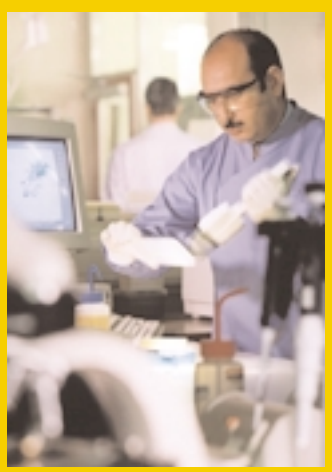
AstraZeneca
Annual Report & Form 20-F 2000



AstraZeneca

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Cautionary Statement Regarding Forward Looking Statements

In order to utilise the 'safe harbour' provisions of the US Private Securities Litigation Reform Act of 1995, AstraZeneca PLC is providing the following cautionary statement: This Annual Report and Form 20-F 2000 contains certain forward-looking statements about AstraZeneca. Although AstraZeneca believes its expectations are based on reasonable assumptions, any forward-looking statements may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. AstraZeneca intends to identify the forward-looking statements by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements. These forward-looking statements are subject to numerous risks and uncertainties. Important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the control of AstraZeneca, include, among other things: exchange rate fluctuations, the risk that R&D will not yield new products that achieve commercial success, the impact of competition, price controls and price reductions, the risk of loss or expiration of patents or trade marks, difficulties of obtaining and maintaining governmental approvals for products, the risk of substantial product liability claims, exposure to environmental liability and the risks related to the difficulty of completing the integration of Astra's and Zeneca's large and complex businesses on a timely basis and realising synergies.

Trade Marks

Product names in italics indicate trade marks owned by the AstraZeneca group of companies, except as otherwise stated. AstraZeneca, the AstraZeneca logotype and the AstraZeneca symbol are all trade marks owned by the AstraZeneca group of companies.

Statements of Competitive Position

Except as otherwise stated, market information in this Annual Report and Form 20-F 2000 regarding the position of AstraZeneca's business or products relative to its or their competition are based upon published statistical data obtained from IMS Health, a leading supplier of statistical data to the pharmaceutical industry. Except as otherwise stated, this market share and industry data from IMS Health has been derived by comparing AstraZeneca's sales revenue to competitors' and total market sales revenues.

AstraZeneca Website

Information on the AstraZeneca website, www.astrazeneca.com, does not form part of this document.

Key Achievements

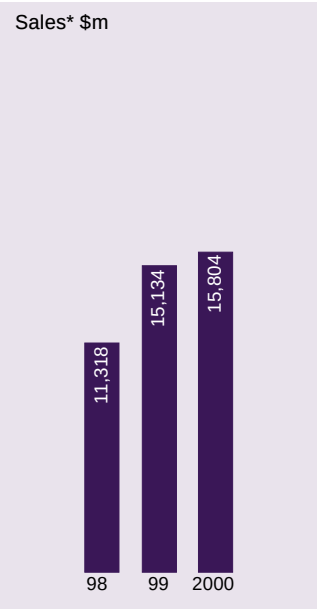
- Sales* of $15.8 billion, up 8%
- Operating profit* of $4.0 billion, up 14%
- US pharmaceutical sales of $8.0 billion, up 12%
- *Losec* sales of $6.3 billion, up 9%
- Sales of seven products each exceed $500 million
  – *Losec*, *Zestril*, *Seloken*, *Zoladex*, *Pulmicort*, *Diprivan* & *Nolvadex*
- Sales in five therapeutic areas each exceed $1 billion
  – gastrointestinal, cardiovascular, oncology, respiratory & pain control
- Total sales of the five key growth products exceed $1.5 billion, up 50%
  – *Seroquel* up 85%, *Atacand* up 82%, *Casodex* & *Zomig* both up 31% & *Arimidex* up 19%
- Successful launch of *Nexium* in its first ten markets
  – UK, Germany, Sweden, Ireland, Norway & Denmark in 2000
  – Iceland, Finland, Netherlands & Luxembourg in January-February 2001
- US regulatory approval for *Nexium* achieved in February 2001
  – resources in place to support a major US product launch in March 2001
- First launch of *Symbicort* in Sweden and regulatory approval granted in 16 European countries
- High potential products in later stages of development are progressing well
  – *Crestor*, Oral Direct Thrombin Inhibitor, *Viozan*, *Faslodex* & *Iressa*
- Continued good progress with the new product pipeline
  – over 150 projects in the pipeline
  – 14 new chemical entities into development
- AstraZeneca is now one of the most focused prescription medicine companies in the world
- Delivery of synergy benefits ahead of plans
  – $650 million of the $1.1 billion per annum target delivered to date
- Successful completion of the demerger of Zeneca Agrochemicals and the creation of Syngenta in November 2000

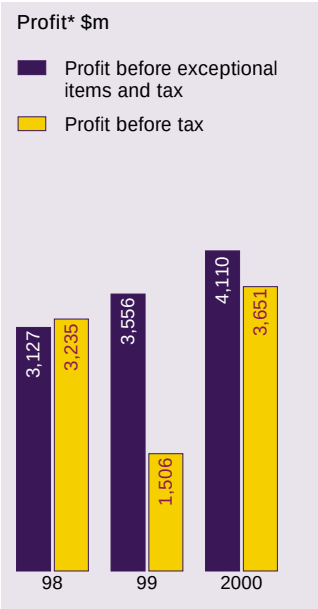
*Continuing operations, excluding Specialties and Agrochemicals.
All growth rates at constant exchange rates (CER)

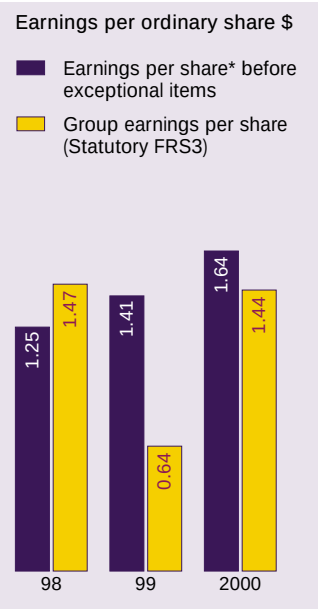
Financial Highlights

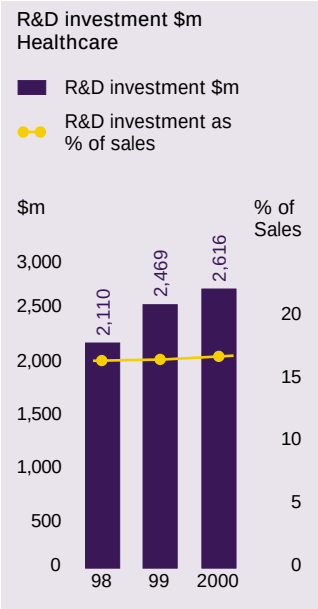
Continuing Operations before Exceptional Items	2000	1999	% growth CER
Sales* $m	15,804	15,134	+ 8
Operating Profit* $m	3,984	3,570	+ 14
Earnings per share* $	1.64	1.41	+ 18
Group earnings per share (Statutory FRS3) $	1.44	0.64	

Following the demerger of the Agrochemicals business in November 2000 and the disposal of the Specialties business in June 1999, the results of these operations are treated as discontinued.

