZeneca Savings-Related Share Option Scheme and option holders working in the agrochemical business were entitled to receive their additional allocation of AstraZeneca Ordinary Shares immediately, as were former employees entitled to the additional allocation.

(c) Option holders under schemes other than the AstraZeneca Savings-Related Share Option Scheme working in the pharmaceutical business will be entitled to receive their additional allocation of AstraZeneca Ordinary Shares on 13 November 2003, the third anniversary of the creation of Syngenta AG. The Executive Vice-President, Human Resources has discretion to release to pharmaceutical employees their additional allocation of AstraZeneca Ordinary Shares at an earlier date in appropriate circumstances, such as retirement.

It is anticipated that the cost to the Company of purchasing the additional AstraZeneca Ordinary Shares to make the allocation described above will not exceed \$7m. The average number of additional AstraZeneca Ordinary Shares received by each option holder will be approximately 11.

| | 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 |
| Movements during 1998 | | | | | | | | |
| Options granted | | | 612 | 2433 | 803 | 2146 | 344 | 442 |
| Options exercised | | | 564 | 971 | 67 | 874 | Nil | |
| Options forfeited | | | 17 | 1495 | 137 | 1276 | Nil | |
| Options lapsed | | | Nil | | Nil | | Nil | |
| Weighted average fair value of options granted during the year | | | | 569 | | 540 | | 117 |
| At 31 December 1998 | | | | | | | | |
| 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 | | | | | | | | |
| At 31 December 2000 | | | | | | | | |
| Options outstanding | 712 | 3093 | 10,987 | 2,588 | 3,826 | 2074 | 1,090 | 370 |
| Range of exercise prices | | 3093p | 826p to 2749p | | 1023p to 2806p | | 298SEK 442SEK | |
| Weighted average remaining contractual life | 3,521 days | | 3,198 days | | 1,146 days | | 1,319 days | |
| Options exercisable | 2 | 3093 | 1,064 | 1,618 | 79 | 1146 | 1,090 | 370 |

* Weighted Average Exercise Price

In addition to the schemes disclosed above at 31 December 2000 there were 92,026 options outstanding issued under the Zeneca 1993 Senior Staff Share Option Scheme with a weighted average exercise price of 689p.

Notes relating to the financial statements

34 Directors' interests in shares and debentures

The interests at 31 December 2000 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.

| | Interest in Ordinary Shares, including shares held in trust, at 1 January 2000 or appointment date | Shares held in trust at 1 January 2000 or appointment date | Net shares acquired | Interest in Ordinary Shares, including shares held in trust, at 31 December 2000 or resignation date | Shares held in trust at 31 December 2000 or resignation date |
|-------------------------|---|---|---------------------------|---|---|
| Percy Barnevik | 100,000 | - | - | 100,000 | - |
| Håkan Mogren | 55,740 | - | 9,966 | 65,706 | 9,282 |
| Tom McKillop | 65,176 | 18,414 | 8,759 | 73,935 | 18,812 |
| Åke Stavling | 537 | - | 8,041 | 8,578 | 7,624 |
| Jonathan Symonds | 6,252 | 3,302 | 7,790 | 14,042 | 10,364 |
| Claes Wilhelmsson | 18,349 | - | 8,774 | 27,123 | 8,316 |
| Sir David Barnes | 214,576 | 19,026 | 3,058 | 217,634 | 12,148 |
| Sir Peter Bonfield | 500 | - | - | 500 | - |
| Karl von der Heyden | 10,000 | - | 10,000 | 20,000 | - |
| Erna Möller | 2,118 | - | 600 | 2,718 | - |
| Dame Bridget Ogilvie | 500 | - | - | 500 | - |
| Lars Ramqvist | 500 | - | - | 500 | - |
| Marcus Wallenberg | 74,504 | - | - | 74,504 | - |
| Former directors | | | | | |
| Michael Pragnell | 9,394 | 5,404 | 6,822 | 16,216 | 3,958 |

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 are long-term incentive bonus shares appropriated under the Zeneca Executive Performance Bonus Scheme which have not yet been released.

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.

34 Directors' interests in shares and debentures (continued)

| | | No. of shares under option | Exercise price per share† | Market price at date of exercise | First date exercisable* | Last date exercisable* |
|-------------------|---------------------|-------------------------------|---------------------------------|--|----------------------------|---------------------------|
| Sir David Barnes | At 1 Jan 2000 | 144,031 | 984p | | 28.05.95 | 28.03.06 |
| | Exercised | 3,000 | 630p | 2700p | 24.06.96 | 23.06.03 |
| | At 31 Dec 2000 | 141,031 | 992p | | 28.05.95 | 17.11.03 |
| Håkan Mogren | At 1 Jan 2000 | 49,108 | 2749p | | 13.12.02 | 12.12.09 |
| | Granted | 24,871 | 2714p | | 16.03.03 | 15.03.10 |
| | Granted | 21,823 | 3093p | | 23.08.03 | 22.08.10 |
| | At 31 Dec 2000 | 95,802 | 2818p | | 13.12.02 | 22.08.10 |
| Tom McKillop | At 1 Jan 2000 | 142,684 | 1694p | | 05.04.97 | 24.03.09 |
| | Granted | 22,108 | 2714p | | 16.03.03 | 15.03.10 |
| | Granted | 29,097 | 3093p | | 23.08.03 | 22.08.10 |
| | At 31 Dec 2000 | 193,889 | 2020p | | 05.04.97 | 22.08.10 |
| Åke Stavling | At 1 Jan 2000 | 30,701 | 2508p | | 26.05.02 | 25.05.09 |
| | Granted | 14,186 | 2714p | | 16.03.03 | 15.03.10 |
| | Granted | 13,417 | 3093p | | 23.08.03 | 22.08.10 |
| | At 31 Dec 2000 | 58,304 | 2693p | | 26.05.02 | 22.08.10 |
| Jonathan Symonds | At 1 Jan 2000 | 73,704 | 2296p | | 01.10.00 | 24.08.09 |
| | Granted | 28,451 | 3093p | | 23.08.03 | 22.08.10 |
| | At 31 Dec 2000 | 102,155 | 2518p | | 01.10.00 | 22.08.10 |
| Claes Wilhelmsson | At 1 Jan 2000 | 33,492 | 2508p | | 26.05.02 | 25.05.09 |
| | Granted | 17,686 | 2714p | | 16.03.03 | 15.03.10 |
| | Granted | 12,932 | 3093p | | 23.08.03 | 22.08.10 |
| | At 31 Dec 2000 | 64,110 | 2683p | | 26.05.02 | 22.08.10 |
| Michael Pragnell | At 1 Jan 2000 | 106,509 | 1349p | | 06.04.98 | 24.03.09 |
| | Granted | 9,580 | 2714p | | 16.03.03 | 15.03.10 |
| | Exercised | 20,000 | 885p | 3294p | 06.04.98 | 05.04.05 |
| | At resignation date | 96,089 | 1582p | | 06.04.98 | 15.03.10 |

† 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 2000 and no further options have been or will be granted under the scheme.

| | | | | | | |
|-------------------|----------------|--------|--------|--|----------|----------|
| Håkan Mogren | At 1 Jan 2000 | 37,480 | 359SEK | | 06.04.99 | 23.01.06 |
| | At 31 Dec 2000 | 37,480 | 359SEK | | 06.04.99 | 23.01.06 |
| Åke Stavling | At 1 Jan 2000 | 16,193 | 369SEK | | 06.04.99 | 23.01.06 |
| | At 31 Dec 2000 | 16,193 | 369SEK | | 06.04.99 | 23.01.06 |
| Claes Wilhelmsson | At 1 Jan 2000 | 17,168 | 365SEK | | 06.04.99 | 23.01.06 |
| | At 31 Dec 2000 | 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 \$0.8m (1999 \$0.1m, 1998 \$nil) and the gains made by the highest paid director were \$nil (1999 \$47,000, 1998 \$nil). The market price of the shares at 31 December 2000 was 3375p and the range during 2000 was 1926p to 3600p. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

On demerger of Zeneca Agrochemicals, Directors who held options over AstraZeneca Ordinary Shares became entitled to additional shares as set out in Note 33.

Notes relating to the financial statements

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 2000 was \$*m (including \$385,000 to the Chairman). Remuneration of individual Directors was as follows:

| | Salary and fees \$'000 | Bonuses \$'000 | Taxable benefits \$'000 | Other \$'000 | Total 2000 \$'000 | Total 1999 \$'000 | Total 1998 \$'000 |
|------------------------|------------------------------|-------------------|-------------------------------|-----------------|-------------------------|-------------------------|-------------------------|
| Percy Barnevik | 385 | | | | 385 | 300 | - |
| Håkan Mogren | 1,040 | 499 | 25 | | 1,564 | 1,500 | - |
| Tom McKillop | 1,155 | 554 | 28 | 84** | 1,821 | 1,741 | 848 |
| Åke Ståvling | 616 | 293 | 25 | | 934 | 842 | - |
| Jonathan Symonds | 678 | 413 | 20 | 123† | 1,234 | 1,149 | 734 |
| Claes Wilhelmsson | 680 | 339 | 20 | | 1,039 | 885 | - |
| Sir David Barnes | 313 | 254* | 15 | | 582 | 1,217 | 1,426 |
| Sir Peter Bonfield | 59 | | | | 59 | 57 | 45 |
| Karl von der Heyden | 63 | | | | 63 | 61 | 12 |
| Erna Möller | 69 | | | | 69 | 46 | - |
| Dame Bridget Ogilvie | 69 | | | | 69 | 57 | 45 |
| Lars Ramqvist | 63 | | | | 63 | 49 | - |
| Marcus Wallenberg | 59 | | | | 59 | 46 | - |
| Other/Former Directors | 539 | 100 | 47 | | 686 | 2,245 | 2,681 |
| Total | 5,788 | 2,452 | 180 | 207 | 8,627 | 10,195 | 5,791 |

† Payments for pension related tax liabilities.

* Bonus takes into account stepping down from executive position after long and valuable service.

** Relates to relocation allowances.

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 99.

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 are subject to termination on reaching the age of 62 years (unless extended by mutual consent) or on notice periods of up to two years being given by AstraZeneca or such employee.

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

35 Emoluments of Directors (continued)

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 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 pages • to •.

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 2000 or date of appointment | 644 | 928 | 232 | 362 |
| 2. Increase in accrued pension during year as a result of inflation | | | | |
| 3. Adjustment to accrued pension as a result of salary increase relative to inflation | | | | |
| 4. Increase in accrued pension as a result of additional service | | | | |
| 5. Accrued pension at 31 December 2000 or date of resignation | | 958 | 436 | 542 |
| 6. Employee contributions during year | | | | |
| 7. Age at 31 December 2000 or date of resignation (years) | 57 ⁹ / ₁₂ | 56 ³ / ₁₂ | 55 ¹¹ / ₁₂ | 61 ⁹ / ₁₂ |
| 8. Pensionable service (years) | 31 ³ / ₁₂ | 28 ³ / ₁₂ | 27 ¹¹ / ₁₂ | 33 ⁹ / ₁₂ |

† 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 208

The contributions and accrued benefits shown above are paid in pounds sterling or Swedish kronor and have been translated into US dollars for convenience purposes at rates of \$1=£0.65 and \$1=SEK 8.91 respectively.

Notes relating to the financial statements

35 Emoluments of Directors (continued)

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 members 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 a money purchase arrangement whose objective is to provide benefits similar to that which would have been achieved under the UK 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. The pensionable salary is adjusted yearly in accordance with the consumer price index. 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

| | 2000 \$m | 1999 \$m | 1998 \$m |
|--|-------------|-------------|-------------|
| Assets pledged | | | |
| Mortgages and other assets pledged | 51 | 47 | 47 |
| Commitments | | | |
| Contracts placed for future capital expenditure not provided for in these accounts | 590 | 383 | 411 |

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.

36 Assets pledged, commitments and contingent liabilities (continued)

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. Payments under this agreement for 2000 totalled approximately \$110m.

Pursuant to the restructuring of the joint venture with Merck & Co., Inc. (see Note 4), 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 USA.

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 USA. 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 license agreement will continue indefinitely with respect to the compounds still subject to the license agreement at the time of the merger, the value of which license 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 1998, 1999 and 2000.

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 USA. 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 35 sites (although AstraZeneca expects to be indemnified against liabilities associated with eight of these sites by the seller 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 33 sites (including 20 for which AstraZeneca has been named a PRP) for which it may have responsibility that will, in aggregate, require significant expenditure on clean-up and monitoring.