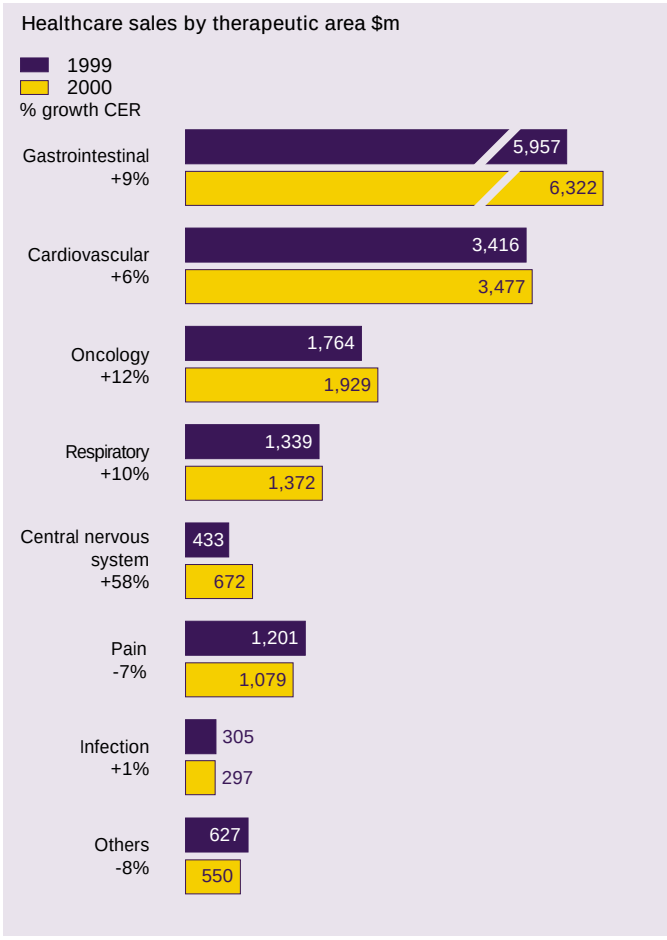


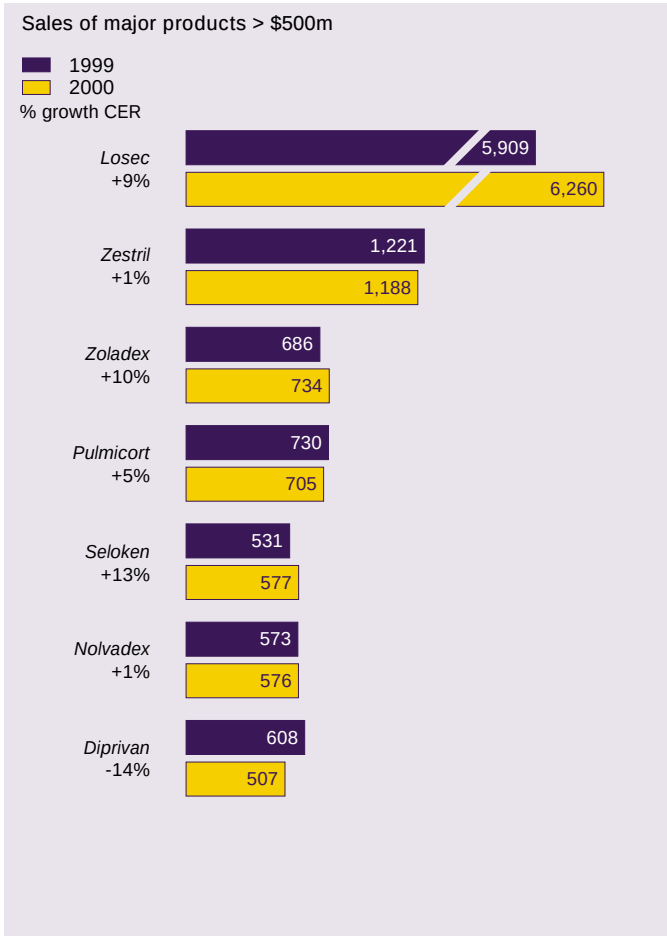


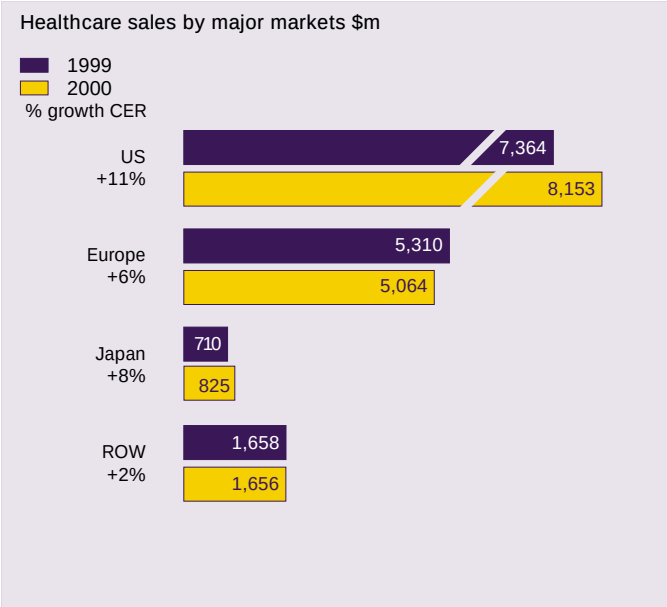


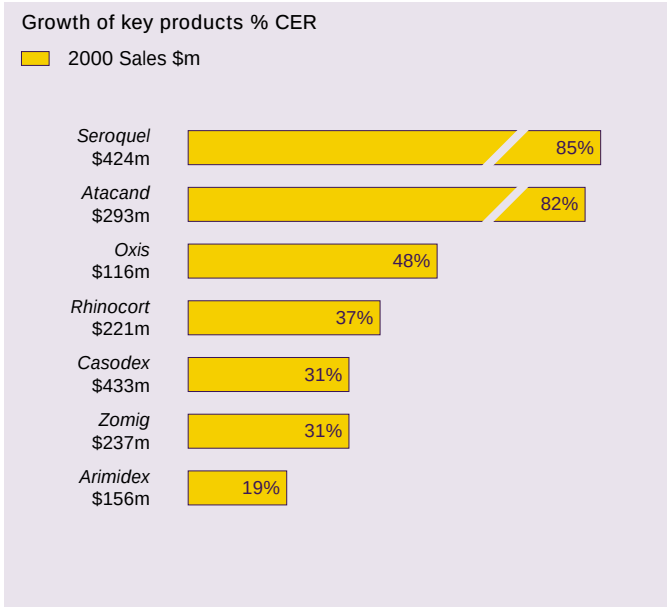


*Continuing operations, excluding Specialties and Agrochemicals
Note: All growth rates at constant exchange rates (CER)





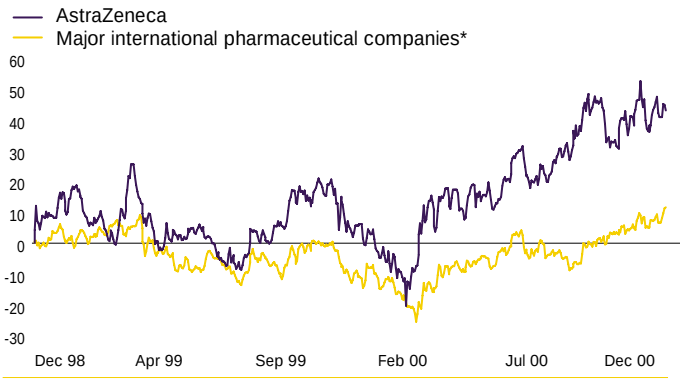




Note: All growth rates at constant exchange rates (CER)

Shareholder Highlights

AstraZeneca relative share performance
7 December 1998 – 31 December 2000



Source: Thomson Financial Datastream.

Total shareholder return (TSR)
7 December 1998 – 31 December 2000

	TSR
AstraZeneca[1]	22.2%
Major international pharmaceutical companies[2]	6.4%

TSR = share price appreciation plus dividend / share price at the start of the period

[1] Annual rate of return
[2] Weighted average rate of return

*Abbott Labs, AHP, Aventis, BMS, Eli Lilly, GSK, JNJ, Merck, Novartis, Pfizer, Pharmacia, Roche, Sanofi-Synthélabo, Schering & Schering-Plough.

High and low share prices in $, £ and SEK

2000 Range of prices*

	$		£		SEK	
	High	Low	High	Low	High	Low
Quarter 1	43.00	30.79	29.71	19.26	386.0	266.0
Quarter 2	45.57	39.28	30.85	26.03	413.0	345.0
Quarter 3	51.80	41.78	35.90	28.50	511.0	386.5
Quarter 4	52.25	45.51	36.00	31.60	515.0	444.0

*Prices are those of the New York, London and Stockholm Stock Exchanges.

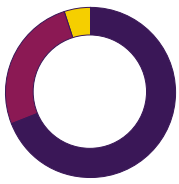
Share dividend for 2000

	$	pence	SEK	Payment date
First interim dividend	0.23	15.3	2.10	23 October 2000
Second interim dividend	0.47	32.1	4.49	9 April 2001
Total dividend	0.70	47.4	6.59	

Share repurchase 2000

	No. of shares m	Cost $m
Quarter 1	4,940	169
Quarter 2	4,465	184
Quarter 3/4	–	–
Total	9,405	353

AstraZeneca registered shareholder profile
As at 31 December 2000



Ordinary 69%
VPC 26%
ADR 5%

Key:
Ordinary: Ordinary Shares held directly
VPC: Ordinary Shares held via VPC AB, the Swedish securities register
ADR: American Depositary Receipts

This data is based on the statutory register of members and consequently under-represents US ownership as some US investors hold Ordinary Shares directly or through foreign registered nominee companies.

Chairman's Statement

'AstraZeneca is making its presence felt in the world's pharmaceutical markets.'

I welcome this opportunity to update you on the progress made by AstraZeneca during 2000. Guided by the Chief Executive and his team, AstraZeneca is making its presence felt in the world's pharmaceutical markets.

In 2000, the pace of change continued as the Company moved towards its strategic goal of becoming a pure healthcare company focused on the development and sale of prescription medicines. The complex transaction to demerge Zeneca Agrochemicals and then to merge it with the agribusiness of Novartis to create Syngenta was completed on schedule in November, and offered AstraZeneca shareholders the opportunity to participate in the world's leading agribusiness.

The Group's strong financial results contributed to a second interim dividend of $0.47 per Ordinary Share (32.1 pence, SEK 4.49) to be paid in April 2001, bringing the dividend for the full year to $0.70 (47.4 pence, SEK 6.59). In addition AstraZeneca shareholders received a dividend in specie in the form of Syngenta shares at the time of the demerger of Zeneca Agrochemicals.

The Company made a detailed research and development presentation to financial analysts in December 2000 which confirmed the attractiveness and potential of AstraZeneca's pipeline of new medicines and their contribution to the Group's future performance. The Board is confident that the AstraZeneca management team will deliver value from this promising pipeline during a time of transition for the Company as important product patents expire and a larger number of equally important new products are introduced.

Sir David Barnes stepped down as an Executive Deputy Chairman during the year and will retire from the AstraZeneca Board at this year's AGM. Together with Håkan Mogren, David played a key role in the creation of AstraZeneca and on behalf of the Board I would like to thank him most sincerely. On completion of the Syngenta transaction, Michael Pragnell resigned as an Executive Director and on behalf of the Board I would like to thank him for his contribution and wish him every success in his new role as Chief Executive of Syngenta AG.

The pharmaceutical industry operates in a dynamic environment full of change. In the US, the world's largest pharmaceutical market, we will follow closely the emerging healthcare policies of the new Administration. In Japan, the world's second-largest pharmaceutical market, we are already benefiting from an improved regulatory regime with the earlier introduction of new medicines. In Europe, as governments seek to address the clinical effectiveness and health economics of medical treatments, AstraZeneca with its portfolio of significant products for serious medical conditions is well placed to work with governments in making sure that the health needs of patients remain paramount.

My thanks go to my colleagues on the Board, to Tom McKillop and his executive team and to AstraZeneca employees worldwide for the key contributions they have all made to AstraZeneca's success.

I look forward to the future with confidence in the knowledge that the collective creativity, initiative and performance of our employees will deliver long-term value.

Percy Barnevik
Chairman

Chief Executive's Review

'I believe AstraZeneca is well positioned for continued growth.'

2000 has been an exciting year for AstraZeneca. Our energies have been devoted to developing and implementing the focused strategies necessary for AstraZeneca to build on its position as one of the world's leading pharmaceutical companies. This has meant preparing ourselves for a shift in our reliance on hugely successful yet maturing products like *Losec* and *Zestril* to the equally exciting new generation of medicines with high potential that will form the basis for future growth.

We want to make AstraZeneca 'First for Innovation and Value' by providing new, innovative medicines to society and creating value for all our stakeholders. During 2000, we made tremendous strides towards establishing the platform which will allow us to achieve our goals. At the outset we were determined to focus our energy and resources on the core of our business – pharmaceuticals. The demerger of Zeneca Agrochemicals and the creation of Syngenta late last year leaves AstraZeneca as one of the most focused ethical pharmaceutical companies in the world with more than 98% of our sales made in the prescription sector of the pharmaceutical market.

The business performed well during the year, registering sales growth over the 12 months of 8% (at constant exchange rates), a little short of the target set in January but sufficient to ensure that we continued to gain market share on a global basis. We improved margins and delivered operating profit growth of 14%. Growth in earnings per share was higher, at 18% reflecting the benefits of our strong cash flow.

Highlights of the year included good performances from our key growth products in the US – the world's largest pharmaceuticals market and a strategic priority for us; an 8% increase in Japan with more to come as new products reach this important market; and successful launches for *Nexium*, our successor to *Losec*, in its first European markets. There are many important events to come in 2001. We look forward with confidence to the launch of *Nexium* in the US in March, further roll outs of *Nexium* across the world and the launch of *Symbicort* in Europe. Sales forces have been enlarged to support the new product launches, and to accelerate the growth of key existing products. In the US, we now have the third largest sales force in this important market.

In R&D, we are on track to meet the challenging targets we set 12 months ago. The clinical results on *Crestor*, our exciting new prospect for the important lipid lowering market, clearly demonstrate why our expectations for this product are high.

Other new products progressing well through development include the Oral Direct Thrombin Inhibitor for the prevention of blood clotting, *Viozan* for respiratory disease and the anti-cancer therapies *Faslodex* and *Iressa*. We now have one of the strongest pipelines in the industry with over 150 projects of which 14 entered development in 2000.

Investments in R&D facilities were made in Sweden, UK and in North America where we have taken steps to optimise access to the science and technology base with new laboratories in Boston, Wilmington and Montreal. Rigorous management of our portfolio ensures that our investments and resources remain strategically focused on real medical needs and important commercial targets. The Company's divestment of the antiseptics and dental range is further evidence of the successful implementation of our strategy.

Also key to our future success is the development of an effective performance driven culture within the organisation. In the last year we implemented a performance management system which recognises, measures and rewards performance across the Company. The relationship between performance and reward is a critical component of our plan to attract and retain the best talent.

During the year we undertook a detailed survey among employees around the world. The results point to areas we need to address but the overall message is very encouraging: our employees are proud to be part of AstraZeneca. Equally, I am very proud of our employees, without whom the Company could not have made the progress it has. I would like to take this opportunity to thank them all for their contribution and their commitment during these challenging times.

On behalf of the Board, I would like to record our appreciation to Michael O'Brien, who retired from his position as Executive Vice-President, International Sales and Marketing in January 2001, for his important contribution to AstraZeneca during its formative years. I would also like to wish Bruno Angelici every success in his new role in succession to Michael.

I believe AstraZeneca is well positioned for continued growth. We have the strategy, products, people and skills to make a real difference in the world of healthcare to the benefit of our shareholders, customers, employees and the communities around us.

Tom McKillop
Chief Executive

Strategy

AstraZeneca is committed to the creation of enduring shareholder value, with a strategy aimed at delivering one of the best performances amongst its peer group of world-leading pharmaceutical companies.

A significant strategic step was taken in November 2000 to focus AstraZeneca's global skills and resources primarily on pharmaceuticals through the demerger of the agrochemicals business and its combination with the Novartis agribusiness to form Syngenta.

AstraZeneca is now dedicated to the continued discovery, development, manufacturing and marketing of innovative products that add value in the treatment of disease. The Company believes that such activity best serves the interests of shareholders when it effectively meets the needs of its customers, including physicians, those who pay for healthcare and, in particular, patients.

AstraZeneca ranks world number four in the pharmaceutical industry, with sales of $15.8 billion in 2000 and a market share of 4.7%. Through the introduction of new products and product life cycle initiatives, including new uses for its products, the Company plans to build leading positions, notably in the key markets of the US, Japan and Europe. In particular, it aims to maintain its lead in the growing global gastrointestinal market, to be the world leader in oncology by 2005 and to be the world's largest supplier of cardiovascular therapies by 2010.

The development of a strong performance-led culture within AstraZeneca will drive delivery of the Company's strategic objectives. (See page 29 for further details).

AstraZeneca's business priorities are:

Customer focus

AstraZeneca will build its leading position in many important areas of medicine, by providing new, innovative products and services that meet the needs of its customers and offer value to patients and to the healthcare professionals who serve them.

The Company recognises the impact of cost containment measures and new communications channels on its diverse global customer base and is prepared to embrace the challenges. AstraZeneca is determined to continue to treat the needs of all its customers as paramount.

Growth through key products

The growth of the business over the next decade will be driven by the delivery of the full sales potential of the established product range and by building on the launch successes achieved over the last five years of key growth products including *Seroquel*, *Atacand, Casodex*, *Zomig* and *Arimidex*. This growth will continue to be fuelled by important product life cycle initiatives.

The Company plans to realise the potential of all its new R&D products and has successfully launched its first new high potential product, *Nexium,* in the first 10 markets in Europe. Following receipt of US regulatory approval for *Nexium* in February 2001, the Company has plans in place for a major launch of this important product in March 2001 in the critical US market. Plans are well under way to launch in a further 20 markets during 2001. *Symbicort*, a major new combination product for the treatment of asthma is also being rolled out in Europe. The strong pipeline of products in development is critical to the Company's future and with high potential products such as *Crestor*, the Oral Direct Thrombin Inhibitor, *Iressa*, *Faslodex* and *Viozan* in late stage development, prospects for the future are bright.

Full details of product performance are given in the Operational Review, pages 11–16.

Winning in the US

AstraZeneca seeks outstanding performance in the US, the world's largest market for pharmaceuticals, worth $150 billion and growing at 16% per annum. The Company achieved a strong US sales performance in 2000 of $7,977 million with a growth rate of 12%.

Special focus is being given to the future growth of the US business as a critical, integrated part of the global organisation. AstraZeneca will maximise the opportunities provided by the flow of new products through major investment in R&D in the US and significant expansion of the sales force in 2000.

Further details are given on page 22.

Secure the flow of new products

Already a world-leading R&D organisation, AstraZeneca continues to invest to improve further the quality and efficiency of its drug discovery process, and ensure a flow of high potential candidates for development as new medicines. The pipeline is strong with over 150 projects, of which 14 entered development this year.

The Company is well set up to exploit the opportunities in leading-edge science and technology and to capture the benefits of scale from being a large organisation whilst retaining the spirit and innovation of an entrepreneurial company.

AstraZeneca plans to be at the forefront of innovative technology by expanding in genetics and informatics. A network of over 300 collaborations with leading universities and biotechnology companies, in addition to an active in-licensing programme, complements in-house R&D activities.

AstraZeneca's R&D spend totalled $2,620 million in 2000 and the Company is on track to meet the challenging R&D targets set 12 months ago.

Further details are given on pages 20 – 21.

Build the talent base

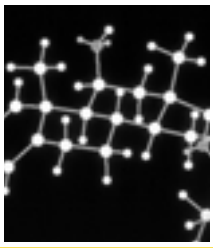
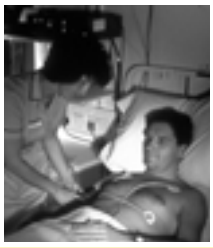
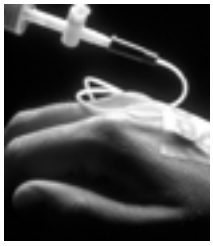
AstraZeneca recognises the importance of retaining and attracting talented people and, through ongoing global initiatives, aims to be an 'Employer of Choice', by operating a performance-based culture which values, recognises and rewards its employees' creativity, initiative and performance.

Further details are given on page 29.

Fast, effective integration

AstraZeneca moved swiftly to operate as an integrated entity and is delivering synergy benefits ahead of plan. At the end of 2000 these reached $650 million, more than halfway towards the targeted benefits of $1.1 billion per annum. Measures to enhance internal efficiency and effectiveness play an important ongoing role, under the performance management culture of the new company. Enhanced capabilities in e-business and R&D informatics, as well as the strategic decision to outsource AstraZeneca's global information technology infrastructure to IBM, will contribute to achieving this goal.

Key Product Summary

Therapeutic areas		Trademarks (compound name)	Main uses
Gastrointestinal (GI) AstraZeneca is the world leader in the treatment of GI disease, with sales of $6.3 billion in 2000.		*Losec/Prilosec/Omepral* (omeprazole)	proton pump inhibitor (PPI) for peptic ulcer, reflux oesophagitis, heartburn and dyspepsia
		Losec MUPS (omeprazole)	omeprazole in a new tablet formulation
		Nexium (esomeprazole)	PPI for acid related GI diseases
		Entocort (budesonide)	anti-inflammatory for inflammatory bowel diseases
Cardiovascular (CV) AstraZeneca's wide range of CV medicines achieved sales of $3.5 billion in 2000.		*Atacand*[1] (candesartan cilexetil)	angiotensin II antagonist for hypertension
		Zestril[2] (lisinopril)	ACE (angiotensin converting enzyme) inhibitor for hypertension, including patients with associated CV disorders
		Seloken/Toprol (metoprolol)	beta-blocker for hypertension, angina, heart failure and other uses
		Plendil (felodipine)	calcium antagonist for hypertension and angina
Oncology AstraZeneca is a world leading supplier of therapies for cancer, with sales of $1.9 billion in 2000.		*Zoladex* (goserelin)	LHRH analogue administered as a subcutaneous implant for prostate and pre-menopausal breast cancer, certain benign gynaecological disorders and assisted reproduction
		Casodex (bicalutamide)	anti-androgen for prostate cancer
		Arimidex (anastrozole)	aromatase inhibitor for advanced breast cancer in post-menopausal women
		Tomudex (raltitrexed)	cytotoxic agent for advanced colorectal cancer
		Nolvadex (tamoxifen)	anti-oestrogen for all stages of breast cancer treatment
Respiratory and Inflammation AstraZeneca is a major supplier of asthma products, with sales of $1.4 billion in 2000.		*Pulmicort* (budesonide)	inhaled anti-inflammatory for control of asthma*
		Oxis (formoterol)	inhaled long-acting bronchodilator for relief of asthma symptoms*
		Symbicort (budesonide/formoterol)	inhaled combination of an anti-inflammatory and rapid long-acting bronchodilator in the same single inhaler*
		Accolate (zafirlukast)	oral leukotriene receptor antagonist for control of asthma
		Rhinocort (budesonide)	topical nasal anti-inflammatory for control of rhinitis*
			*available as *Turbuhaler* dry powder inhaler
Central nervous system (CNS) AstraZeneca is a leading investor in the treatment of CNS disorders, with sales of $672 million in 2000.		*Seroquel* (quetiapine)	atypical anti-psychotic for schizophrenia and other psychotic disorders
		Zomig (zolmitriptan)	5-HT1B/1D receptor agonist for acute treatment of migraine with or without aura
Pain control AstraZeneca is the world leader in anaesthesia, with sales in pain control of $1.1 billion in 2000.		*Diprivan* (propofol)	intravenous general anaesthetic for induction/maintenance of anaesthesia and sedation of intensive care patients
		Naropin (ropivacaine)	local anaesthetic for surgical anaesthesia and acute pain management
		Xylocaine (lidocaine)	local anaesthetic for use in surgery and dentistry
Infection AstraZeneca is investing in its infection franchise, and achieved sales of $297 million in 2000.		*Merrem/Meronem*[3] (meropenem)	ultra broad spectrum antibiotic for serious bacterial infection including meningitis
		Apatef/Cefotan[4] (cefotetan)	antibiotic for prophylaxis and treatment of bacterial infections

[1] Product under licence from Takeda Chemical Industries Ltd.
[2] Product under licence from Merck & Co., Inc.
[3] Product under licence from Sumitomo Pharmaceuticals Co., Ltd.
[4] Product under licence and trademarks owned by Yamanouchi Pharmaceutical Co., Ltd.

Sales Performance	2000 $m	1999 $m	% growth (CER)	Highlights	
Losec	6,260	5,909	+9	*Losec*	– continues to be the world's best-selling pharmaceutical – launch of new indications and 10mg tablet in Japan, Italy
Nexium	17	–	–	*Nexium*	– EU approval granted in July 2000 – launched in its first 10 markets: UK, Germany, Sweden, Ireland, Norway, Denmark, Iceland, Finland, Netherlands and Luxembourg – US regulatory approval granted in February 2001 – US launch in March 2001 – further launches are planned in 20 markets in 2001
GI Total	6,322	5,957	+9		
Atacand	293	171	+82	*Atacand*	– strong sales growth in 2000
Zestril	1,188	1,221	+1	*Atacand Plus*	– diuretic combination product approved by the EU and US regulatory authorities and launched in US, Italy, France, Germany and other European countries
Seloken	577	531	+13	*Zestril*	– most prescribed ACE inhibitor in the US – new study in hypertensive patients shows improvement in heart muscle and function
Plendil	480	452	+11	*Seloken*	– world's leading beta-blocker – increased market share globally 13%, US 18%
CV Total	3,477	3,416	+6	*Seloken ZOK*	– regulatory approval in congestive heart failure granted in Sweden, Denmark, Finland, Norway, Austria and US
Zoladex	734	686	+10	*Zoladex*	– world's second largest selling LHRH medicine – filing for approval submitted for early stage pre-menopausal breast cancer
Casodex	433	340	+31	*Casodex*	– world's leading anti-androgen therapy for advanced prostate cancer (APC) – monotherapy for locally APC successfully launched in nine markets, including the UK and Sweden
Arimidex	156	140	+19	*Arimidex*	– world's leading aromatase inhibitor – recently launched in Japan
Nolvadex	576	573	+1	*Nolvadex*	– world's most commonly prescribed breast cancer therapy – first medication approved in the US for women at risk of suffering from breast cancer
Oncology Total	1,929	1,764	+12		
Pulmicort	705	730	+5	*Pulmicort*	– US sales increased by 76% in 2000 – successful US launch of *Pulmicort Respules*
Oxis	116	87	+48	*Symbicort*	– granted approval in Sweden and Europe – successful first launch in Sweden – further European launches in 2001
Accolate	152	156	-2	*Accolate*	– recently launched in Japan
Rhinocort	221	167	+37	*Rhinocort Aqua*	– successful launch in US
Respiratory Total	1,372	1,339	+10		
Seroquel	424	232	+85	*Seroquel*	– strong sales performance (US 79% growth) – 20 launches in 2000, including Germany, Italy and Spain – recently launched in Japan
Zomig	237	189	+31	*Zomig*	– strong sales growth in 2000 – *Zomig Rapimelt* launched in 14 countries – regulatory filing for approval submitted in Japan
CNS Total	672	433	+58		
Diprivan	507	608	-14	*Diprivan*	– world's largest selling general anaesthetic – global sales declined due to generic competition – strong sales growth in Japan up 28% – *Diprivan* EDTA is approved in the majority of markets
Naropin	54	45	+9		
Xylocaine	238	249	-3		
Pain control Total	1,079	1,201	-7		
Merrem	170	153	+18	*Merrem*	– FDA granted orphan drug status for the treatment of acute pulmonary exacerbation in cystic fibrosis patients – regulatory filing for approval submitted in the US for the treatment of hospital acquired pneumonia
Infection Total	297	305	+1		

World Market Overview

Sales for the global pharmaceutical market increased by 10% in 2000, marking another strong year of industry performance. The market has performed well over recent years driven mainly by volume increases. This is a result of increasing demand caused by a rapidly ageing population, increasing consumer awareness of treatment options and new innovative medicines helping previously untreated patients.