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, although the availability of pollution insurance and the scope for recovery under such insurance are uncertain, particularly in North America. In the future the availability of historical insurance to offset these liabilities will be reduced as a result of certain insurance settlements effected this year by Stauffer Management Company (SMC), an AstraZeneca Group company, as part of closing out our exposure to some material environmental claims.

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 potentially responsible parties. 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.

Notes relating to the financial statements

36 Assets pledged, commitments and contingent liabilities (continued)

AstraZeneca has provisions at 31 December 2000 in respect of such costs in accordance with the accounting policies on page •. 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 (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/Prilosec*, 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 case does not involve any financial claims.

In March 2000, the German Federal Patent Court declared that AstraZeneca's formulation patent for *Losec/Prilosec* 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 USA 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 USA. 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. The basis for the proceedings is that the actions of all the companies infringe several patents related to *Prilosec/Losec*.

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. On 6 November 2000, AstraZeneca applied for special leave to appeal the decision to the High Court of Australia.

During 2000, AstraZeneca was granted interlocutory injunctions based on certain of AstraZeneca's omeprazole patents and supplementary protection certificates against the generic company, Scandinavian Pharmaceutics-Generics AB, in Sweden, Denmark and Norway. Scandinavian Pharmaceutics-Generics cannot sell its omeprazole product pending the outcome of the main actions in these cases. If AstraZeneca loses in a final decision, Scandinavian Pharmaceutics-Generics 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 defendant in a number of patent infringement proceedings brought by 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.

36 Assets pledged, commitments and contingent liabilities (continued)

Nolvadex (tamoxifen)

In January 1996, Zeneca Limited received a letter from Mylan Pharmaceuticals Inc. stating that Mylan had filed an abbreviated new drug application with the FDA seeking permission to market tamoxifen citrate in the USA and asserting that Zeneca's patent for tamoxifen citrate was invalid and unenforceable. Zeneca disputed Mylan's position and in February 1996 filed an action against Mylan in the Federal District Court for the Western District of Pennsylvania. Among other things, Mylan asserted affirmative defences and counterclaims alleging patent misuse, unclean hands and collateral estoppel (based on Zeneca's settlement of an earlier patent dispute in 1993), which Zeneca denied. The case was dismissed without prejudice pending the resolution of the Pharmachemie case, described below.

Notification was received by Zeneca Limited in February 1996 that Pharmachemie BV had filed an abbreviated new drug application with the FDA to market tamoxifen citrate in the USA and asserting that Zeneca's US patent for tamoxifen citrate was invalid and unenforceable. Zeneca disputed Pharmachemie's position and in March 1996 filed an action against Pharmachemie in the Federal District Court for the District of Maryland. This matter was transferred to the US District Court for the District of Massachusetts. After the close of discovery in this case, Zeneca filed a motion for partial summary judgement on Pharmachemie's affirmative defences of patent misuse, unclean hands and collateral estoppel (similar to those asserted by Mylan). In February 1999, the court issued an order granting the motion and dismissing such affirmative defences with prejudice.

After a 1999 jury trial on the remaining patent claims, the court ruled that the tamoxifen citrate patent was valid and enforceable, and that Pharmachemie had infringed the patent. The court rejected Pharmachemie's claims of inequitable conduct by Zeneca and entered a final judgment in Zeneca's favour pursuant to an order dated 14 September 2000 and an amended order dated 27 October 2000. Pharmachemie did not appeal. Subsequently, Mylan Pharmaceuticals agreed with Zeneca to resolve conclusively its patent claims in favour of Zeneca through the entry of an order analogous to the order in the Pharmachemie case, which order was entered by the court on 30 November 2000.

AstraZeneca is a co-defendant with Barr Laboratories in four purported class actions pending in the United States District Court for the Eastern District of New York, one purported class action pending in Michigan state court and one pending in California. Four of the cases, including the Michigan and California cases, were filed by plaintiffs representing a putative class of consumers who purchased tamoxifen. The fifth case was 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.

Diprivan (propofol)

AstraZeneca's new formulation of *Diprivan* (propofol) containing the antimicrobial agent, disodium edetate, has patent protection in the USA expiring in March 2015. In 1998, notices were received by Zeneca Limited that GensiaSicor Pharmaceuticals, Inc. had submitted a propofol product that contained no antimicrobial agent, and a propofol product that contained an antimicrobial agent different from that contained in new formulation *Diprivan*, for FDA approval. Zeneca Inc. filed with the FDA a 'Citizens Petition' asking the FDA to withdraw its approval for the formulation of *Diprivan* that did not contain the antimicrobial agent used by Zeneca and the FDA granted this petition on 10 December 1998. Zeneca also petitioned the FDA not to approve any generic version of propofol which (i) does not contain any antimicrobial agent and (ii) contains any antimicrobial agent other than the one used in *Diprivan*, without adequate clinical and scientific studies to support the product's safety. On 4 January 1999, Zeneca learned that this petition was denied and that the FDA had granted approval to GensiaSicor's abbreviated new drug application for a propofol product containing the antimicrobial agent, sodium metabisulfite. AstraZeneca did not agree with the FDA's decision and on 5 February 1999 Zeneca Inc. filed a lawsuit in the US District Court for the District of Maryland seeking a preliminary and permanent injunction enjoining (i) the FDA's approval of GensiaSicor's ANDA for a propofol product that contains the antimicrobial, sodium metabisulfite, and (ii) the FDA's approval of GensiaSicor's propofol product until AstraZeneca's market exclusivity terminated on 11 June 1999. Shortly after Zeneca filed the action against the FDA, GensiaSicor intervened. In March 1999, the District Court denied Zeneca's motion for preliminary injunction. Shortly thereafter, Zeneca filed a motion for summary judgement and the FDA and GensiaSicor filed cross-motions for summary judgement. In August 1999, the District Court denied Zeneca's motion for summary judgement and granted the FDA's and GensiaSicor's cross-motions for summary judgement and entered judgement in their favour. Zeneca appealed the District Court's decision to the United States Court of Appeals for the Fourth Circuit, which affirmed the decision of the District Court.

Notes relating to the financial statements

36 Assets pledged, commitments and contingent liabilities (continued)

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 USA 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.

Zeneca Inc. was named a defendant in more than 140 separate complaints, including a consolidated action on behalf of a class of retail pharmacies now pending in the federal court of Chicago, Illinois (in November 1994, the federal court in Chicago certified this class); four actions on behalf of purported classes of retail pharmacies pending in state court in San Francisco, California; one action in an Alabama state court; one purported class action in a Wisconsin state court; one purported class action in a Minnesota state court; an individual action in state court in Mississippi; and fourteen purported class actions on behalf of consumers in Alabama, Arizona, California, Florida, Kansas, Maine, Michigan, Minnesota, New York, North Carolina, Tennessee, Washington, Washington DC, and Wisconsin state courts. The Alabama action purports to bring claims on behalf of consumers from the following states: Kansas, Maine, Michigan, Minnesota, Washington DC, Mississippi, New Mexico, North Dakota, South Dakota and West Virginia. A second Tennessee action brought in 1998 asserts claims on behalf of consumers of Tennessee, Alabama, Arizona, Florida, Kansas, Maine, Michigan, Minnesota, New Mexico, North Carolina, North Dakota, South Dakota, West Virginia and Wisconsin. During 1999, four new consumer class actions were filed in New Mexico, North Dakota, South Dakota and West Virginia. Classes have been certified in the California retailer and consumer actions and the 1998 Tennessee action. The actions in federal court generally allege violations of Section 1 of the Sherman Act, and in some cases, violations of Section 2(a) and Section 2(d) of the Robinson-Patman Act. The actions in California state court allege violations of the California Unfair Practices Act, the Cartwright Act and the Unfair Competition Act. The state cases allege violations of the respective state statutes analogous to the federal anti-trust and/or unfair competition laws. The complaints generally seek injunctive relief barring the allegedly unlawful conduct, and unspecified damages which would be trebled under applicable law. The complaints also seek costs, interest and reasonable attorney's fees.

Zeneca 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. Zeneca has 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 the federal court of Chicago, Illinois. Zeneca has also settled the Minnesota and Wisconsin retail cases as well as all the consumer cases, except for Alabama and the 1998 Tennessee action. Zeneca 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.

CERCLA

AstraZeneca is subject to a number of environmental litigation proceedings in the USA. In particular, in 1990, the US and State of California Trustees filed an action under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, in the US District Court for the Central District of California against defendants including Stauffer Management Company (SMC), Montrose Chemical Corporation of California and several other AstraZeneca-related entities alleging DDT related natural resource damage near two ocean dump sites, the Los Angeles/Long Beach Harbors and the Palos Verdes Shelf. Rhône-Poulenc Inc., an indemnitee of SMC, was added as a defendant in 1991. The source of alleged DDT release is the Montrose plant in Torrance, California. Montrose conducted operations at the facility from 1947 until 1982 during which time the property was owned by Stauffer Chemical Company but is currently owned by a subsidiary of SMC. The plaintiffs are seeking recovery for alleged damages to natural resources as well as a declaration of liability for past and future response costs with respect to the former Montrose plant site and the Palos Verdes Shelf. The plaintiffs claimed \$482m in natural resource damages and response costs with respect to the Palos Verdes Shelf. The Palos Verdes Shelf part of the case has recently been settled and Court approval of that settlement is pending. Montrose Chemical Corporation of California will be responsible for the settlement amount. All the entities remaining in the suit, including any AstraZeneca entities, will be released from liability with respect to the Palos Verdes Shelf and other offshore areas. There are still two liability issues pending with respect to the Torrance plant site. Resolution of those issues will not adversely affect AstraZeneca in any material manner. Settlement discussions with the US and state governments are proceeding.

36 Assets pledged, commitments and contingent liabilities (continued)

AstraZeneca is also involved in an action instituted in 1991 with the US District Court for the Eastern District of California. US and California state environmental agencies brought suit under CERCLA against Rhône-Poulenc for a declaration of liability with respect to past and future response costs related to the release of mining wastes at the Iron Mountain site in Northern California. Zeneca has an indemnity obligation to Rhône-Poulenc for all liabilities arising from this site as a result of the acquisition and subsequent sale of Stauffer Chemical Company in 1987. Rhône-Poulenc brought counterclaims against state and federal agencies relating to the government's construction and operation of dams in the vicinity of Iron Mountain and the federal government's World War II and post-World War II activities at Iron Mountain. The Court ruled that as to the response activities conducted to date, the government was not a liable party. The Court also ruled that Rhône-Poulenc was the successor to the company which had conducted the mining at Iron Mountain. Owing to a change in the law, Rhône-Poulenc requested that the Court reconsider this decision. Because of pending settlement discussions, the Court agreed to review Rhône-Poulenc's request if settlement were not reached. In fact, the Iron Mountain case has recently been settled and the Court has approved the settlement. AstraZeneca is released from any present or future liability at the site. The settlement is being funded out of insurance recoveries and reserves and AstraZeneca will not suffer any material adverse financial impact as a result of the settlement.

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. VanderHave have lodged an 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 settlement described above, litigation relating to employment matters, product liability, commercial disputes and infringements of intellectual property rights and the validity of certain patents. Although there can be no assurance regarding the outcome of any of the legal proceedings referred to in this Note 36 to the financial statements, AstraZeneca believes that they will not have a materially adverse effect on AstraZeneca's financial position.

Notes relating to the financial statements

37 Leases

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

| | 2000 \$m | 1999 \$m | 1998 \$m |
|-----------------------------|-------------|-------------|-------------|
| Hire of plant and machinery | 15 | 33 | 24 |
| Other | 74 | 50 | 40 |
| | 89 | 83 | 64 |

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 | |
|-------------------------------|--------------------|-------------|--------------|-------------|
| | 2000 \$m | 1999 \$m | 2000 \$m | 1999 \$m |
| Expiring within one year | 5 | 2 | 7 | 5 |
| Expiring in years two to five | 26 | 21 | 14 | 23 |
| Expiring thereafter | 8 | 10 | 7 | 3 |
| | 39 | 33 | 28 | 31 |

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year, and future minimum lease payments under capitalised leases together with the present value of the net minimum lease payments at 31 December 2000 were as follows:

| | Operating leases | | Finance leases | |
|---|------------------|-------------|----------------|-------------|
| | 2000 \$m | 1999 \$m | 2000 \$m | 1999 \$m |
| Obligations under leases comprise | | | | |
| Rentals due within one year | 67 | 64 | - | 1 |
| Rentals due after more than one year | | | | |
| After five years from balance sheet date | 110 | 74 | - | - |
| From four to five years | 20 | 18 | - | - |
| From three to four years | 28 | 29 | - | - |
| From two to three years | 43 | 38 | - | - |
| From one to two years | 57 | 48 | - | 1 |
| | 258 | 207 | - | 1 |
| | 325 | 271 | - | 2 |
| Less: amounts representing interest | | | - | - |
| Present value of net minimum lease payments | | | - | 2 |
| Less: current lease obligations | | | - | - |
| Non-current lease obligations | | | - | 2 |

The Group had no commitments (1999 \$nil) under finance leases at the balance sheet date which were due to commence thereafter.