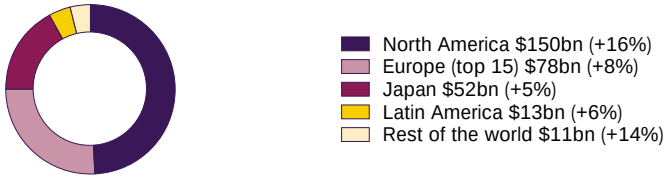
Global pharmaceutical market $bn

Source: IMS Health (MIDAS), 2000 (All countries)

The key strategic markets led this growth, particularly the US which grew by 16%, extending its lead as the largest market for pharmaceuticals against a background of debate about healthcare reform, and competing presidential candidate proposals.

Growth accelerated in many of the major markets and this year saw a welcome return to sales growth for Japan (a market equal in size to Europe's leading five countries combined) and Latin America. Germany is the leading market in Europe and grew at 4% but underperformed the region, where France, Italy, the UK and Spain all experienced growth at around 10%.

Pharmaceutical major markets $bn



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000 (32 countries).

Losec, was once again the world's best-selling pharmaceutical brand. This is the fifth consecutive year that *Losec* has held this position and is still posting impressive sales growth despite an increasingly competitive market and generic entrants in some key territories.

AstraZeneca has increased its market share since the merger and has achieved a 4.7% share of the global pharmaceutical market. This places AstraZeneca fourth in the industry rankings with a leading position in many therapeutic areas. AstraZeneca has one of the best product pipelines in the industry which, coupled with premier marketing skills and an expanded sales force, will further strengthen its position in the global and therapeutic area rankings.

Industry environment

Across the world, the demand for healthcare is increasing, driven by demographic changes and improved life expectancy as modern medicine supports an ageing population. Better informed patients are becoming more involved in decisions about their own health and are demanding that healthcare systems meet their needs. Pharmaceuticals are playing an increasingly important key part in providing solutions to an inexorable increase in the need to solve healthcare problems. In this context, the pharmaceutical industry continues to invent an innovative range of cost-effective products, offering patients improvements in their health and quality of life.

The demand for new medicines of proven effectiveness by doctors on behalf of their patients inevitably leads to pressures on healthcare budgets. Purchasers, including governments and insurers, exert major controls to limit expenditure, particularly downward pressure on prices of medicines, despite the good value for money which they offer. Measures adopted by purchasers include direct enforcement of price reductions and restriction of supply, as well as indirect means, such as facilitating switches to low priced generic copies of medicines which lose patent protection, and the development in Europe of parallel trade.

In addition, the regulatory environment has considerable impact on access to medicines. For example, the National Institute for Clinical Excellence (NICE) in the UK, has been set up with the aim of guiding physicians on the best and most cost-effective treatment option for a particular medical condition. However, a requirement to generate data to support claims around cost-effectiveness at the point of introduction of a new product adds further demands to the development process and would effectively constitute an additional barrier to access.

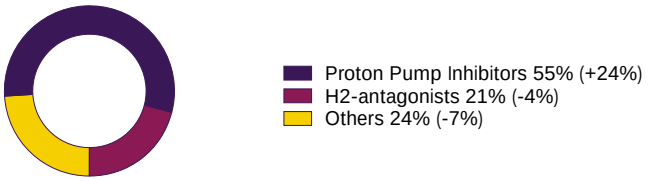
Nevertheless, the demand for high-quality innovative medicines to serve an increasingly ageing population more than compensates for the loss of revenues arising from price reductions and substitution of generic copies.

Two newer features of the landscape are of growing importance, and are already making an impact on the practice of medicine, with profound implications for the industry. The science of human genetics is developing rapidly, and the importance of a person's genetic make-up to their health is widely recognised. Increasingly, the industry will provide physicians with medicines and the supportive knowledge-base to individualise therapy, matching the treatment to the right genetically defined patient group suffering from diabetes, cancer or Alzheimer's dementia. The second landscape feature concerns the changing role of citizens in a more active involvement in managing their health, including improved access to medical information and an increased role in choice of treatment. In the US, this has led to advertising direct to the consumer, and to an abundance of easily accessible medical information in the popular media, including the internet, which has been taken up on a large scale. Both the greater specificity of treatment facilitated by science, and the empowerment of well-informed citizens, will increase individualisation of medical provision. This is already profoundly affecting the ways in which the pharmaceutical industry relates to its ultimate customers, the patients.

Gastrointestinal (GI)

AstraZeneca is the world leader in the treatment of GI diseases, in particular acid-related disorders. Key products include *Losec*, the world's best-selling pharmaceutical and *Nexium*, launched in 2000 in its first ten markets, including the UK, Germany and Sweden. The Company is committed to advancing the treatment and prevention of gastro-oesophageal reflux disease (GERD), peptic ulcers, dyspepsia, inflammatory bowel diseases (IBD) and irritable bowel syndrome (IBS).

World market 2000: Treatments for gastric acid-related diseases
Value $20 billion (+9%)



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000

In the western world, some 40% of the adult population experience heartburn, the principal symptom of GERD, and up to half of these patients also have oesophagitis. Between 5% and 10% of the world's population suffer at least once from peptic ulcers. Infection with the bacteria Helicobacter pylori (H.pylori) is the major cause of peptic ulcer disease and is a risk factor for gastric cancer.

AstraZeneca aims to build on its leading position in gastro-enterology through the successful launch of *Nexium* worldwide, coupled with high-quality innovation and productivity in research, development and commercialisation of new approaches to unmet medical needs in GI disease. The Company will continue to defend its *Losec* patent property.

Key products

Losec (*Prilosec*), the first proton pump inhibitor (PPI), has become the global standard in short and long-term treatment of acid related diseases. *Losec* has benefited patients in 530 million patient treatments worldwide since its launch in 1988. *Losec* is the world's largest-selling pharmaceutical, with continued demand for the product in a very competitive market. The global and US share of the combined PPI and H_2 receptor antagonist market by sales value, are 40% and 47% respectively.

Losec MUPS tablet is an innovative presentation which offers increased convenience, flexibility and predictability over *Losec* capsules. During 2000, *Losec* was granted licenses for extended use in key markets, such as Japan and Italy, including maintenance treatment for reflux oesophagitis.

Patents protecting omeprazole, the active substance in *Losec*, have now expired in all major markets but patent term extensions extend substance patent protection until April 2001 in the US and 2004 in Japan, and supplementary protection certificates (SPCs) extend substance patent protection until 2002-2005 in most of Europe. Patents protecting the salt in *Losec MUPS* expire in Europe in 2004 and in the US in 2005. Formulation patents relating to *Losec* remain until 2007 in most major markets. AstraZeneca has filed for paediatric use in the US and anticipates receiving an additional six months' marketing exclusivity for the product (up to October 2001).

For further details on the *Losec* patent position, see page 96.

Nexium is the first PPI to offer significant clinical improvements over *Losec* in terms of acid control and clinical efficacy, shown in clinical studies involving over 30,000 patients performed across 20 countries. It is expected to establish a new, improved treatment standard for the PPI class.

Nexium offers more effective acid inhibition than other PPIs and in the treatment of reflux oesophagitis, provides healing and symptom relief in more patients and in a shorter period of time than *Losec*. It is an effective, long-term therapy for GERD patients and can be taken when needed (on demand) to prevent relapse. For the treatment of active duodenal ulcers, seven-day *Nexium* triple therapy (in combination with two antibiotics for the eradication of H.pylori) heals most patients without the need for follow-up antisecretory monotherapy.

EU approval for *Nexium* in a broad range of indications was granted in July 2000. The product was launched in its first 10 European markets, during 2000, in the UK, Germany, Sweden, Ireland, Norway, Denmark and in January to February 2001 in Finland, Iceland, the Netherlands and Luxembourg. It has been well received by patients and physicians in these first countries and early sales are favourable compared with other major, successful product launches. *Nexium* is used to treat a wide range of patients, including both the newly diagnosed and patients switched from other therapies such as *Losec*, other PPIs and H_2 receptor antagonists. The most valued clinical benefits of *Nexium* among physicians are efficacy related, such as fast onset of symptom relief and high healing rates.

AstraZeneca will launch *Nexium* in the US in March 2001, following its approval by the Food and Drug Administration (FDA) on February 20, 2001, with a label that confirms *Nexium* achieves better healing and faster resolution of heartburn in patients with erosive oesophagitis than *Losec*.

Further *Nexium* launches are planned in 20 markets in 2001, including Canada, Spain, Switzerland and Belgium and in early 2002 in France and Italy.

Entocort is a locally acting topical steroid for the treatment of IBD with better tolerability than other steroids and greater efficacy than aminosalicylic acid medicines. Filing for approval in the US was submitted in January 2001.

R&D portfolio

R&D is focused on the development of novel approaches to treat GERD, H.pylori infection, peptic ulcer disease, dyspepsia, IBD and IBS.

Reversible acid pump inhibitor (AR-H047108) is based on a new concept of acid inhibition which provides fast and highly effective inhibition of gastric acid secretion.

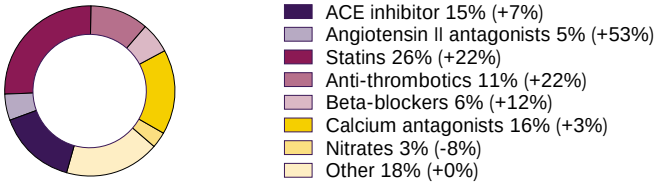
Reflux inhibitor (AZD3355) is a new approach to the treatment of GERD which improves the function of the lower oesophageal sphincter (LOS) by action on peripheral receptors responsible for opening and closure of this sphincter. This leads to a reduction of the abnormal, transient LOS relaxations typically associated with GERD.

Rofleponide is an oral steroid in development for the treatment of IBD. It has a potent action at the site of inflammation and low systemic availability suggesting decreased risk of cortisone-like side-effects compared with current steriods in clinical use.

Cardiovascular (CV)

With over 40 years' experience, AstraZeneca has a strong CV franchise and a portfolio of products which aims to increase the lifespan and improve the quality of life of patients by reducing the risk, prevalence and impact of CV disease. AstraZeneca is one of the world's leading suppliers of CV medicines, led by the products *Atacand*, *Zestril* and *Seloken ZOK*. Promising new therapies in development include *Crestor*, H376/95 and AZ242.