38 Statutory and other information

Included in debtors are interest-free loans of \$24,000 and \$4,000 to two officers of the Company. These loans are provided in accordance with the Company's policy of providing relocation assistance to staff who have been transferred.

| | 2000 \$m | 1999 \$m | 1998 \$m |
|------------------------------------|-------------|-------------|-------------|
| Audit fees | | | |
| KPMG Audit Plc | 3.2 | 3.7 | 4.3 |
| Deloitte & Touche | – | 2.1 | 2.0 |
| Others | – | 0.3 | 0.8 |
| | 3.2 | 6.1 | 7.1 |
| Fees for other services | | | |
| KPMG Audit Plc and associates – UK | 8.9 | 19.6 | 2.2 |
| – Worldwide | 5.0 | 4.9 | 3.5 |
| Deloitte & Touche – UK | | 1.1 | 0.1 |
| – Worldwide | | 3.5 | 1.1 |

In addition to the above, KPMG Audit Plc and its associates charged fees for other services of \$8.0m that have been 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 (1999 \$1,600, 1998 \$1,600). KPMG Audit Plc are sole auditors to AstraZeneca in 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.

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 relating to the financial statements

39 Company information

Company Balance Sheet

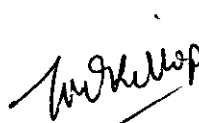
At 31 December

| | Notes | 2000 \$m | 1999 \$m |
|---|-------|---------------|----------------|
| Fixed assets | | | |
| Fixed asset investments | 39 | 6,736 | 905 |
| | | 6,736 | 905 |
| Current assets | | | |
| Debtors – amounts owed by subsidiaries | | 27,944 | 37,957 |
| Total assets | | 34,680 | 38,862 |
| Creditors due within one year | | | |
| Non-trade creditors | 39 | (889) | (2,015) |
| | | (889) | (2,015) |
| Net current assets | | 27,055 | 35,942 |
| Total assets less current liabilities | | 33,791 | 36,847 |
| Creditors due after more than one year | | | |
| Loans – owed to subsidiaries | 39 | (590) | (590) |
| Net assets | | 33,201 | 36,257 |
| Capital and reserves | | | |
| Called-up share capital | 40 | 442 | 444 |
| Share premium account | 39 | 235 | 202 |
| Capital redemption reserve | 39 | 3 | 1 |
| Other reserves | 39 | 2,239 | 2,239 |
| Profit and loss account | 39 | 30,282 | 33,371 |
| Shareholders' funds – equity interests | | 33,201 | 36,257 |

The financial statements on pages 58 to 124 were approved by the Board of Directors on 7 February 2001 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 2000.

| Fixed asset investments | Investments in subsidiaries | | |
|--|-----------------------------|--------------|--------------|
| | Shares \$m | Loans \$m | Total \$m |
| Cost at beginning of year | 314 | 591 | 905 |
| Additions before revaluation | 6,430 | - | 6,430 |
| Disposals | (598) | - | (598) |
| Revaluation of Syngenta AG to Global Offer Price | 2,116 | - | 2,116 |
| Dividend in specie - Syngenta AG | (2,117) | - | (2,117) |
| Net book value at 31 December 2000 | 6,145 | 591 | 6,736 |
| Net book value at 31 December 1999 | 314 | 591 | 905 |

Other creditors

| | 2000 \$m | 1999 \$m |
|------------------------------|-------------|--------------|
| Amounts due within one year | | |
| Amounts owed to subsidiaries | 59 | 1,181 |
| Dividends to Shareholders | 830 | 834 |
| | 889 | 2,015 |

Loans - owed to subsidiaries

| | Repayment Dates | 2000 \$m | 1999 \$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 | 295 |
| From one to two years | - | - |
| Total unsecured | 590 | 590 |
| Total due within one year | - | - |
| Total loans | 590 | 590 |

Notes relating 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 | 2000 Total \$m | 1999 Total \$m |
|---------------------------------|------------------------------------|---|--------------------------|--------------------------------------|----------------------|----------------------|
| At beginning of year | 202 | 1 | 2,239 | 33,371 | 35,813 | 2,492 |
| Net gains for the year | - | - | 2,116 | (1,499) | 617 | 34,807 |
| Transfers between reserves | - | - | (2,116) | 2,116 | - | - |
| Dividends | | | | | | |
| Cash | - | - | - | (1,236) | (1,236) | (1,609) |
| Dividend in specie | - | - | - | (2,117) | (2,117) | - |
| Share repurchase | - | 2 | - | (353) | (351) | (182) |
| Redenomination of share capital | - | - | - | - | - | 157 |
| Share premiums | 33 | - | - | - | 33 | 148 |
| At end of year | 235 | 3 | 2,239 | 30,282 | 32,759 | 35,813 |

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 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. The exchange loss on the underlying receivable for the year ended 31 December 2000 of \$3,478m (year ended 31 December 1999: gain of \$79m) has also been taken to reserves. The gain on the revaluation of the investment in Syngenta AG of \$2,116m has 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 has been treated as realised in determining the lawfulness of that distribution. The balance of the profit and loss account at 31 December 2000 includes \$29,440m which is not available for distribution (31 December 1999: \$32,918m). Included in other reserves is the special reserve of \$157m, arising on the redenomination of share capital. Of the remaining balance on other reserves, \$673m is distributable.

40 Called-up share capital of parent company

| | Authorised 2000 \$m | Allotted, called-up and fully paid 2000 \$m | 1999 \$m |
|--|---------------------------|--|-------------|
| Ordinary Shares (\$0.25 each) | 442 | 442 | 444 |
| Unissued Ordinary Shares (\$0.25 each) | 158 | - | - |
| Redeemable Preference Shares (£50,000) | - | - | - |
| | 600 | 442 | 444 |

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 | 1,775 | 444 |
| Issues of shares | 1 | - |
| Repurchase of shares | (10) | (2) |
| At 31 December 2000 | 1,766 | 442 |

Merger

A total of 825,932,791 AstraZeneca shares were issued in 1999 to Astra shareholders who accepted the merger offer before the final closing date, 21 May 1999. AstraZeneca received acceptances from Astra shareholders representing 99.6% of Astra's shares and the remaining 0.4% was acquired in 2000 for cash.

Share buy-back

During the year the Company purchased, and subsequently cancelled, 9,405,000 Ordinary Shares at an average price of 2411 pence per share for a consideration, including expenses, of \$353m. The excess of the consideration over the nominal value has been charged against the profit and loss account reserve.

Share options

A total of 818,039 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 2000 | Country | Percentage of voting share capital held | Principal activity |
|---------------------------------------|-----------------|---|---|
| United Kingdom | | | |
| 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 | | | |
| N.V. AstraZeneca S.A. | Belgium | 100 | Marketing |
| A.S.P. S.A. | France | 100 | Production |
| Laboratoires Astra France | France | 100 | Production, marketing |
| Zeneca Pharma S.A. | France | 100 | Research, production, marketing |
| AstraZeneca GmbH | Germany | 100 | Development, production, marketing |
| AstraZeneca Holding GmbH | Germany | 100 | Production, marketing |
| AstraZeneca S.p.A. | Italy | 100 | Production, marketing |
| Laboratorio Astra España S.A. | Spain | 100 | Production, marketing |
| AstraZeneca AB | Sweden | 100 | Research and development, production, marketing |
| Astra Tech AB | Sweden | 100 | Research and development, production, marketing |
| AstraZeneca B.V. | 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 | Production |
| AstraZeneca LP | USA | 99 | Development, production, marketing |
| Salick Health Care, Inc. | USA | 100 | Provision of disease-specific healthcare services |
| Zeneca Holdings Inc. | USA | 100 | Production, marketing |
| Asia, Africa & Australasia | | | |
| AstraZeneca Pty Ltd. | Australia | 100 | Research, production, marketing |
| AstraZeneca Pharmaceutical Co., Ltd. | China | 100 | Production, marketing |
| AstraZeneca Hong Kong Ltd. | Hong Kong | 100 | Production |
| AstraZeneca K.K. | 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 235 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 is required, by US GAAP, to be 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 2000, 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 2000 and 1999, shareholders' equity includes capitalised goodwill of \$13,500m and \$15,793m respectively (net of amortisation and impairment of \$1,503m and \$1,945m) and capitalised identifiable intangible assets of \$11,611m and \$13,825m respectively (net of amortisation and impairment of \$2,402m and \$1,439m). 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 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 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.

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) ('FRS1'), 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 not yet adopted

Statement of Financial Accounting Standards (SFAS) No. 133 – 'Accounting for Derivative Instruments and Hedging Activities' as amended by SFAS 137, Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133, and SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, is effective for the Company as of 1 January 2001. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. Adoption of these new accounting standards will result in a cumulative after tax increase in net income of approximately \$32m. Adoption will also impact assets and liabilities recorded on the balance sheet, and may have a material effect on future results.

Differences between UK and US accounting principles (continued)**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

| | 2000 \$m | 1999 \$m | 1998 \$m |
|--|--------------|--------------|--------------|
| Net income, as shown in the consolidated statements of income before exceptional items | 3,119 | 2,730 | 2,553 |
| Exceptional items after tax | (581) | (1,587) | 58 |
| Net income for the period under UK GAAP | 2,538 | 1,143 | 2,611 |
| Pre-acquisition results of Astra | – | (413) | (1,427) |
| | 2,538 | 730 | 1,184 |

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 | (1,756) | (759) | – |
| Others | (20) | (61) | (80) |
| Divestment of Specialties business | – | 284 | – |
| Impairment of Salick Health Care goodwill | – | (308) | – |
| Capitalisation, less disposals and amortisation of interest | 45 | 5 | 8 |
| Deferred taxation | | | |
| On fair values of Astra | 284 | 547 | – |
| Others | (146) | 117 | (28) |
| Pension expense | (50) | (103) | (53) |
| Post-retirement benefits/plan amendment | 4 | 4 | 5 |
| Software costs | 98 | 29 | – |
| Restructuring costs | (97) | 119 | – |
| Unrealised losses on foreign exchange and others | (35) | (2) | – |
| Net income/(loss) in accordance with US GAAP | 865 | (3,539) | 1,036 |

Additional information for US investors

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Operations

| For the years ended 31 December | 2000 \$m | 1999 \$m | 1998 \$m |
|--|--------------|----------------|--------------|
| Sales | 15,804 | 12,789 | 4,971 |
| Cost of sales | (4,181) | (4,278) | (1,169) |
| Distribution costs | (210) | (200) | (97) |
| Research and development | (2,620) | (2,178) | (806) |
| Selling, general and administrative expenses | (4,861) | (4,323) | (1,700) |
| Acquisition related costs | (419) | (4,562) | - |
| Amortisation of intangibles and goodwill | (2,043) | (1,601) | (67) |
| Other income | 223 | 115 | 115 |
| Operating income (loss) | 1,693 | (4,238) | 1,247 |
| Net interest income/(expense) | 183 | (23) | (54) |
| Income (loss) from continuing operations before taxation | 1,876 | (4,261) | 1,193 |
| Taxes on income from continuing operations | (969) | 190 | (397) |
| Net income (loss) from continuing operations | 907 | (4,071) | 796 |
| Discontinued operations: | | | |
| Net (loss)/income from discontinued operations | (42) | 108 | 240 |
| Gain on disposal of Specialties business, net of income taxes | - | 424 | - |
| Net income (loss) for the year | 865 | (3,539) | 1,036 |
| Weighted average number of \$0.25 Ordinary Shares in issue (millions of shares) | 1,768 | 1,569 | 950 |
| Dilutive impact of share options outstanding (millions of shares) | 2 | 3 | 4 |
| Diluted weighted average number of \$0.25 Ordinary Shares in accordance with US GAAP (millions of shares) | 1,770 | 1,572 | 954 |
| Net (loss)/income per \$0.25 Ordinary Share and ADS in accordance with US GAAP - basic and diluted (\$) | 0.49 | (2.26) | 1.09 |

| | 2000 | 1999 | 1998 |
|---|--------|--------|------|
| Net income/(loss) from continuing operations per \$0.25 Ordinary Share and ADS in accordance with US GAAP - basic and diluted (\$) | 0.51 | (2.60) | 0.84 |
| 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 | 0.25 |

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

Differences between UK and US accounting principles (continued)

US GAAP Statement of Comprehensive Income

| For the years ended 31 December | 2000 \$m | 1999 \$m | 1998 \$m |
|---|----------------|----------------|--------------|
| Net income/(loss) for the year | 865 | (3,539) | 1,036 |
| Exchange gains/(losses) net of tax | (2,184) | (437) | 90 |
| Exchange realised on demerger of Zeneca Agrochemicals | (297) | - | - |
| Other movements | (2) | 64 | (7) |
| Total Comprehensive Income | (1,618) | (3,912) | 1,119 |

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 | 2000 \$m | 1999 \$m | 1998 \$m |
|---------------------------------|----------------|--------------|-------------|
| Balance at 1 January | (364) | 73 | (17) |
| Movement in year | (2,481) | (437) | 90 |
| Balance at 31 December | (2,845) | (364) | 73 |

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.

| | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Net (loss)/income under US GAAP as reported | 865 | (3,539) | 1,036 |
| Compensation cost | (46) | (16) | (13) |
| Pro forma net income | 819 | (3,555) | 1,023 |
| Net income per \$0.25 Ordinary Share and ADS under US GAAP (basic): | | | |
| As reported (\$) | \$0.49 | (\$2.26) | \$1.09 |
| Pro forma (\$) | \$0.46 | (\$2.27) | \$1.08 |

Additional information for US investors

Differences between UK and US accounting principles (continued)

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:

| | 2000 | 1999 | 1998 |
|---|-----------|-----------|-----------|
| Dividend yield | 2.0% | 3.0% | 2.0% |
| Expected volatility | 20.0% | 20.0% | 20.0% |
| Risk-free interest rate | 5.9% | 5.1% | 5.1% |
| Expected lives: 1994 Scheme | 6.0 years | 6.0 years | 6.0 years |
| Expected lives: AstraZeneca Share Option Plan | 6.0 years | n/a | n/a |
| Expected lives: SAYE Scheme | 4.6 years | 4.4 years | 4.6 years |

The options are based on existing AstraZeneca shares and therefore have no dilution effect as the Company would be buying shares in the open market rather than issuing new shares. Subsequent to the effective date of the merger no share options have been awarded under the Astra Shareholder Value Incentive Plan.

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.

Shareholders' equity

| | 2000 \$m | 1999 \$m |
|--|-------------|-------------|
| Total shareholders' equity under UK GAAP | 9,521 | 10,302 |

Adjustments to conform to US GAAP

Purchase accounting adjustments (including goodwill and intangibles)

| | | |
|---|---------------|---------------|
| Deemed acquisition of Astra | | |
| Goodwill | 12,610 | 14,202 |
| Tangible and intangible fixed assets | 9,510 | 11,174 |
| Others | 31 | 490 |
| Capitalisation, less disposals and amortisation of interest | 135 | 151 |
| Deferred taxation | | |
| On fair value of Astra | (2,702) | (3,172) |
| Others | (278) | (247) |
| Dividend | 830 | 834 |
| Pension expense | (129) | (172) |
| Post-retirement benefits/plan amendment | (32) | (31) |
| Software costs capitalised | 120 | 29 |
| Restructuring costs | 22 | 119 |
| Others | 69 | 56 |
| Shareholders' equity in accordance with US GAAP | 29,707 | 33,735 |

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:

| | Pension benefits | | Other post-retirement benefits | |
|---|------------------|-------------|--------------------------------|-------------|
| | 2000 \$m | 1999 \$m | 2000 \$m | 1999 \$m |
| Change in projected benefit obligation | | | | |
| Benefit obligation at beginning of year | 5,036 | 5,199 | 224 | 222 |
| Service cost | 152 | 147 | 10 | 9 |
| Interest cost | 301 | 284 | 17 | 11 |
| Participant contributions | 19 | 20 | - | - |
| Plan amendments | - | 2 | (11) | - |
| Actuarial (gain)/loss | 316 | (111) | (5) | 6 |
| Special termination benefits | 34 | 62 | - | - |
| Acquisitions and disposals | (1,114) | - | (23) | - |
| Settlement and curtailment | - | (219) | - | (10) |
| Benefits paid | (212) | (237) | (13) | (14) |
| Other movements including exchange | (344) | (111) | (2) | - |
| Benefit obligation at end of year | 4,188 | 5,036 | 197 | 224 |

| | Pension benefits | |
|---|------------------|-------------|
| | 2000 \$m | 1999 \$m |
| Change in plan assets | | |
| Fair value at 1 January | 5,035 | 4,346 |
| Actual return on plan assets | 166 | 805 |
| Group contribution | 244 | 432 |
| Participant contributions | 19 | 20 |
| Acquisitions and disposals | (1,119) | - |
| Settlement and curtailment | - | (242) |
| Benefits paid | (212) | (237) |
| Other movements, including exchange | (330) | (89) |
| Fair value of plan assets at end of year | 3,803 | 5,035 |
| Funded status of plans | (385) | (1) |
| Unrecognised net loss | 124 | (305) |
| Prior service cost not recognised | 58 | 110 |
| Unrecognised net obligation on implementation | 9 | 18 |
| | (194) | (178) |
| Adjustments to recognise minimum liability | | |
| Intangible assets | - | - |
| Accumulated other comprehensive income | - | - |
| Accrued benefit liability | (194) | (178) |

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 2000, 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 \$3,485m, \$3,226m and \$3,122m, respectively. At 31 December 1999, none of the main funds above had an accumulated benefit obligation in excess of plan assets.

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 | | |
|--|------------------|-----------|-----------|--------------------------------|-----------|-----------|
| | 2000 % | 1999 % | 1998 % | 2000 % | 1999 % | 1998 % |
| Discount rate | 5.6 | 5.7 | 5.7 | 7.1 | 7.2 | 6.4 |
| Long-term rate of increase in remuneration | 4.4 | 4.5 | 4.5 | n/a | n/a | n/a |
| Expected long-term return on assets | 6.2 | 6.3 | 6.6 | n/a | n/a | n/a |

The Group has assumed a long-term rate of increase in healthcare costs of 7.0%, reducing to 5.5%.

| | Pension benefits | | | Other post-retirement benefits | | |
|---|------------------|-------------|-------------|--------------------------------|-------------|-------------|
| | 2000 \$m | 1999 \$m | 1998 \$m | 2000 \$m | 1999 \$m | 1998 \$m |
| Net periodic cost | | | | | | |
| Service cost – present value of benefits accruing during the year | 152 | 147 | 141 | 10 | 9 | 5 |
| Interest cost on projected benefit obligations | 301 | 284 | 319 | 17 | 11 | 15 |
| Expected (return)/loss on assets | (322) | (277) | (325) | – | – | – |
| Settlement and curtailment | – | 75 | – | – | (10) | – |
| Net amortisation and deferral | 46 | 69 | 64 | (1) | – | – |
| Net periodic cost for the year | 177 | 298 | 199 | 26 | 10 | 20 |

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 2000:

| | 1 percentage point | |
|--------------------------------|--------------------|----------|
| | increase | decrease |
| Accumulated benefit obligation | 12 | (11) |
| Net periodic cost | 4 | (4) |

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Cash Flows

| For the years ended 31 December | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|-------------|-------------|
| Cash flows from operating activities | 3,554 | 1,698 | 1,493 |
| Cash flows from investing activities | | | |
| Movement in short-term investments and fixed deposits | (608) | (97) | 430 |
| New fixed asset investments | (3) | (7) | (18) |
| Disposal of fixed assets | 37 | 28 | 119 |
| Acquisition and disposals | 740 | 2,235 | (593) |
| Capital expenditure | (1,460) | (2,383) | (844) |
| Net cash outflows from investing activities | (1,294) | (224) | (906) |
| Net cash flow before financing (subtotal) | 2,260 | 1,474 | 587 |
| Cash flows from financing activities | | | |
| Equity dividends paid | (1,220) | (1,216) | (616) |
| Issue/(repurchase) of AstraZeneca PLC shares | (334) | (161) | 12 |
| Net decrease in short-term borrowings | (67) | (16) | (51) |
| New loans/loans repaid | 3 | (8) | (110) |
| Repayment of lease finance | (2) | (6) | (8) |
| Net cash outflows from financing activities | (1,620) | (1,407) | (773) |
| Increase/(decrease) in cash | 640 | 67 | (186) |
| Cash: | | | |
| At 1 January | 262 | 206 | 388 |
| Increase (decrease) in cash | 640 | 67 | (186) |
| Exchange movements | 6 | (11) | 4 |
| At 31 December | 908 | 262 | 206 |

(1) The acquisition of Astra was completed as a share for share exchange.
The details are given in Note 40.

(2) Interest paid was \$145m in 2000 (\$87m in 1999, \$100m in 1998).
Interest received was \$180m in 2000 (\$102m in 1999, \$40m in 1998).

(3) Tax paid was \$648m in 2000 (\$952m in 1999, \$468m in 1998).

Additional information for US investors

Differences between UK and US accounting principles (continued)

Taxation

| Years ended 31 December | 2000 \$m | 1999 \$m | 1998 \$m |
|--|-------------|--------------|-------------|
| Taxes on income from continuing operations | | | |
| UK taxation | | | |
| Corporation tax | 79 | 346 | 344 |
| Double taxation relief | (109) | (174) | (73) |
| Deferred | 40 | 9 | 8 |
| Overseas taxation | | | |
| Overseas taxes | 956 | 493 | 135 |
| Deferred taxation | - | (865) | (19) |
| Share of taxation of joint ventures and associates | 3 | 1 | 2 |
| Taxes on income from continuing operations | 969 | (190) | 397 |

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

| Years ended 31 December | 2000 \$m | 1999 \$m | 1998 \$m |
|---|-------------|--------------|-------------|
| Income (loss) on continuing operations | 1,876 | (4,261) | 1,198 |
| Taxation charge at United Kingdom corporation | | | |
| Tax rate of 30% for 2000 (30.25% for 1999, 31% for 1998) | 563 | (1,289) | 371 |
| Acquisition related items | 29 | 1,134 | - |
| Goodwill, Seeds, and Salick Health Care impairment | 576 | 275 | 16 |
| Net effect of lower rates and eligible costs in other jurisdictions | (210) | (313) | (14) |
| Other | 11 | 3 | 24 |
| Tax on income from continuing operations | 969 | (190) | 397 |