World market 2000: Cardiovascular therapies
Value $61 billion (+11%)



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000

CV diseases are the greatest risk to life for most adults and account for 15 million deaths globally each year (some 30% of world mortality). Future trends are likely to include an increase in the modification of underlying disease processes, thereby enabling prevention of disease and associated metabolic disorders.

AstraZeneca aims to be the world's leading company in CV medicine by 2010. Strategic priorities are to build leading positions in hypertension and hyperlipidaemia and, over the longer term, in growth areas such as thromboembolism. Key products for growth are *Atacand*, *Crestor*, H376/95 and AZ242.

Key products

Zestril, the most prescribed ACE inhibitor in the US and second-most prescribed in the world, is used for the treatment of a wide range of CV diseases, including hypertension in patients with associated CV disorders. In 2000, a new study in hypertensive patients showed for the first time that treatment with *Zestril* results in an improvement in heart muscle (cardioreparation) and heart function.

Zestril has a world ACE inhibitor market share of 16% (23% in the US). US volume growth has continued despite the introduction of generic enalapril. *Zestril* patent protection in the US expires in December 2001 but a further six months' marketing exclusivity may be granted by the FDA if data from AstraZeneca's ongoing paediatric trial programme are accepted.

Atacand is an angiotensin receptor blocker for the first-line treatment of hypertension. It competes in the fastest growth sector of the global hypertension market and has achieved a world market share of 7% (6% in the US). In 2000, the CLAIM studies confirmed that *Atacand* provides better blood pressure lowering than the class-leader, losartan.

Atacand Plus/Atacand HCT is now approved by the European and US regulatory authorities and has been launched successfully in the US, Italy, France, Germany and other European countries. Further development of *Atacand* includes major studies in heart failure (CHARM) and retinopathy in diabetic patients (DIRECT).

Seloken ZOK (*Toprol XL*) is the world's leading product in the beta-blocker class with a market share of 13%. *Seloken ZOK* offers a once-daily tablet for 24 hour control of blood pressure. Sales growth is expected to continue, backed by extensive clinical programmes that support evidence-based prescribing. In the US the new, dedicated CV sales force increased market share to 18% in 2000.

Regulatory approval for *Seloken ZOK* in congestive heart failure was obtained in August 2000 in Sweden, Denmark, Finland, Norway and Austria and in February 2001 in the US.

Plendil is a calcium antagonist for use in hypertension which has shown strong growth and, in 2000, achieved a global market share of 4% and 5% in the US.

R&D portfolio

R&D is aimed at broadening the CV portfolio into the areas of thromboembolism, dyslipidaemia, type II diabetes/insulin resistance, atrial fibrillation and vascular disease prevention.

Crestor is a new statin, which is highly effective in the treatment of patients with lipid disorders. Substantial clinical evidence has led statins to be regarded as first-line therapy and the statin market, currently worth $14 billion per annum, is one of the largest and most rapidly growing areas of medicine.

Clinical studies show that *Crestor* offers significantly greater LDL cholesterol (low density lipoprotein) reduction than other statins, has beneficial effects on HDL cholesterol (high density lipoprotein) and triglyceride levels and may enable more patients to reach the target cholesterol levels recommended in the European and US guidelines for treatment of lipid disorders. *Crestor* has the potential to be superior to currently available statins. First regulatory submissions for *Crestor* are on track for 2001 and pre-launch planning is well underway in all of the major markets.

H376/95, potentially the first new oral anticoagulant agent in 50 years, is a novel oral direct thrombin inhibitor used to prevent the formation of blood clots or thrombosis. It is effective, well tolerated and has a number of practical advantages including oral administration, rapid onset of action, lack of drug/food interactions and no need for routine blood coagulation monitoring. Development studies in the major chronic indication, prevention of stroke in patients with atrial fibrillation, are ongoing and regulatory submission is planned in 2003.

Melagatran, the active metabolite of H376/95 formulated for parenteral use when oral therapy is not possible or appropriate, is also in the development for launch stage.

AZ242 is a treatment for insulin resistance in diabetic patients. Early clinical studies indicate that it has a promising pharmacokinetic profile, shows a dose-dependent effect on lipids, glucose and insulin and is well tolerated.

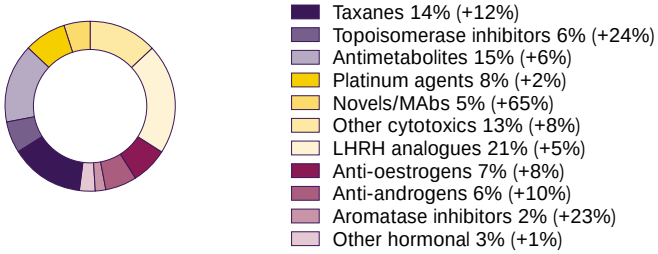
Further research in the area of thrombosis aims to deliver a once-daily oral anti-platelet therapy (AZD6140) and a Factor Xa antagonist for anticoagulation (ZD4927). Research in atrial fibrillation includes AR-H050642 and a compound licensed from Nortran.

The development programmes for H327/86 (an immunomodulator) and H409/22 (NPY antagonist) were halted in 2000 for failure to meet target criteria.

Oncology

AstraZeneca continues to apply innovative research, development and commercial excellence in oncology. It is a world leading supplier of therapies for breast cancer with *Nolvadex*, *Zoladex* and *Arimidex*, and in prostate cancer with *Casodex* and *Zoladex.* Plans to develop the portfolio include new cytotoxic and endocrine agents and a range of novel approaches. Promising new therapies in development include *Faslodex* and *Iressa*.

World market 2000: Anti-cancer therapies
Value $10 billion (+11%)



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000

Cancer is a devastating disease, predicted to be the leading cause of death in the US by 2005. Currently over 12 million new cases are diagnosed annually worldwide. Advances in cancer treatment have significantly improved outcomes for some tumours, notably breast and prostate, but overall survival prognosis remains poor.

AstraZeneca aims to be the world's leading company in oncology by 2005, through continued research and development of innovative products which help patients live longer and improve their quality of life. Plans include the growth of key products, *Zoladex*, *Casodex* and *Arimidex* and the future expansion of the portfolio through the introduction of *Faslodex*, *Iressa*, new cytotoxic agents and novel approaches.

Key products

Nolvadex is the world's most commonly prescribed breast cancer therapy and the first medication approved in the US for women at risk of suffering from breast cancer.

Zoladex, the second largest selling LHRH (luteinising-hormone releasing hormone) medicine in the world, used in the treatment of prostate cancer, breast cancer and gynaecological disorders, was submitted for regulatory approval for the treatment of early stage pre-menopausal breast cancer in 2000. The product offers the efficacy of the cytotoxics but with improved patient tolerability. In prostate cancer, *Zoladex* in the adjuvant setting is the only LHRH analogue shown to improve overall survival following radical prostatectomy or radiotherapy. *Zoladex* is available as a one month depot or the more convenient three month formulation.

Casodex is the world's leading anti-androgen therapy for the treatment of advanced prostate cancer with a 52% global market share (73% in the US and 32% in Japan). *Casodex* 150mg has been successfully launched in nine markets including the UK and Sweden, and is the first monotherapy treatment that represents an alternative to castration by offering patients with prostate cancer an improved quality of life. The regulatory filing for *Casodex* in the treatment of early prostate cancer has been brought forward to 2001. The submission for the 150mg tablet for use in advanced disease was withdrawn in the US; this dosage form will now be submitted in conjunction with the early prostate filing.

Arimidex is the first aromatase inhibitor to demonstrate a survival advantage over both megestrol acetate and tamoxifen in the treatment of advanced post-menopausal breast cancer. It is the world's leading aromatase inhibitor, with a global market share of 57% (76% in the US) and was launched in Japan in February 2001.

Arimidex has now been registered for the broader indication of first-line advanced breast cancer. The ongoing *Arimidex* ATAC (*Arimidex* tamoxifen alone and in combination) study is the largest ever adjuvant breast cancer study and results are expected in 2001.

Tomudex, the first of AstraZeneca's cytotoxic agents, is used as monotherapy for the treatment of advanced colorectal cancer. Further clinical studies are ongoing using *Tomudex* in combination treatment in other tumour types.

R&D portfolio

R&D is focused on the development of endocrine and cytotoxic agents and novel approaches across a wide range of cancers, including lung, gastric, ovarian, breast and prostate.

Faslodex is the first of a new innovative class of oestrogen receptor down regulators. Early studies have shown that, as a once monthly injection it is a well tolerated and effective treatment for advanced breast cancer. Regulatory submissions are planned in 2001.

Iressa is a novel anti-cancer agent which acts to block signals for cancer cell growth and survival. Early studies have shown encouraging anti-tumour activity, or disease stabilisation in non-small cell lung cancer. Pivotal clinical trials with *Iressa* as monotherapy and in combination in advanced non-small cell lung cancer began in 2000, with the US FDA granting fast track status for first-line advanced disease. Regulatory submissions are planned in 2001. *Iressa* is also being investigated in hormone-resistant prostate cancer, breast cancer and gastric cancer.

Cytotoxics

Breakthroughs in drug design have fuelled the development of a new generation of cytotoxic drugs, which now offer greater anti-tumour activity with enhanced tolerability.

ZD0473 is a new generation cytotoxic platinum agent, designed to deliver an extended spectrum of anti-tumour activity and to overcome platinum resistance seen with other platinum agents currently on the market. ZD0473 is currently being studied in ovarian cancer and lung cancer.

ZD9331, a specific and direct acting anti-folate is unique in its availability as both an intravenous and an oral formulation with early studies showing efficacy in a broad range of tumours.

Novel approaches

New anti-cancer approaches include targeting tumour vasculature to control the tumour growth, invasion and spread.

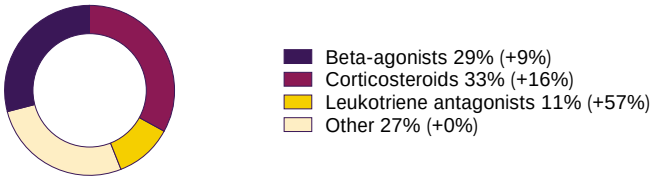
AZD6474 is a novel, orally active inhibitor of vascular endothelial cell growth factor receptor-tyrosine kinase which prevents the growth of blood vessels and is expected to control tumour growth and spread. AZD6474 entered early clinical studies in 2000.

ZD6126 is a novel vascular targeting agent that binds to tubulin and disrupts the tumour blood vessels, thus leading to the death of the tumour. ZD6126 is expected to enter early clinical studies in 2001.

Respiratory and Inflammation

AstraZeneca markets a wide range of products for the treatment of respiratory disease such as asthma – *Oxis*, *Symbicort*, *Pulmicort* and *Accolate,* and rhinitis – *Rhinocort*. Research is focused on developing therapies for the inflammatory diseases of the respiratory and musculo-skeletal system, such as chronic obstructive pulmonary disease (COPD) and rheumatoid arthritis. Promising new therapies in development include *Viozan*.

World market 2000: Anti-asthmatics/COPD
Value $10 billion (+12%)



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000

The World Health Organisation estimates that 100 million people worldwide suffer from asthma, and COPD is the fourth greatest cause of death globally.

AstraZeneca aims to build on its leading position in asthma through growth of its key products, particularly *Oxis* and *Symbicort*. Plans to strengthen its position in COPD include new indications for *Oxis* and *Symbicort*, the launch of the novel agent, *Viozan* and the successful development of compounds at earlier stages. The Company also aims to build a franchise in rheumatoid arthritis through the development of novel therapies that address unmet clinical needs.