Group Financial Record – UK GAAP

| For the years ended 31 December | 1995 \$m | 1996 \$m | 1997 \$m | 1998 \$m | 1999 \$m | 2000 \$m |
|--|--------------|--------------|--------------|--------------|----------------|--------------|
| Turnover and profits | | | | | | |
| Group turnover | 12,074 | 13,188 | 13,166 | 15,402 | 18,445 | 18,103 |
| Cost of sales | (4,085) | (4,307) | (4,063) | (4,961) | (6,037) | (5,491) |
| Distribution costs | (374) | (385) | (364) | (367) | (343) | (286) |
| Research and development | (1,671) | (1,961) | (2,170) | (2,473) | (2,923) | (2,893) |
| Selling, general and administrative expenses | (3,566) | (3,751) | (3,838) | (4,812) | (6,585) | (5,691) |
| Other income | 189 | 193 | 126 | 353 | 189 | 266 |
| Group operating profit | 2,567 | 2,977 | 2,857 | 3,142 | 2,746 | 4,008 |
| <i>Group operating profit before exceptional items</i> | <i>2,670</i> | <i>2,977</i> | <i>2,857</i> | <i>3,051</i> | <i>3,908</i> | <i>4,330</i> |
| <i>Exceptional items charged to operating profit</i> | <i>(103)</i> | <i>-</i> | <i>-</i> | <i>91</i> | <i>(1,162)</i> | <i>(322)</i> |
| Share of operating profit of joint ventures and associates | 354 | 504 | 722 | 539 | (7) | (149) |
| Exceptional items | (306) | (56) | - | (29) | (776) | (150) |
| Dividend income | - | - | - | - | - | 3 |
| Net interest | 75 | 118 | 81 | 47 | (4) | 135 |
| Profit on ordinary activities before taxation | 2,690 | 3,543 | 3,660 | 3,699 | 1,959 | 3,847 |
| Taxation | (808) | (1,040) | (1,081) | (1,086) | (815) | (1,299) |
| Profit on ordinary activities after taxation | 1,882 | 2,503 | 2,579 | 2,613 | 1,144 | 2,548 |
| Attributable to minorities | (25) | (19) | (9) | (2) | (1) | (10) |
| Net profit for the financial year | 1,857 | 2,484 | 2,570 | 2,611 | 1,143 | 2,538 |
| Return on sales | | | | | | |
| Group operating profit before exceptional items as a percentage of sales | 22.1% | 22.6% | 21.7% | 19.8% | 21.2% | 23.9% |

| At 31 December | 1995 \$m | 1996 \$m | 1997 \$m | 1998 \$m | 1999 \$m | 2000 \$m |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Balance sheets | | | | | | |
| Fixed assets (tangible and intangible) and goodwill | 5,251 | 5,661 | 5,894 | 8,721 | 9,717 | 7,908 |
| Fixed asset investments | 834 | 1,005 | 1,027 | 353 | 185 | 11 |
| Current assets | 8,044 | 9,118 | 9,095 | 9,404 | 9,914 | 10,515 |
| Total assets | 14,129 | 15,784 | 16,016 | 18,478 | 19,816 | 18,434 |
| Creditors due within one year | (4,540) | (4,599) | (4,459) | (5,650) | (7,019) | (6,897) |
| Total assets less current liabilities | 9,589 | 11,185 | 11,557 | 12,828 | 12,797 | 11,537 |
| Creditors due after more than one year | (917) | (912) | (902) | (801) | (1,202) | (927) |
| Provisions for liabilities and charges | (1,031) | (1,073) | (1,049) | (1,045) | (1,253) | (1,068) |
| Minority equity interests | 163 | 178 | 54 | 53 | 40 | 21 |
| Shareholders' funds – equity interests | 7,478 | 9,022 | 9,552 | 10,929 | 10,302 | 9,521 |
| Shareholders' funds and minority interests | 7,641 | 9,200 | 9,606 | 10,982 | 10,342 | 9,542 |

Group Financial Record – UK GAAP

| For the years ended 31 December | 1995 \$m | 1996 \$m | 1997 \$m | 1998 \$m | 1999 \$m | 2000 \$m |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Cash flow | | | | | | |
| Net cash inflow from operating activities | 3,005 | 3,198 | 3,355 | 3,832 | 3,113 | 4,183 |
| Dividends received from joint ventures and associates | 243 | 328 | 369 | 262 | 3 | – |
| Returns on investments and servicing of finance | 65 | 98 | (31) | 103 | 29 | 19 |
| Tax paid | (788) | (719) | (750) | (775) | (1,020) | (648) |
| Capital expenditure and financial investment | (918) | (1,182) | (1,292) | (1,369) | (2,731) | (1,426) |
| Acquisitions and disposals | (531) | 227 | (321) | (2,013) | 1,978 | 740 |
| Equity dividends paid to Shareholders | (628) | (750) | (882) | (995) | (1,216) | (1,220) |
| Net cash flow before management of liquid resources and financing | 448 | 1,200 | 448 | (955) | 156 | 1,648 |

| For the years ended 31 December | Pro forma combined | |
|---|--------------------|-------------|
| | 1998 \$m | 1999 \$m |
| Pro forma turnover and profits | | |
| Group turnover | 17,117 | 18,445 |
| Cost of sales | (5,612) | (6,037) |
| Distribution costs | (375) | (343) |
| Research and development | (2,551) | (2,923) |
| Selling, general and administrative expenses | (5,334) | (6,597) |
| Other income | 353 | 189 |
| Group operating profit | 3,598 | 2,734 |
| Share of operating profit/(loss) of joint ventures and associates | 3 | (7) |
| Profits less losses on sale or closure of operations | (46) | 237 |
| Profits on sale of fixed assets | 17 | – |
| Merger costs | – | (1,013) |
| Net interest | (60) | (25) |
| Profit on ordinary activities before taxation | 3,512 | 1,926 |
| Taxation | (1,039) | (809) |
| Profit on ordinary activities after taxation | 2,473 | 1,117 |
| Attributable to minorities | (2) | (1) |
| Net profit for the financial year | 2,471 | 1,116 |
| Earnings per \$0.25 Ordinary Share before exceptional items | \$1.36 | \$1.52 |
| Earnings per \$0.25 Ordinary Share (basic) | \$1.39 | \$0.63 |
| Earnings per \$0.25 Ordinary Share (diluted) | \$1.39 | \$0.63 |
| Weighted average number of Ordinary Shares in issue (millions) | 1,779 | 1,776 |

The pro forma profit and loss figures for 1998 and 1999 above include two further adjustments to the statutory figures to illustrate the effect on the sales and profits as if the Astra Merck restructuring and the merger related payments to Merck had occurred at the beginning of 1998 (rather than July 1998 and April 1999 respectively).

The pro forma figures incorporate sales of \$1,715m for 1998 related to the Astra Merck joint venture which are excluded from the statutory consolidation. Changes in the cost base which arise from the Astra Merck restructuring have also been backdated to 1 January 1998. The net effect of these pro forma adjustments is to reduce 1998 reported profits by \$55m, before tax relief of \$23m.

A pro forma amortisation cost of \$12m and notional interest cost of \$21m per quarter on the payments due to Merck on completion of the merger were also provided for the period 1 January 1998 to 5 April 1999. These charges are offset by tax relief of \$6m per quarter.

Shareholder Information

Group Financial Record – US GAAP

The selected financial data set out below for each of the years in the five year period ended 31 December 2000, has been extracted or derived from audited financial statements.

The selected financial data should be read in conjunction with, and are qualified in their entirety by reference to, the financial statements of AstraZeneca and the notes thereto, which are included elsewhere in this document.

Consolidated income statement data

| For the years ended 31 December | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|--------|--------|--------|----------|------|
| Income/(loss) from continuing operations | | | | | |
| Net income/(loss) (\$ million) | 907 | 1,142 | 1,036 | (3,539) | 870 |
| Income/(loss) from continuing operations per Ordinary Share | | | | | |
| Net income/(loss) per Ordinary Share | \$0.96 | \$1.20 | \$1.09 | (\$2.26) | 0.49 |
| Diluted income/(loss) per Ordinary Share | \$0.95 | \$1.20 | \$1.09 | (\$2.25) | 0.49 |

Ratio of earnings to fixed charges

For the Group with estimated material adjustments to accord with US GAAP

| | | | |
|------|------|------|--------|
| 11.7 | 11.6 | 11.7 | (19.3) |
|------|------|------|--------|

Consolidated balance sheet data

| At 31 December | 1996 \$m | 1997 \$m | 1998 \$m | 1999 \$m | 2000 \$m |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Total assets | 9,537 | 9,577 | 10,675 | 45,405 | |
| Net assets | | | | | |
| Shareholders' equity | 4,673 | 5,035 | 5,558 | 33,735 | 29,743 |

Merger accounting

For the purpose of US GAAP, the merger has been regarded as a purchase accounting acquisition of Astra by Zeneca. Accordingly the US GAAP results above for the period from 1996 through 1998 are not restated for the merger with Astra and represent the previously reported results of Zeneca Group PLC.

Ratio of earnings to fixed charges

For the purpose of computing these ratios, earnings consist of the income from continuing ordinary activities before taxation of Group companies and income received from companies owned 50% or less, plus fixed charges (excluding capitalised interest). Fixed charges consist of interest (including capitalised interest) on all indebtedness, amortisation of debt discount and expense and that portion of rental expense representative of the interest factor. The comparative figures have been restated from those previously disclosed to reflect the reclassification of the operations of Specialties and Agrochemicals as discontinued.

Shareholder Information

| AstraZeneca | *1999 | 2000 |
|---|--------------|-------------|
| Ordinary Shares in issue – millions | | |
| At year end | 1,775 | 1,766 |
| Weighted average for year | 1,776 | 1,768 |
| Stock Market price – per \$0.25 Ordinary Share | | |
| Highest (pence) | 2946 | 3600 |
| Lowest (pence) | 2208 | 1926 |
| At year end (pence) | 2568 | 3375 |
| Earnings per \$0.25 Ordinary Share before exceptional items | \$1.54 | \$1.76 |
| Earnings per \$0.25 Ordinary Share (basic) | \$0.64 | \$1.44 |
| Earnings per \$0.25 Ordinary Share (diluted) | \$0.64 | \$1.43 |
| Dividends | \$0.70 | \$0.70† |

* For the period from 1 January 1999 to 31 December 1999 (except for Stock Market prices which are for the period from 6 April 1999 to 31 December 1999).
† In addition, shareholders received a distribution of shares in Syngenta AG as a dividend in specie in respect of the demerger of Zeneca Agrochemicals.

| Zeneca | 1996 | 1997 | 1998 | *1999 |
|---|-------------|-------------|-------------|--------------|
| Ordinary Shares in issue – millions | | | | |
| At period end | 947 | 949 | 950 | 953 |
| Weighted average for period | 947 | 948 | 950 | 951 |
| Stock Market price – per \$0.25 Ordinary Share | | | | |
| Highest (pence) | 1759 | 2265 | 2759 | 3037 |
| Lowest (pence) | 1227 | 1594 | 1860 | 2406 |
| At period end (pence) | 1648 | 2141 | 2617 | 3037 |
| Earnings per \$0.25 Ordinary Share before exceptional items | \$1.10 | \$1.26 | \$1.27 | |
| Earnings per \$0.25 Ordinary Share (basic) | \$1.05 | \$1.26 | \$1.25 | |
| Earnings per \$0.25 Ordinary Share (diluted) | \$1.05 | \$1.26 | \$1.24 | |
| Dividends | \$0.54 | \$0.63 | \$0.70 | |

* For the period from 1 January 1999 to 6 April 1999

| Astra | 1996 | 1997 | 1998 | *1999 |
|---|-------------|-------------|-------------|--------------|
| Ordinary Shares in issue – millions | | | | |
| At period end | 616 | 1,643 | 1,643 | 1,643 |
| Weighted average for period | 616 | 1,130 | 1,643 | 1,643 |
| Stock Market price – per Astra A Share | | | | |
| Highest (SEK) | 129 | 157 | 173 | 190 |
| Lowest (SEK) | 92 | 112 | 117 | 154 |
| At period end (SEK) | 126 | 138 | 166 | 190 |
| Stock Market price – per Astra B Share | | | | |
| Highest (SEK) | 126 | 148 | 169 | 190 |
| Lowest (SEK) | 91 | 109 | 112 | 154 |
| At period end (SEK) | 123 | 134 | 165 | 190 |
| Earnings per Share (SEK) | 5.75 | 6.21 | 7.18 | |
| Dividends (SEK) | 1.50 | 1.80 | 1.90 | |

* For the period from 1 January 1999 to 6 April 1999

Percentage analysis at 31 December 2000 of issued share capital

By size of account

| No. of shares | 2000 % |
|-----------------------------|--------------|
| 1 – 250 | 0.6 |
| 251 – 500 | 0.9 |
| 501 – 1,000 | 1.3 |
| 1,001 – 5,000 | 2.0 |
| 5,001 – 10,000 | 0.3 |
| 10,001 – 50,000 | 1.5 |
| 50,001 – 1,000,000 | 12.7 |
| over 1,000,000† | 80.7 |
| Issued share capital | 100.0 |

† includes VPC and ADR holdings

At 31 December 2000, AstraZeneca PLC had 191,945 registered holders of 1,766,480,864 Ordinary Shares of \$0.25 each. In addition there were approximately 60,000 holders of American Depositary Receipts representing 4.5% of the issued share capital and 168,000 holders of shares held under the VPC Services Agreement representing 26% of the issued share capital. The ADRs, each of which is equivalent to one Ordinary Share, are issued by Morgan Guaranty Trust Company of New York.

The tables below also set forth, for the last three quarters of 1999 and for the first two quarters and last six months of 2000, the reported high and low share prices of AstraZeneca PLC. Astra and Zeneca merged in April 1999, consequently the reported high and low share prices of Astra AB and Zeneca Group PLC are shown for the first quarter of 1999.

Zeneca Group PLC**Ordinary Shares**

The reported high and low middle market closing quotations in pence for Zeneca shares on the London Stock Exchange ('LSE'), are derived from The Daily Official List.

American Depositary Shares

The reported high and low sales prices of American Depositary Shares are as reported by Dow Jones (ADR Quotations). Until April 1999, Zeneca Group PLC American Depositary Shares (each representing one Ordinary Share) evidenced by American Depositary Receipts issued by Morgan Guaranty Trust Company of New York, as depositary, were listed on the New York Stock Exchange.

| | Zeneca | | | |
|------------------|-----------------|----------------|----------------|---------------|
| | Ordinary | | ADS | |
| | High (pence) | Low (pence) | High (US\$) | Low (US\$) |
| 1999 – Quarter 1 | 3037 | 2406 | 48.50 | 40.50 |

Astra AB

Until April 1999, the principal market for trading in the shares of Astra AB was the Stockholm Stock Exchange ('SSE'), on which the shares had been traded since 1955. From 1985 until April 1999, the shares were listed on the London Stock Exchange and also quoted on SEAQ International. From 1996 until April 1999, American Depositary Shares ('ADSs') representing the company's A Shares and B Shares had been listed on The New York Stock Exchange, and were available in the United States through an American Depositary Receipt ('ADR') program established pursuant to separate Depositary Agreements entered into by the company and The Bank of New York, as depositary. One ADS represented one Share.

The high and low closing sale prices for the A Shares and the B Shares are as stated in the Official List of the SSE, which reflects price and volume information for trades completed by members on the SSE during the day as well as for inter-dealer trades completed off the SSE and certain inter-dealer trades completed during the trading on the previous business day.

| | A-Shares | | | | B-Shares | | | | Astra |
|------------------|---------------|--------------|----------------|---------------|---------------|--------------|----------------|---------------|-------|
| | Ordinary | | ADS | | Ordinary | | ADS | | |
| | High (SEK) | Low (SEK) | High (US\$) | Low (US\$) | High (SEK) | Low (SEK) | High (US\$) | Low (US\$) | |
| | | | | | | | | | |
| 1999 – Quarter 1 | 188.5 | 155.5 | 23.44 | 18.75 | 186.5 | 154.5 | 23.13 | 18.88 | |

Shareholder Information

AstraZeneca PLC

Since April 1999, following the AstraZeneca merger, the principal markets for trading in the shares of AstraZeneca PLC are the London, Stockholm, and New York Stock Exchanges. The high and low prices are derived as set out above for the Zeneca Group PLC and Astra AB shares.

| | Ordinary LSE | | ADS | | AstraZeneca Ordinary SSE* | |
|------------------|-----------------|----------------|----------------|---------------|------------------------------|--------------|
| | High (pence) | Low (pence) | High (US\$) | Low (US\$) | High (SEK) | Low (SEK) |
| 1999 – Quarter 2 | 2946 | 2362 | 46.56 | 38.10 | 403 | 315 |
| – Quarter 3 | 2589 | 2208 | 42.19 | 35.11 | 352 | 289 |
| – Quarter 4 | 2926 | 2465 | 47.77 | 40.06 | 401 | 336 |
| 2000 – Quarter 1 | 2971 | 1926 | 43.00 | 30.79 | 386 | 266 |
| – Quarter 2 | 3085 | 2603 | 45.57 | 39.28 | 413 | 345 |
| – July | 3180 | 2850 | 46.98 | 41.78 | 429 | 386.50 |
| – August | 3160 | 2898 | 45.20 | 41.90 | 434.50 | 388 |
| – September | 3590 | 3070 | 51.80 | 43.06 | 511 | 418 |
| – October | 3570 | 3170 | 50.76 | 45.51 | 515 | 451 |
| – November | 3600 | 3160 | 51.44 | 45.81 | 513 | 449 |
| – December | 3480 | 3211 | 52.25 | 47.12 | 502 | 444 |

*Principally held in bearer form

Share Capital

| | 9 Feb 2001 No. of shares (million) | 31 Dec 2000 No. of shares (million) | 9 Feb 2001 \$m | 31 Dec 2000 \$m |
|---------------------------------|--|---|-------------------|--------------------|
| Authorised Share Capital | | | | |
| Ordinary shares of \$0.25 each | 2,400 | 2,400 | 600 | 600 |
| Redeemable preference shares | | | £50,000 | £50,000 |

Unissued Share Capital

| | | |
|--------------------------------|-----|-----|
| Ordinary shares of \$0.25 each | 634 | 158 |
|--------------------------------|-----|-----|

Issued Share Capital

The movements in issued Ordinary Share capital are set out below:

| | 2000 No. of shares (million) | 1999 No. of shares (million) | 1998 | 2000 \$m | 1999 \$m | 1998 \$m |
|---|---------------------------------|---------------------------------|------|-------------|-------------|-------------|
| At beginning of year | 1,775 | 950 | 949 | 444 | 394 | 394 |
| Nominal value of shares issued to Astra AB shareholders | – | – | – | – | 206 | – |
| Group share capital at beginning of year | 1,775 | 950 | 949 | 444 | 600 | 394 |
| Shares issued on merger | – | 826 | – | – | – | – |
| Redenomination of share capital | – | – | – | – | (157) | – |
| Issues of shares | 1 | 3 | 1 | – | 2 | – |
| Repurchase of shares | (10) | (4) | – | (2) | (1) | – |
| At end of year | 1,766 | 1,775 | 950 | 442 | 444 | 394 |

During 2000 AstraZeneca's share repurchase programme which was introduced in 1999 continued with the repurchase and subsequent cancellation of 9.4 million shares at a total cost of \$353m, representing 0.53 per cent of the total issued share capital of the Company. In 1999 4.4 million Ordinary Shares were repurchased, and subsequently cancelled, at an average price of 2603 pence per share for a consideration, including expenses, of \$183m. The excess of the consideration over the nominal value was charged against the profit and loss account reserve. Shares issued in respect of the exercise of options totalled 0.8 million.

In 1999 in connection with the merger, AstraZeneca's share capital was redenominated into US dollars. On 6 April 1999, Zeneca shares were cancelled and US dollar shares issued, credited as fully paid on the basis of one Dollar Share for each Zeneca share then held. This was achieved by a reduction of capital under section 135 of the Companies Act 1985. Upon the reduction of capital becoming effective, all issued and unissued Zeneca shares were cancelled and the sum arising as a result thereof credited to a special reserve which was converted into US dollars at the rate of exchange prevailing on the Record Date. This US dollar reserve was then applied in paying up at par newly created US dollar shares.

At the same time as the US dollar shares were issued, the Company issued £50,000 Redeemable Preference Shares for cash at par. The Redeemable Preference Shares carry limited class voting rights and no dividend rights. This class of shares is also 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.

A total of 826 million AstraZeneca shares were issued to Astra shareholders who accepted the merger offer before the final closing date, 21 May 1999. AstraZeneca received acceptances from Astra shareholders representing 99.6 per cent of Astra's shares and the remaining 0.4 per cent was acquired in 2000 for cash.

A total of 3.6 million shares were issued during 1999 in respect of share options, compared with 0.8 million shares in 1998.

Major shareholdings

On 9 February 2001 (not more than one month prior to the date of the Notice of Annual General Meeting) the following had disclosed an interest in the issued Ordinary Share capital of the Company in accordance with the requirements of Sections 198-208 of the Companies Act 1985:

| Shareholder | Number of shares | Percentage of issued share capital |
|------------------------------------|------------------|------------------------------------|
| The Capital Group Companies, Inc., | 159,561,790 | 9.03% |
| Investor AB | 91,545,308 | 5.18% |

No other person held a notifiable interest in shares, comprising 3% or more of the issued Ordinary Share capital of the Company, appearing in the register of interests in shares maintained under the provisions of Section 211 of the Companies Act 1985.

Significant changes in the percentage ownership held by major shareholders during the past three years are set out below. Major shareholders do not have different voting rights.

| Shareholders | Percentage of issued share capital | | |
|------------------------------------|------------------------------------|-------------------------------|-------------------------------|
| | 9 Feb 2001 In AstraZeneca | 14 Mar 2000 In AstraZeneca | 16 Mar 1999 In AstraZeneca |
| The Capital Group Companies, Inc., | 9.03% | 7.8% | 5.53% |
| Investor AB | 5.18% | 5.2% | |

AstraZeneca PLC American Depositary Shares (each representing one Ordinary Share) evidenced by American Depositary Receipts issued by Morgan Guaranty Trust Company of New York, as depositary, are listed on the New York Stock Exchange. As of 9 February 2001, the proportion of Ordinary Shares represented by American Depositary Shares was •% of the Ordinary Shares outstanding.

Number of registered holders of Ordinary Shares as of 9 February 2001:

- In the United States
- Total

Number of record holders of American Depositary Receipts as of 9 February 2001:

- In the United States
- Total

So far as the Company is aware, it is neither directly nor indirectly owned nor controlled by one or more corporations or by any government.

Shareholder Information

As of 9 February 2001 the total amount of the Company's voting securities owned by Directors and Officers of the Company was:

| Title of class | Amount owned (\$0.25 shares) | Per cent of class |
|-----------------|---------------------------------|-------------------|
| Ordinary Shares | | |

The Company does not know of any arrangements the operation of which might result in a change in the control of the Company.

Related party transactions

During the period 1 January 2000 to 9 February 2001 there were no transactions, loans, or proposed transactions between the Company and any related parties which were material to either the Company or the related party, or which were unusual in their nature or conditions. (See also Note 39 Statutory and other information).

Options to purchase securities from registrant or subsidiaries

(a) As of 9 February 2001 options outstanding to subscribe for Ordinary Shares of \$0.25 of the Company were:

| Number of shares | Subscription price | Normal expiry date |
|------------------|--------------------|--------------------|
|------------------|--------------------|--------------------|

The weighted average subscription price of options outstanding at 9 February 2001 was •p. All options were granted under Company employee schemes.

(b) Included in paragraph (a) are options granted to Directors and Officers of AstraZeneca as follows:

| Number of shares | Subscription price | Normal expiry date |
|------------------|--------------------|--------------------|
|------------------|--------------------|--------------------|

(c) Included in paragraph (b) are options granted to individually named Directors. Details of these option holdings as at 31 December 2000 are shown in Note 34 to the financial statements.

During the period 1 January 2001 to 9 February 2001 no Director exercised any options and there were no changes in the interests of Directors shown in Note 34 to the Financial Statements.

Dividend payments

The record date for the second interim dividend payable on 9 April 2001 (in the UK, US and Sweden) was 23 February 2001. Shares have traded ex-dividend on the London and Stockholm Stock Exchanges from 21 February 2001 and ADRs have traded ex-dividend on the New York Stock Exchange from the same date. Future dividends will normally be paid as follows:

First interim: Announced end of July and paid in October
Second interim: Announced in February and paid in April

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The Causeway
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Website: www.shareview.co.uk

Results

Unaudited trading results of AstraZeneca in respect of the first three months of 2001 will be published on 26 April 2001 and results in respect of the first six months of 2001 will be published on 26 July 2001.

Documents on display

The Memorandum and Articles of Association of the Company and the rules of the AstraZeneca Share Option Plan may be inspected at the Company's registered office at 15 Stanhope Gate, London W1K 1LN.

Taxation for US residents

The following summary of the principal UK and certain US tax consequences of ownership of Ordinary Shares or ADRs held as capital assets by US resident shareholders is based on current UK and US federal income tax law and practice and in part on representations of Morgan Guaranty Trust Company of New York as Depositary for ADRs and assumes that each obligation in the deposit agreement among the Company, the Depositary and the holders from time to time of ADRs and any related agreement will be performed in accordance with its terms. The US Treasury has expressed concerns that parties to whom ADRs are pre-released may be taking actions that are inconsistent with the claiming, by US holders of ADRs, of foreign tax credits for US federal income tax purposes. Accordingly, the analysis of the creditability of UK taxes described below could be affected by future actions that may be taken by the US Treasury.

United Kingdom and United States income taxes and tax treaties affecting remittance of dividends

Under the current Double Taxation (Income) Convention (the 'Convention') between the United Kingdom and the United States, which is currently being renegotiated, US resident individuals who are the beneficial owners of dividends on Ordinary Shares, or American Depositary Receipts representing Ordinary Shares, in UK Corporations are generally entitled to a tax credit payment in respect of dividends equal to one-ninth (1/9) of the dividend paid. This tax credit payment is reduced by a UK withholding of up to 15% of the gross dividend paid. Therefore, a US holder will not actually receive any payment of this credit.