Key products

Pulmicort is a corticosteroid anti-inflammatory inhalation drug that helps prevent symptoms and improves the control of asthma. *Pulmicort* remains one of the world's leading asthma medicines and is available in several forms: *Turbuhaler* inhaler device, pressurised metered dose inhaler (pMDI) and the *Respules* suspension for the treatment of children.

In the US, *Pulmicort Respules* were launched as the only asthma treatment approved for children and infants as young as 12 months, making *Pulmicort* the first corticosteroid to be available as a nebulised formulation.

Oxis is a Beta$_2$ agonist asthma therapy with a unique fast onset and long-acting clinical effect for the relief of symptoms when corticosteroid treatment is not adequate.

Oxis is now approved in Europe for additional 'as needed' therapy for patients already taking it as part of their regular maintenance therapy. This additional indication has enabled *Oxis* to gain share in the combined short and long-acting beta-agonist market. Development plans for *Oxis* in the US are well advanced with trials starting in 2001. A major new clinical study, OPTIMA, has confirmed the benefits of using *Oxis* in addition to *Pulmicort* for maintenance treatment of asthma.

Symbicort is a new, innovative asthma treatment that offers adjustable dosing and enables doctors to tailor maintenance treatment using the same, single inhaler. It is a combination of the corticosteroid budesonide and the rapid, long-lasting bronchodilator formoterol in the *Turbuhaler* inhaler.

Symbicort Turbuhaler is approved in 16 European countries and launched in Sweden, with a strong early sales performance and 26% share of the combination market only six months after launch. Further launches are planned in 2001.

Clinical studies, including the OPTIMA study and the FACET study, have shown that patients who require an inhaled corticosteroid for maintenance of asthma control, benefit from the addition of *Oxis* to their treatment. The dosage of *Symbicort* can be adjusted to meet varying patient needs without changing inhalers.

Further developments of *Symbicort* include use in COPD patients and a pMDI device with a state-of-the-art breath actuated mechanism. The development of *Oxis* in the US allows plans to register *Symbicort* in this market to be implemented.

Accolate, an oral leukotriene receptor antagonist for the treatment of asthma, was filed in Europe in 2000 for paediatric use, an approval already granted in the US in 1999. *Accolate* was launched in Japan in February 2001.

Rhinocort is a nasal steroid treatment for allergic rhinitis (hay fever), perennial rhinitis and nasal polyps. *Rhinocort* combines powerful efficacy with minimal side-effects and is available as a once-daily treatment in the *Aqua,* pMDI and *Turbuhaler* forms. The US launch of *Rhinocort Aqua* in 2000, achieved good growth and a 7% share of this competitive aqueous market.

R&D portfolio

R&D in respiratory disease and inflammation is focused on the symptom control and disease modification of asthma, COPD, rhinitis, rheumatoid arthritis and other inflammatory conditions.

Viozan represents a novel treatment for COPD. It is an inhaled dual agonist, directed at the D_2 dopamine receptor and the B_2 adrenoceptor. Early clinical studies have shown that *Viozan* significantly improved the major symptoms of COPD (breathlessness, sputum and cough). Regulatory submissions are planned from 2001.

Rofleponide palmitate is an intranasal steroid in concept testing development for rhinitis, principally targeted at the US market. Regulatory submissions are planned in 2003.

Other compounds currently in the concept testing stage include:

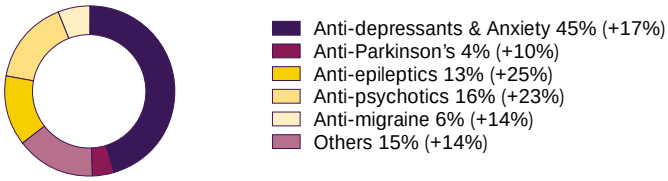
AR-C89855, an inhaled dual agonist (D_2/B_2) for respiratory diseases.
ZD4407 is a 5-lipoxygenase inhibitor for respiratory diseases.
ZD2315 and **CCR2b** have novel mechanisms of action and are targeted at rheumatoid arthritis.

The development programmes for ZD8321/0892 (neutrophil elastase inhibitors), AR-D111421 (VIP agonist) and NK1/NK2 (dual neurokinase antagonist) were halted in 2000 because of their failure to meet target criteria.

Central Nervous System (CNS)

AstraZeneca is a leading investor in the treatment of major CNS disorders and markets products for schizophrenia – *Seroquel*, and for migraine – *Zomig*. It is committed to further research and development in neurology, psychiatry and overactive bladder dysfunction.

World market 2000: CNS therapies
Value $35 billion (+18%)



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000

The global anti-psychotic market is made up of three major disease areas: schizophrenia, which affects 1% of the population during their lifetime; bi-polar disorder and psychoses in the elderly, which affect 1.3% and 0.7% of the population respectively. Migraine affects around 10% of the population with 70 million patients in the developed world, equating to an annual migraine 'attack' figure of one billion.

Stroke is the leading cause of adult disability and the third leading cause of death in the developed world. In 2000, an estimated two million new strokes will have occurred in major industrial countries. Depression disorders affect over 80 million patients and overactive bladder (OAB) disorders affect 200 million people worldwide.

AstraZeneca intends to grow rapidly as a major force in the CNS area by driving the growth of the key products *Seroquel* and *Zomig* and through the development of novel approaches to acute stroke, depression/anxiety, dementia and OAB, supplemented by in-licensed opportunities.

Key products

Zomig is a novel treatment for acute migraine that provides rapid relief of symptoms and is effective when taken at all stages of an attack. *Zomig* leads the class of migraine therapies known as second-generation triptans and has captured 14% and 12% share of the global and US triptan market respectively.

Zomig Rapimelt, a convenient melt-in-the-mouth tablet, is approved in 20 countries and launched in the major markets Germany, France, Spain and Sweden. Regulatory approval in the US is anticipated in 2001.

Further development of *Zomig* includes regulatory submission in Japan, which would make *Zomig* potentially the first oral triptan migraine treatment available in this market. *Zomig* nasal spray is an important new formulation that offers good efficacy and rapid onset of relief. Filing for regulatory approval in Europe was submitted in 2000 and first launches are expected in 2001. Clinical studies are underway worldwide in adolescent migraine and in the US in menstrual migraine.

AstraZeneca continues to lead initiatives to improve the diagnosis and treatment of migraine including major studies on stratified care and diagnosis and in understanding patient needs and expectations in migraine treatments.

Seroquel is an atypical anti-psychotic for the treatment of schizophrenia. Launches in 2000 included Germany, Italy and Spain and in February 2001 in Japan. In the US, *Seroquel* has achieved a strong sales performance and with a 12% monthly share of new prescriptions in the anti-psychotic market is growing faster than its competitors.

Seroquel has been proven to be effective against the positive and negative symptoms of schizophrenia with an onset of action within one week and studies support a positive effect on mood, hostility and aggression. The product offers the efficacy of the newer atypicals but with improved patient tolerability, particularly the unique low profile of side effects.

Further developments include a granule formulation, a once-daily sustained release tablet and for use in mania/bi-polar disorder.

R&D portfolio

AstraZeneca has a wide ranging R&D pipeline covering both neurological and psychiatric diseases including leading approaches to the treatment of acute stroke, depression and anxiety.

Novel approaches for the treatment of depression and anxiety disorders include serotonin antagonists and a neurokinin antagonist, targeted to deliver improvements over current therapies including faster onset of action and improved efficacy.

NAD-299 is a serotonin antagonist selective for the 1A receptor and the first compound in its class in clinical development, with a major study in depressive disorder underway.

AR-A2 is a serotonin antagonist selective for the 1B receptor that has demonstrated promising results in early studies in depression and anxiety.

AstraZeneca also has a pre-clinical neurokinin antagonist programme.

NXY-059 is a therapy in development for acute ischaemic stroke. Early pre-clinical studies have demonstrated protection of brain neurones (neuroprotective properties) and in concept testing studies, NXY-059 has been well tolerated.

The *Zendra* acute stroke development programme was halted in 2000 based on failure to meet target clinical criteria.

Early development approaches to the treatment of overactive bladder include potassium channel activation (AZD0947) and neurokinin antagonism (AZD5106).

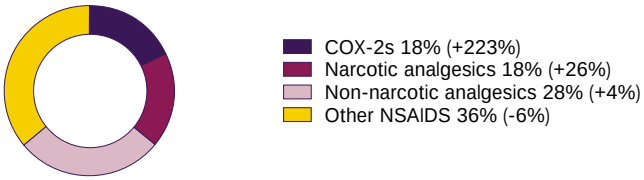
AR-R15896 is a therapy with a novel mode of action, currently under evaluation for several CNS disease targets.

Remacemide is currently under strategic review and a potential candidate for licensing activity.

Pain Control

AstraZeneca is the world leader in anaesthesia, with over 50 years' experience and a strong record of innovation and excellence. Key products include *Diprivan*, *Naropin* and *Xylocaine*. Research and development is focused on developing therapies for acute, chronic and neuropathic pain which include the LEF and NO-NSAID programmes.

World market 2000: Analgesics
Value $20 billion (+18%)



Figures in brackets show market growth at constant exchange rates (CER).
Source: IMS Health, MAT Q3 2000

Anaesthetics are necessary for surgical procedures in hospitals, clinics and day-care surgeries. Current trends include increased use of intravenous (iv) anaesthetics for intensive care (IC) sedation and of local anaesthesia for post-operative pain management. In the western world, at least 64 million patients require the long-term treatment of severe pain.

AstraZeneca aims to become world number one in pain control by 2009 by building on its leading position in anaesthesia and introducing new products for pain control. The Company aims to defend *Diprivan* sales and to increase sales of *Naropin*. R&D is focused on the successful development of novel compounds for treating nociceptive and neuropathic pain.

Key products

Diprivan, the world's largest selling general anaesthetic, is used in the induction and maintenance of anaesthesia and for IC sedation. Global sales decreased in 2000 as a result of generic competition. *Diprivan* has a 26% share of the global general anaesthetic market and in the US has a 23% share with 67% of the total propofol sales. In Japan, sales continued to grow in anaesthesia and sedation and *Diprivan* has gained 29% market share. *Diprivan* EDTA is approved in the majority of markets and equates to 80% of the total *Diprivan* sales.

Naropin is a long-acting local anaesthetic with an improved safety profile compared to bupivacaine. Regulatory submissions for intra-articular, spinal and continuous peripheral nerve block are planned for filing in 2001.

Xylocaine: After 50 years on the market, *Xylocaine* continues to be the world's most widely used local anaesthetic.

R&D portfolio

AstraZeneca aims to develop the portfolio, exploiting new mechanisms, with novel approaches such as μ-opioid agonists and glycine antagonists.

LEF is a new analgesic for the management of acute and chronic pain. Early studies have demonstrated efficacy following iv administration without opioid side-effects.

LTA is a sodium channel-blocking agent for pain control. The NO-NSAID (nitric oxide non-steroidal anti-inflammatory) programme is a novel approach to the treatment of pain. Early concept testing studies have demonstrated good tolerability.

In January 2001 AstraZeneca announced the divestment of its dental range of local anaesthetics to Dentsply International, Inc.

The ZD6416 development programme was halted in 2000 for failure to meet target criteria.

Infection

AstraZeneca's experience in infectious diseases includes the key product *Merrem*. Research and development is focused on novel approaches to the treatment of microbial disease and includes the promising new therapy AZD2563.

World market 2000: Anti-infectives
Value $44 billion

Source: Datastream Healthcare

Infectious diseases account for approximately 14 million deaths per year worldwide.