US resident corporate shareholders are generally treated in the same way as individuals provided that either alone, or together with associated corporations, they do not control directly or indirectly 10% or more of the voting shares of the Company and do not constitute investment or holding companies, 25% or more of the capital of which is owned, directly or indirectly, by persons that are not individuals resident in, and are not nationals of, the United States.

For US federal income tax purposes, the sum of the dividend paid, and if a US resident shareholder so elects, the associated tax credit payment is includible in gross income by US resident shareholders and, for foreign tax credit limitation purposes, is foreign source income, treated separately, together with other items of 'passive income' (or, in the case of certain holders, 'financial services income'). The withholding deduction is treated as a foreign income tax which may, subject to certain limitations and restrictions, be eligible for credit against a US resident shareholder's US federal income tax liability (or deductible by such shareholders in computing their taxable income).

Shareholders whose holdings are effectively connected with a permanent establishment or fixed base in the United Kingdom, or who are corporations also resident in the United Kingdom for the purpose of the Convention, are not entitled to payment of the tax credit nor are they subject to any deductions from the dividend.

Taxation on capital gains

Under the Convention each contracting state may in general tax capital gains in accordance with the provisions of its domestic law. Under present UK law, individuals who are neither resident nor ordinarily resident in the United Kingdom, and companies which are not resident in the United Kingdom will not be liable to UK tax on capital gains made on the disposal of their Ordinary Shares or ADRs, unless such Ordinary Shares or ADRs are held in connection with a trade, profession or vocation carried on in the United Kingdom through a branch or agency.

A US resident shareholder will recognize capital gain or loss for US federal income tax purposes on the sale or exchange of the Ordinary Shares or ADSs in the same manner as such holder would on the sale or exchange of any other shares held as capital assets. As a result, a US resident shareholder will generally recognize capital gain or loss for US federal income tax purposes equal to the difference between the amount realized and such holder's adjusted basis in the Ordinary Shares or ADSs. The gain or loss will generally be US source income or loss. US resident shareholders should consult their own tax advisors about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

United Kingdom inheritance tax

Under the current Double Taxation (Estates) Convention (the 'Estate Tax Convention') between the United States and the United Kingdom, Ordinary Shares or ADRs held by an individual shareholder who is domiciled for the purposes of the Estate Tax Convention in the United States, and is not for the purposes of the Estate Tax Convention a national of the United Kingdom, will generally not be subject to the UK inheritance tax on the individual's death or on a chargeable gift of the Ordinary Shares or ADRs during the individual's lifetime provided that any applicable US federal gift or estate tax liability is paid, unless the Ordinary Shares or ADRs are part of the business property of a permanent establishment of the individual in the United Kingdom or, in the case of a shareholder who performs independent personal services, pertain to a fixed base situated in the United Kingdom. Where the ADRs or Ordinary Shares have been placed in trust by a settlor who, at the time of settlement, was a US resident shareholder, the ADRs or Ordinary Shares will generally not be subject to UK inheritance tax unless the settlor, at the time of settlement, was not domiciled in the US and was a UK national. In the exceptional case where the Ordinary Shares or ADRs are subject both to UK inheritance tax and to US federal gift or estate tax, the Estate Tax Convention generally provides for double taxation to be relieved by means of credit relief.

Shareholder Information

Taxation for US residents (continued)

Exchange controls and other limitations affecting security holders

- (a) There are no governmental laws, decrees or regulations in the UK restricting the import or export of capital or affecting the remittance of dividends, interest or other payments to non-resident holders of Ordinary Shares or American Depositary Shares. However, a 1.5% stamp duty reserve tax is payable upon the deposit of Ordinary Shares in connection with the creation of but not subsequent dealing in American Depositary Receipts. This is in lieu of the normal 0.5% stamp duty on all purchases of Ordinary Shares.
- (b) There are no limitations under English Law or the Company's Memorandum and Articles of Association on the right of non-resident or foreign owners to be the registered holders of and to vote Ordinary Shares or to be registered holders of notes or debentures of Zeneca Wilmington Inc.

Exchange rates

For the periods up to April 1999, Astra accounted for and reported its results in Swedish kronor, whereas Zeneca accounted for and reported its results in sterling. Consistent with AstraZeneca's decision to publish its financial statements in US dollars, the financial information in this document has been translated from kronor and sterling into US dollars at the following applicable exchange rates:

| | SEK/USD | USD/GBP |
|--|---------|---------|
| Average rates (profit and loss account, cash flow) | | |
| 1995 | 7.1100 | 1.5796 |
| 1996 | 6.7000 | 1.5525 |
| 1997 | 7.6225 | 1.6386 |
| 1998 | 7.9384 | 1.6603 |
| 1999 | 8.2189 | 1.6247 |

End of year spot rates (balance sheet)

| | SEK/USD | USD/GBP |
|------|---------|---------|
| 1995 | 6.6500 | 1.5500 |
| 1996 | 6.8400 | 1.6900 |
| 1997 | 7.8500 | 1.6600 |
| 1998 | 8.0400 | 1.6600 |
| 1999 | 8.5130 | 1.6185 |

The following information relating to average and spot exchange rates used by AstraZeneca is provided for convenience.

| | SEK/USD | USD/GBP |
|--|---------|---------|
| Average rates (profit and loss account, cash flow) | | |
| 2000 | 8.9103 | 1.5341 |

End of year spot rates (balance sheet)

| | SEK/USD | USD/GBP |
|------|---------|---------|
| 2000 | 9.5390 | 1.4925 |

Definitions

In this document the following words and expressions shall, unless the context otherwise requires, have the following meanings:

| | |
|---|--|
| ADR | American Depositary Receipt evidencing title to an ADS |
| ADS | American Depositary Share representing one underlying Ordinary Share |
| Depository | Morgan Guaranty Trust Company of New York, as depository under the deposit agreement pursuant to which the ADRs are issued |
| Directors | The Directors of the Company |
| Company | AstraZeneca PLC |
| AstraZeneca, AstraZeneca Group or the Group | The Company and its subsidiaries |
| Ordinary Shares | Ordinary Shares of \$0.25 each in the capital of the Company |
| LSE | London Stock Exchange Limited |
| NYSE | New York Stock Exchange, Inc. |
| SSE | Stockholm Stock Exchange |
| Pound sterling, £, GBP, pence or p | References to UK currency |
| SEK, kronor | References to Swedish currency |
| UK or United Kingdom | United Kingdom of Great Britain and Northern Ireland |
| US dollar, US\$ or \$ | References to US currency |
| US or United States | United States of America |
| FDA | Food and Drug Administration of the US |

Figures in parentheses in tables and financial statements are used to represent negative numbers.

Except where otherwise indicated, figures included in this report relating to pharmaceutical product market sizes and market shares are obtained from syndicated industry sources, primarily I.M.S. Health (IMS), a market research firm internationally recognised by the pharmaceutical industry. The 2000 market share figures included in this report are based primarily on data obtained from an online IMS database.

IMS data may differ from that compiled by the Group with respect to its own products. Of particular significance in this regard are the following: (1) AstraZeneca publishes its financial results on a financial year and quarterly interim basis, whereas IMS issues its data on a monthly and quarterly basis; (2) the online IMS database is updated quarterly and uses the average exchange rates for the relevant quarter; (3) IMS data from the US is not adjusted for Medicaid and similar state rebates; and (4) IMS sales data is compiled using actual wholesaler data and data from statistically representative panels of retail and hospital pharmacies, which data is then projected by IMS to give figures for national markets.

References to prevalence of disease have been derived from a variety of sources and are not intended to be indicative of the current market or any potential market for AstraZeneca's pharmaceutical products since, among other things, there may be no correlation between the prevalence of a disease and the number of individuals who are treated for such disease.

Shareholder Information

**Terms used in Annual Report
and Form 20-F****US equivalent or brief description**

| | |
|---|---|
| Accruals | Accrued expenses |
| Allotted | Issued |
| Bank borrowings | Payable to banks |
| Called-up share capital | Issued share capital |
| Capital allowances | Tax term equivalent to US tax depreciation allowances |
| Creditors | Liabilities/payables |
| Current instalments of loans | Long-term debt due within one year |
| Debtors | Receivables and prepaid expenses |
| Earnings | Net income |
| Finance lease | Capital lease |
| Fixed asset investments | Non-current investments |
| Freehold | Ownership with absolute rights in perpetuity |
| Interest receivable | Interest income |
| Interest payable | Interest expense |
| Loans | Long-term debt |
| Prepayments | Prepaid expenses |
| Profit | Income |
| Profit and loss account | Income statement/consolidated statement of income |
| Reserves | Retained earnings |
| Short-term investments | Redeemable securities and short-term deposits |
| Share premium account | Premiums paid in excess of par value of Ordinary Shares |
| Statement of Total Recognised Gains and Losses | Statement of Comprehensive Income |
| Stocks | Inventories |
| Tangible fixed assets | Property, plant and equipment |
| Turnover | Sales/Revenues |

Cross Reference to Form 20-F

The information in this document that is referenced on this page is included in the Annual Report on Form 20-F for 2000 (2000 Form 20-F) and is filed with the Securities and Exchange Commission (SEC). The 2000 Form 20-F is the only document intended to be incorporated by reference into any filings by AstraZeneca under the Securities Act of 1933, as amended. References to major headings include all information under such major headings, including subheadings. References to subheadings include only the information contained under such subheadings. Graphs are not included unless specifically identified opposite. The 2000 Form 20-F has not been approved or disapproved by the SEC nor has the SEC passed comment upon the accuracy or adequacy of the 2000 Form 20-F. The 2000 Form 20-F filed with the SEC may contain modified information and may be updated from time to time.

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Subsidiary Undertakings

| <u>235 Country of Incorporation</u> | <u>Full Name</u> | <u>Held %</u> |
|-------------------------------------|--|---------------|
| 6979 France | A.S.P. S.A., | |
| 5337 Bermuda | Acorga Limited | 100 |
| 6908 Sweden | Aktiebolaget Astromen | 100 |
| 6914 Sweden | Aktiebolaget Draco | 100 |
| 6913 Sweden | Aktiebolaget Hassle | 100 |
| 6901 Sweden | Aktiebolaget Medena | 100 |
| 6893 Sweden | Aktiebolaget Rila | 100 |
| 5544 United States of America | Ambulatory Diagnostic Testing Services, Inc. | 100 |
| 5339 British Virgin Islands | Arbil International Insurance Limited | 100 |
| 7332 Taiwan, Republic of China | Asterpharm Inc | 51 |
| 6895 Sweden | Astra Biotech AB | 99.9 |
| 6919 Sweden | Astra Export & Trading AB | 100 |
| 6909 Sweden | Astra Fondaktiebolag | 100 |
| 6923 Sweden | Astra Lakemedel AB | 100 |
| 6905 Sweden | Astra Middle East AB | 100 |
| 6899 Sweden | Astra Nordic AB | 100 |
| 6998 Norway | Astra Norge AS | 100 |
| 6911 Sweden | Astra Pharma AB | 100 |
| 6992 Switzerland | Astra Pharmaceutica AG | 100 |
| 7176 Malaysia | Astra Pharmaceutical (Malaysia) SDN BHD | 100 |
| 7344 Hong Kong | Astra Pharmaceuticals (China) | 100 |
| 6942 Poland | Astra Pharmaceuticals (Poland) sp.z.o.o | 100 |
| 7405 South Africa | Astra Pharmaceuticals (Pty) Ltd | 100 |
| 6917 Sweden | Astra Pharmaceuticals AB | 100 |
| 4186 Australia | Astra Pharmaceuticals Holdings Pty Ltd. | 100 |
| 6984 United Kingdom | Astra Pharmaceuticals Ltd., | 100 |
| 6960 Portugal | Astra Portuguesa Lda | 100 |
| 5565 United States of America | Astra R&D Boston, Inc. | 100 |
| 6794 Sweden | Astra Synthelabo Aktiebolag | 100 |
| 6959 Austria | Astra Tech | 50 |
| 6944 France | Astra Tech | 100 |
| 6939 Denmark | Astra Tech A/S | 100 |
| 6918 Sweden | Astra Tech Aktiebolag | 100 |
| 6932 Norway | Astra Tech AS | 100 |
| 6933 HOLLAND | Astra Tech B.V. | 100 |
| 6916 Germany | Astra Tech GmbH | 100 |
| 6902 Sweden | Astra Tech International Aktiebolag | 100 |
| 6972 Italy | Astra Tech Italy SpA | 100 |
| 5567 United Kingdom | Astra Tech Ltd | 97 |
| 5568 Finland | Astra Tech Oy | 100 |
| 6962 Spain | Astra Tech S.A. | 100 |
| 5570 United States of America | Astra Tech, Inc. | 100 |
| 5561 United States of America | Astra U.S. Holdings Corporation | 100 |
| 5562 United States of America | Astra USA, Inc. | 100 |
| 6985 United Kingdom | AstraPharm | 100 |
| 5667 United States of America | Astra-Thai Holdings | 100 |
| 6999 Denmark | AstraZeneca A/S | 100 |
| 7117 Brazil | AstraZeneca do Brasil Limitada | 100 |