AstraZeneca aims to build a franchise in infectious disease by increasing the sales of *Merrem* and the successful introduction of AZD2563.

Key product

Merrem (*Meronem*) is an intravenous carbapenem antibiotic for the treatment of serious infections. World demand remains high due to escalating bacterial resistance and the increase in serious infections.

In 2000, the US FDA granted *Merrem* orphan drug status for the treatment of acute pulmonary exacerbation in cystic fibrosis patients. In the US, regulatory submissions to secure pivotal hospital and community-acquired pneumonia indications were filed in 2000 and planned for 2001 respectively.

R&D portfolio

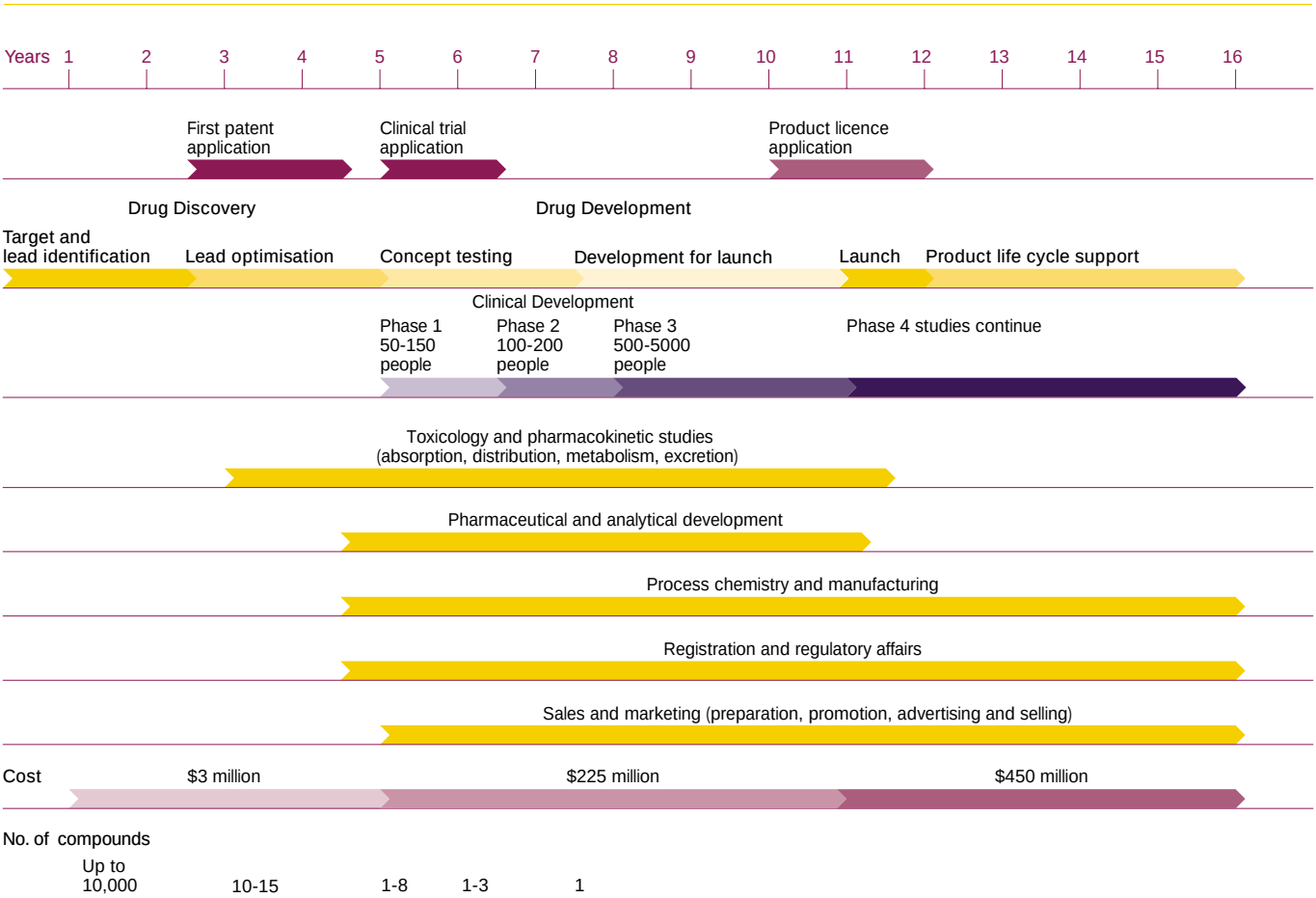
AstraZeneca's strategy is to develop products with new modes of action that combat microbial disease. A new anti-infective research centre in Boston, US, focusing on genomics-based research was opened in 2000. Research targets at the Bangalore centre in India include tuberculosis, the control of which has been declared a global emergency by the World Health Organisation.

AZD2563 is a member of the new class of antibiotic, the oxazolidinones which have a novel mode of action and clinically proven activity against the most problematic Gram-positive resistant pathogens. AZD2563 is currently in concept testing as an iv and oral agent.

During 2000, AstraZeneca announced the divestment of the 'Hibi' range of hospital antiseptics, based on the active ingredient chlorhexidine, to Sumitomo Chemical Ltd. in Japan, and outside Japan to SSL International plc.

As a result of project prioritisation, the ME-609 development partnership with Medivir was terminated in 2000.

The path to a new medicine



Developing a new medicine requires a major commitment of time and resource. The path from discovery of a potentially effective medicine to its launch on the market is a lengthy and complex process and can cost some $450 million.

The above diagram shows the AstraZeneca process for drug discovery, development, commercialisation and launch. AstraZeneca is using a new terminology for the stages of development: pre-clinical, prior to candidate drug (CD) nomination; concept testing, from CD nomination through to phase 1 and phase 2 completion; and development for launch, phase 3a and 3b activities conducted prior to filing.

Only a small number of compounds successfully travel the full length of this path and a key element of AstraZeneca's research and development is the selection of compounds which show the greatest potential to become significant advances in healthcare.

R&D Pipeline

AstraZeneca is using a new terminology for the stages of development:

PC – pre-clinical, prior to candidate drug (CD) nomination

CT – concept testing, from candidate drug (CD) nomination, through to phase 1 and phase 2 completion

DFL – development for launch, phase 3a and phase 3b activities conducted prior to filing

Research Areas

Gastrointestinal	
GERD	lower oesophageal sphincter
IBS	brain-gut interaction; mucosal barrier
Cardiovascular	
Thrombosis	platelets, coagulation, fibrinolysis
Metabolism	obesity, diabetes, lipid/glucose
Arrhythmia	atrial selectivity
Oncology	
Pan-carcinoma	tumour reclassification via genomics; signal transduction, anti-proliferatives, apoptosis, angiogenesis, invasion
Respiratory	
Asthma	remodelling
COPD	symptoms & disease modification
Rhinitis	anti-allergic
Inflammation	
Rheumatoid arthritis	joint destruction
Osteoarthritis	cartilage breakdown
Transplantation	immunomodulation
Central nervous system	
Alzheimer's disease	neuro-degeneration, neuro-restoration
Depression	new targets
Multiple sclerosis	neuro-inflammation
Pain	
Acute pain	nociceptive mechanisms
Neuropathic pain	nervous system remodelling
Analgesia	neuro-inflammation
Infection	
Antibacterials and Antifungals	narrow-broad spectrum, genome-based specificity, cell envelope, metabolism, resistance

Other abbreviations;
adv – advanced
AF – atrial fibrillation
COPD – chronic obstructive pulmonary disease
EGFR-TKI – epidermal growth factor receptor-tyrosine kinase inhibitor
G+ve – gram positive
GERD – gastro-oesophageal reflux disease
HC – Huntington's chorea
IBS – irritable bowel syndrome
iv – intravenous
K^+ – potassium
MAA – marketing authorisation application (Europe)
MRS – multi-resistant strains
Na^+ – sodium
NCE – new chemical entity
NDA – new drug application (US)
NK-2 – neurokinin 2 antagonist
NMDA – N-methyl-D-aspartate
P_2T – purine-2T receptor antagonist
PD – Parkinson's disease
PPAR – peroxisome proliferator-activated receptor
sc – sub cutaneous
TBD – to be decided
TLESR – transient lower oesophageal sphincter relaxations
VEGFR-TKI – vascular endothelial cell growth factor receptor-tyrosine kinase inhibitor
VTE – venous thromboembolism
>– greater than

Compound	Mechanism
Gastrointestinal (GI)	
AR-H047108	reversible acid pump inhibitor
AZD3355 (AR-H061746)	reflux inhibitor of TLESR
rofleponide	oral steroid with topical action
H.pylori vaccine	nasal/oral vaccine
H.pylori NCE project	oral treatment
+ ongoing development for *Nexium*, *Losec*, *Entocort*	
Cardiovascular (CV)	
Crestor (ZD4522)	statin
H376/95	oral direct thrombin inhibitor
melagatran	thrombin inhibitor (sc)
AR-C69931	P_2T antagonist (iv)
AZD6140 (AR-C126532)	P_2T antagonist (oral)
AZ242 (AR-H039242)	PPAR agonist
AR-H049020	PPAR agonist
ZD4927	Factor Xa inhibitor
AR-H050642	atrial selective anti-arrhythmic (oral)
Nortran in-license	atrial selective anti-arrhythmic (oral)
+ ongoing development for *Seloken*, *Seloken ZOK, Atacand*, *Atacand Plus*, *Zestril*, *Plendil*	
Oncology	
Faslodex	anti-oestrogen
Faslodex	anti-oestrogen
Iressa (ZD1839)	signal transduction inhibitor (EGFR-TKI)
ZD0473	3rd generation platin (iv)
ZD0473	3rd generation platin (oral)
ZD9331	thymidilate synthase inhibitor (iv)
ZD9331	thymidilate synthase inhibitor (oral)
ZD6126	vascular targeting agent
AZD6474	anti-angiogenic (VEGFR-TKI)
AZD3409	farnesyl-transferase inhibitor
+ ongoing development for *Arimidex*, *Casodex*, *Tomudex*, *Zoladex*	
Respiratory and Inflammation	
Symbicort Turbuhaler	inhaled steroid/long-acting $ß_2$ agonist
Symbicort Turbuhaler	inhaled steroid/long-acting $ß_2$ agonist
Symbicort pMDI	inhaled steroid/long-acting $ß_2$ agonist
Viozan	dual dopamine/$ß_2$ agonist
rofleponide palmitate	intranasal steroid
AR-C89855	dual dopamine/$ß_2$ agonist
ZD4407	5-lipoxygenase inhibitor
ZD2315	immunomodulator
CCR2b	immunomodulator
+ ongoing development for *Accolate*, *Pulmicort Respules*, *Oxis*, T3 (dry powder inhaler, non-reservoir)	
Central nervous system (CNS)	
NXY-059	free radical trapping agent
NAD-299	$5HT_{1A}$ antagonist
AR-A2	$5HT_{1B}$ antagonist
remacemide	NMDA antagonist
AR-R15896	NMDA antagonist
AZD0947	K^+ channel opener
AZD5106	NK-2 antagonist
+ ongoing development for *Seroquel*, *Zomig*	
Pain control	
LEF	peripheral µ-agonist (iv)
LTA	Na^+ channel blocker
NO-naproxen	nitric oxide NSAID derivative
NO-NSAID II	nitric oxide NSAID derivative
Delta agonist	delta opioid
Oral glycine	NMDA antagonist
+ ongoing development for *Naropin*	
Infection	
AZD2563	oxazolidinone antibiotic
+ ongoing development for *Merrem*	