Subsidiary Undertakings

| | | |
|---|---|-----|
| 7358 Thailand | AstraZeneca (Thailand) Ltd | 100 |
| 6892 Sweden | AstraZeneca AB | 100 |
| 6440 Switzerland | AstraZeneca AG | 100 |
| 6988 HOLLAND | AstraZeneca Alpha B.V. | 100 |
| 6142 Norway | AstraZeneca AS | 100 |
| 6020 HOLLAND | AstraZeneca B.V. | 100 |
| 5668 Canada | AstraZeneca Canada Inc., | 100 |
| 3700 United Kingdom | AstraZeneca China UK Limited | 100 |
| 7170 Colombia | AstraZeneca Colombia S.A. | 100 |
| 6986 HOLLAND | AstraZeneca Continent B.V., | 100 |
| 6943 Czech-Republic | AstraZeneca Czech Republic, s.r.o. | 100 |
| 6912 Sweden | AstraZeneca Development AB | 100 |
| 1012 United Kingdom | AstraZeneca Employee Share Trust Ltd | 100 |
| 6150 HOLLAND | AstraZeneca Epsilon B.V. | 100 |
| 4182 Australia | AstraZeneca Executive Superannuation Plan Pty Ltd | 100 |
| 7161 Chile | AstraZeneca Farmaceutica Chile Ltda | 100 |
| 6159 Spain | AstraZeneca Farmaceutica Holding Spain SA | 100 |
| 8911 United Kingdom | AstraZeneca Finance Limited | 100 |
| 6941 France | AstraZeneca Finance SAS | 100 |
| 6103 Germany | AstraZeneca GmbH | 100 |
| 6145 Sweden | AstraZeneca Holding AktieBolag | 100 |
| 6982 France | AstraZeneca Holding France SAS | 100 |
| 6267 Denmark | AstraZeneca Holdings A/S | 100 |
| 6226 HOLLAND | AstraZeneca Holdings B.V. | 100 |
| 7326 Hong Kong | AstraZeneca Hong Kong Ltd | 100 |
| 7335 Turkey | AstraZeneca Ilac Sanayi Ve Ticaret A.S. | 92 |
| 6171 HOLLAND | AstraZeneca Iliad B.V. | 100 |
| 7264 India | AstraZeneca India Private Limited | 100 |
| 8044 United Kingdom | AstraZeneca Insurance Company Limited | 100 |
| 6910 Sweden | AstraZeneca International Holdings AB | 100 |
| 7333 United Kingdom | AstraZeneca Japan Limited | 100 |
| 6208 HOLLAND | AstraZeneca Jota B.V. | 100 |
| 6212 HOLLAND | AstraZeneca Kappa B.V. | 100 |
| 6945 Hungary | AstraZeneca Kft | 100 |
| 7275 Japan | AstraZeneca KK | 100 |
| 7327 South Korea | AstraZeneca Korea Ltd | 100 |
| 6224 HOLLAND | AstraZeneca Lambda B.V. | 100 |
| 5310 United States of America | AstraZeneca Latin America Inc | 100 |
| 4189 New Zealand | AstraZeneca Limited | 100 |
| 6976 Germany | AstraZeneca Luxembourg sarl | 100 |
| 6990 Switzerland | AstraZeneca Management Resources AG | 100 |
| 6980 France | AstraZeneca Monts | 100 |
| 8098 United Kingdom | AstraZeneca Nominees Ltd | 100 |
| 6213 HOLLAND | AstraZeneca Omega B.V. | 100 |
| 6305 Austria | AstraZeneca Österreich GmbH | 100 |
| 6995 Finland | AstraZeneca OY. | 100 |
| 7319 China - People's Republic of China | AstraZeneca Pharmaceutical Co., Ltd. | 100 |
| 6983 Republic of Ireland | AstraZeneca Pharmaceuticals (Ireland) Limited | 100 |
| 7270 Philippines | AstraZeneca Pharmaceuticals (Phils.) Inc., | 100 |
| 7400 South Africa | AstraZeneca Pharmaceuticals (Pty) Ltd | 100 |

Subsidiary Undertakings

| | | |
|--------------------------------|--|-------|
| 5563 United States of America | AstraZeneca Pharmaceuticals, LP | 100 |
| 6227 HOLLAND | AstraZeneca Pi B.V. | 100 |
| 4188 Australia | AstraZeneca PTY Ltd | 100 |
| 1006 United Kingdom | AstraZeneca Quest Limited | 100 |
| 6209 HOLLAND | AstraZeneca Rho B.V. | 100 |
| 7960 Argentina | AstraZeneca S.A. | 100 |
| 6971 Greece | AstraZeneca S.A. | 99.97 |
| 6119 France | AstraZeneca SA | 100 |
| 7194 Uruguay | AstraZeneca SA | 100 |
| 1013 United Kingdom | AstraZeneca Share Trust Ltd | 100 |
| 6210 HOLLAND | AstraZeneca Sigma B.V. | 100 |
| 7318 Singapore | AstraZeneca Singapore Pte Ltd | 100 |
| 6329 Poland | AstraZeneca Sp. z.o.o. | 100 |
| 6125 Italy | AstraZeneca SpA | 100 |
| 4181 Australia | AstraZeneca Superannuation Plna Pty Ltd | 100 |
| 6793 Sweden | AstraZeneca Sverige AB | 100 |
| 7330 Taiwan, Republic of China | ASTRAZENECA TAIWAN LIMITED | 100 |
| 6222 HOLLAND | AstraZeneca Theta B.V. | 100 |
| 1019 United Kingdom | AstraZeneca Treasury Limited | 100 |
| 1002 United Kingdom | AstraZeneca UK Limited | 100 |
| 7120 Venezuela | AstraZeneca Venezuela SA | 100 |
| 6206 HOLLAND | AstraZeneca Zeta B.V. | 100 |
| 5564 United States of America | AstraZeneca, LP | 99 |
| 5569 Mexico | AstraZeneca, S.A. de C.V. | 100 |
| 6221 HOLLAND | AstraZeneca Gamma B.V. | 100 |
| 5286 United States of America | Atkemix Nine Inc. | 100 |
| 5301 United States of America | Atkemix Ten Inc. | 100 |
| 5303 United States of America | Atkemix Twelve Inc. | 100 |
| 3302 United Kingdom | Avlex Limited | 100 |
| 6949 Norway | AZ Pharma AS | 100 |
| 5336 British Virgin Islands | AZ Reinsurance Limited | 100 |
| 5502 United States of America | AZ-Mont Insurance Company | 100 |
| 3348 United Kingdom | Care Laboratories Ltd | 100 |
| 3350 United Kingdom | Care Products Ltd | 100 |
| 6938 Denmark | Carl Schneider ApS | 100 |
| 5517 United States of America | Carlos Dominguez, M.D., FACP, Inc. | 100 |
| 5302 United States of America | CCC Management Company of California, Inc. | 100 |
| 5309 United States of America | CCC Management Company of New York, Inc. | 100 |
| 5305 United States of America | CCC Management Company, Inc. | 100 |
| 5553 United States of America | CCC of North Miami Beach Inc. | 100 |
| 5541 United States of America | Century Dialysis Corporation | 100 |
| 5511 United States of America | Comprehensive Cancer Centers Inc. | 100 |
| 5036 United States of America | Comprehensive Cancer Corporation of New York Inc | 100 |
| 6989 Switzerland | Copthorne AG | 100 |
| 5530 United States of America | Corpus Christi Holdings Inc. | 100 |
| 6903 Sweden | Crafon Aktiebolag | 100 |
| 6922 Sweden | Draco Lakemedel Aktiebolag | 100 |
| 6996 Norway | DuraNor AS, | 100 |
| 6906 Sweden | Durapharm Aktiebolag | 100 |
| 5518 United States of America | Enrique Davilla, M.D., FACP, Inc | 100 |

Subsidiary Undertakings

| | | |
|-------------------------------|--|-----|
| 6920 Sweden | Hassle Lakemedel Aktiebolag | 100 |
| 6894 Sweden | Hassle Research Aktiebolag | 100 |
| 8035 United Kingdom | I.C. Insurance Holdings Limited | 51 |
| 3330 United Kingdom | IC Insurance Limited | 51 |
| 6904 Sweden | Imeco Aktiebolag | 100 |
| 5550 United States of America | Infusx, Inc. | 100 |
| 5542 United States of America | Intercenter Cancer Research Group | 100 |
| 7137 Puerto Rico | IPR Pharmaceuticals, Inc. | 100 |
| 6105 Germany | Ivamed GmbH | 100 |
| 4183 Australia | J Glover Distributors Pty Limited | 100 |
| 4171 Australia | J Glover Laboratories Pty Limited | 100 |
| 6981 France | Laboratories Astra France | 100 |
| 6083 Spain | Laboratorio Beta, S.A. | 100 |
| 6005 Spain | Laboratorio Epsilon, S.A. | 100 |
| 6084 Spain | Laboratorio Icaro, S.A. | 100 |
| 6004 Spain | Laboratorio Lailan, S.A. | 100 |
| 6085 Spain | Laboratorio Odin, S.A. | 100 |
| 6080 Spain | Laboratorio Tau S.A. | 100 |
| 6973 Spain | Laboratorios Astra Espana, S.A. | 100 |
| 5554 United States of America | Logic Health Systems, Inc | 100 |
| 8062 United Kingdom | Marlow Foods Ltd | 100 |
| 5519 United States of America | Michael A. Schwartz, M.D., Inc., | 100 |
| 6978 Belgium | N.V. Astra Pharmaceuticals S.A. | 100 |
| 6977 Belgium | N.V. Vitalpharma Astra S.A. | 100 |
| 5521 United States of America | Nixon, Blaustein, Tuchman-Ratzan & Lutzky, M.D.'s, Inc., | 100 |
| 8094 United Kingdom | Novacote Flexpack Ltd | 100 |
| 6332 Portugal | Novastra | 100 |
| 6127 Belgium | NV AstraZeneca SA | 100 |
| 5514 United States of America | OAMG, Inc. | 100 |
| 7336 Indonesia | P.T. AstraZeneca Indonesia | 95 |
| 4170 Australia | Pharmaceutical Manufacturing Company Pty Limited | 100 |
| 6108 Germany | Pharma-Stern GmbH | 100 |
| 6101 Germany | Pharma-Stern Holding GmbH | 100 |
| 6109 Germany | Promed Arzneimittel GmbH | 100 |
| 6102 Germany | Promed Arzneimittel Holding GmbH | 100 |
| 6104 Germany | Rhein-Pharma Arzneimittelwerk GmbH | 100 |
| 5403 United States of America | Salick Health Care Holdings Inc. | 100 |
| 5560 United States of America | Salick Health Care, Inc. | 100 |
| 5515 United States of America | Salick MG, Inc., | 100 |
| 5556 United States of America | Salicknet Inc. | 100 |
| 5545 United States of America | SHC Laboratories, Inc. | 100 |
| 6974 Italy | Simesa SpA | 100 |
| 3395 United Kingdom | Stahl GB Ltd | 100 |
| 5332 Canada | Stauffer Chemical Co. Canada Limited | 100 |
| 8915 United States of America | Stauffer Chemical Company Trust | 100 |
| 5315 United States of America | Stauffer Management Company LLC | 100 |
| 6078 Portugal | STUART - PRODUTOS FARMACEUTICOS, LDA | 100 |
| 6218 Sweden | Stuart Pharma AB | 100 |
| 7421 South Africa | Stuart Pharmaceuticals (South Africa) (Pty) Ltd | 100 |
| 3303 United Kingdom | Stuart Pharmaceuticals Ltd | 100 |