Indication	Stage of development			Estimated filing date	
	PC	CT	DFL	MAA	NDA
acid related GI disease			■	>2003	>2003
GERD			■	>2003	>2003
inflammatory bowel disease			■	>2003	>2003
H.pylori eradication	■				
H.pylori eradication	■				
hyperlipidemia			■	2Q 2001	2Q 2001
prevention of VTE			■	2H 2002*	2H 2002*
prevention of stroke in AF			■	2Q 2003	2Q 2003
prevention of VTE			■	2H 2002*	2H 2002*
arterial thrombosis			■	>2003	>2003
arterial thrombosis			■	>2003	>2003
diabetes/insulin resistance			■	2003	2003
diabetes/insulin resistance			■	>2003	>2003
thrombosis			■	>2003	>2003
atrial fibrillation			■	>2003	>2003
atrial fibrillation	■				
adv. breast cancer 2nd line			■	1Q 2002	1Q 2001
adv. breast cancer 1st line			■	1Q 2002	1Q 2002
solid tumours			■	4Q 2001	4Q 2001
solid tumours			■	2H 2003	2H 2003
solid tumours	■				
solid tumours			■	2H 2003	2H 2003
solid tumours			■	>2003	>2003
solid tumours	■				
solid tumours			■	>2003	>2003
solid tumours			■	>2003	>2003
asthma			■	Launched	TBD
COPD			■	3Q 2002	TBD
asthma/COPD			■	3Q 2002	>2003
COPD			■	4Q 2001	4Q 2001
rhinitis			■	2003	2003
COPD			■	>2003	>2003
COPD			■	>2003	>2003
rheumatoid arthritis			■	>2003	>2003
rheumatoid arthritis			■	>2003	>2003
stroke			■	2003	2003
anxiety/depression			■	>2003	>2003
anxiety/depression	■				
Huntington's chorea			■	3Q 2001	3Q 2001
Parkinson's disease			■	>2003	>2003
CNS disorders	■				
overactive bladder			■	>2003	>2003
overactive bladder	■				
acute/chronic pain			■	4Q 2002	4Q 2002
analgesia			■	2003	2003
acute/chronic pain			■	>2003	>2003
acute/chronic pain	■				
acute/chronic pain	■				
neuropathic pain	■				
G+ve infections, including MRS			■	>2003	>2003

* subject to confirmation

Summary of NCEs by stage of development

Development for launch (DFL)

Cardiovascular	*Crestor* H376/95 melagatran
Oncology	*Faslodex* *Iressa*
Respiratory and Inflammation	*Symbicort Turbuhaler* *Symbicort* pMDI *Viozan*
Central nervous system	remacemide (HC)

Concept testing (CT)

Gastrointestinal	AR-H047108 AZD3355 rofleponide
Cardiovascular	AR-C69931 AZD6140 AZ242 AR-H049020 ZD4927 AR-H050642
Oncology	ZD0473 ZD9331(iv and oral) AZD6474 AZD3409
Respiratory and Inflammation	rofleponide palmitate AR-C89855 ZD4407 ZD2315 CCR2b
Central nervous system	NXY-059 NAD-299 remacemide (PD) AZD0947
Pain control	LEF LTA NO-naproxen
Infection	AZD2563

Pre-clinical (PC)

Gastrointestinal	H.pylori vaccine H.pylori NCE vaccine
Cardiovascular	Nortran in-license
Oncology	ZD0473 ZD6126
Central nervous system	AR-A2 AR-R15896 AZD5106
Pain control	NO-NSAID II delta agonist oral glycine

Comments

As disclosure of compound information is balanced by the business need to maintain competitive advantage, some compound information has not been disclosed at this time.

Research and Development (R&D)

AstraZeneca has a world leading R&D organisation and one of the best development pipelines in the industry. The Company continues to invest to improve the quality and efficiency of its discovery process, and ensure a flow of high-potential candidates for development as new products. Pharmaceutical R&D spend totalled $2,616 million in 2000, 17% of pharmaceutical sales.

The Company has over 150 projects in the pipeline including 53 new chemical entities (NCEs), seven of which are in late stage development. 14 new candidate drugs (CDs) were identified in 2000, three each in the inflammation and cardiovascular research areas, two each in oncology, gastro-intestinal and pain control, and one each in central nervous system and respiratory.

R&D Principles

AstraZeneca's R&D is a globally integrated, project-driven organisation that is therapy area led and focused on important commercial targets and real medical needs. The Discovery and Development organisations provide the expertise and services necessary for CD identification, and rapid development to the point of marketing. The Development teams also support the successful launch of products and their safe use once launched. This approach enables effective customer and commercial focus, and ensures best practice and efficiency in product delivery.

R&D Strategy and Targets

The R&D plans are to double the value of the AstraZeneca product pipeline every five years. Performance targets include increasing the CD output to 15 per year by 2003, doubling the development project success rate to 20% by 2005, and delivering three or more medically important and commercially attractive new products per year by 2005. The interim targets for 2000 in this progressive build up of output have been met or exceeded, as described above.

Specifically, 2000 saw the licensing approval of the major products *Nexium* and *Symbicort Turbuhaler* in Europe as well as product life cycle initiatives for *Zomig* and *Seloken*. Eight products and line extensions – *Nexium*, *Symbicort*, *Seroquel*, *Zomig*, *Atacand Plus*, *Casodex* 150mg, *Pulmicort Respules* and *Rhinocort Aqua*, were launched in a range of countries.

Discovery

AstraZeneca's Discovery organisation is responsible for the identification of validated drug targets derived from knowledge of disease pathophysiology, and then the chemical compounds which can be optimised to CD status for further evaluation as potential therapies. Skills involved include molecular biology, chemistry, pharmacology, pharmacokinetics, safety assessment and increasingly, genetics, genomics and informatics (the use of computers to link large information databases to understand the structure of genes and to design drug molecules). The Company has these skill groups in place and plans to be at the forefront of this innovative technology by expanding in genomics/genetics, chemistry and integrative pharmacology.

Discovery consists of over 3,300 employees organised into eight research areas based at research sites in Sweden, US and UK. Close contact and collaboration across the Company aims to ensure the transfer of best practice, unique knowledge and, increasingly important, drug targets which may be of value across the therapy area teams. This efficient organisation gives the benefit of critical mass in highly specialised skills, but preserves the entrepreneurial culture of relatively small, empowered groups. It is supported by a global enabling science and technology (EST) organisation which works in close partnership with the research therapy area teams in compound screening, structural chemistry, proteomics, protein production and informatics, and a global safety assessment function.

Considerable investments have been made in Discovery and EST in 2000, and these, together with further recruitment will continue in 2001. The major EST centres are located at Mölndal, Sweden, Alderley, UK and Boston, US. The new Boston Discovery facility, currently focusing on infection, will also have an expanding cancer discovery role. This state-of-the-art facility, currently housing over 200 research staff, has been established at a cost of over $100 million, and the next phase of expansion is already underway. The choice of Boston, a prestigious academic, medical and technology centre is a clear commitment to AstraZeneca's ambition to grow in the US.

External collaborations with universities and biotechnology/technology companies are increasingly important in a time of rapid scientific change. AstraZeneca has over 300 such collaborations in Discovery, some of which are shown below.

Research area

Gastrointestinal
- Royal Adelaide Hospital and Flinders University
- University of California
- McMaster University
- Washington University
- Conaris/Kiel University

Oncology
- Institute Curie
- University of Manchester
- Cellomics
- Mario Negri

Central nervous system
- Centaur
- BioSignal
- Shanghai University
- Rockefeller University

Respiratory/Inflammation
- University of Southampton
- Oxford University
- Wellcome Trust Centre for Human Genetics
- Celltech

Cardiovascular
- Procardis/Oxagen
- University of Pennsylvania
- Jackson Lab
- University of Liverpool
- University of Manchester
- Entelos
- Nortran

Pain
- BioChem Pharma
- Chinese Academy of Medicine
- McGill University

Infection
- University of Gothenburg
- Megan Health
- CSL

Technology platforms

Genomics/Genetics
- Incyte
- Oxford University
- Genome Therapeutics
- OxaGen/Procardis
- Amersham Pharmacia Biotech
- SNP Consortium
- Affymetrix
- Conaris/Kiel University
- Baylor College of Medicine

Informatics
- Incyte
- European Bio-informatics Institute
- Entelos

Chemical Libraries
- Pharmacopeia
- Cambridge Combinatorial
- Griffith University, Brisbane

High Throughput Screening
- Amersham Pharmacia Biotech
- Griffith University, Brisbane

R&D (continued)

Development

Drug development is the process of taking a CD through clinical trials, testing it for safety and efficacy in man, and providing the information necessary to allow regulatory authorities to approve the product for marketing.

AstraZeneca's global Development organisation consists of over 3,500 people; is managed from three major research centres in the US, UK and Sweden, and accounted for over 50% of the total R&D expenditure in 2000. The organisation consists of process R&D (developing the chemical synthesis), pharmaceutical and analytical (developing the formulation), clinical research and regulatory affairs. The clinical research organisation works closely with the marketing companies worldwide to achieve the R&D target of launching new products in all major markets in a time window of 12 months from regulatory approval.

Efficient drug development requires transparent, quality assured processes acceptable to both the Company and regulatory authorities and increasingly relies on new technologies such as automation and web-based systems for data collection as well as strategic outsourcing. AstraZeneca is making significant investments in these new approaches to ensure its pre-eminence in efficiency and quality, and to achieve its development ambition of 'industry-leading performance to deliver R&D quantitative targets'.

E-strategy

AstraZeneca recognises the opportunities presented by the widespread growth of the internet and related technologies. The Company is pursuing an e-business strategy to improve customer relationships, enhance its marketing and sales capabilities, increase productivity and reduce costs.

The Company continues to expand its web-based communications as more healthcare professionals and patients rely on the internet for information and connectivity. Several e-business pilot projects are underway, in the US and Europe, in new opportunity areas that will add value to the business, such as e-detailing, e-CME (continuing medical education), hand-held physician devices, remote patient monitoring, and online community building. AstraZeneca has developed extensive expertise in the US, including web marketing and internet promotion, and plans to deploy this best practice experience to other key markets in 2001.

In 2000, advances were made in a number of e-clinical areas to improve study productivity, including the usage of web-based tools for clinical study set-up, training and data management.

AstraZeneca has successfully employed e-procurement technology and will continue to explore options for connecting to e-marketplaces, both industry specific and independent internet-based exchanges. Plans in 2001 include the use of e-procurement technology to allow direct connection from internal purchasing and financial systems to these external exchanges.

Portfolio Management and Commercialisation

AstraZeneca has one of the broadest portfolios in the industry today with over 150 projects in development. Maintaining the quality of this portfolio requires stringent prioritisation to maximise the value of high potential products, and manage the progress of promising compounds earlier in development.

An international marketing and licensing function, Product Strategy and Licensing (PS&L), works closely with R&D, the therapeutic area teams and the major marketing companies in the US, Europe and Japan to optimise AstraZeneca's global commercial opportunities across the business. PS&L leads and co-ordinates the development and delivery of the global product strategies, communication and brands to ensure alignment of the international and national plans and resources. Successful commercialisation of new products is dependent on satisfying the needs of the customer with a product with the right profile and medical and marketing information. Target product profiles (TPP) are clearly defined and act as a focal point for development activity and planning by the sales and marketing organisations. The TPPs include market positioning, product features and benefits, medical and health outcomes information, pricing and brand identity.

Licensing remains a key activity and, in common with other leading pharmaceutical companies, AstraZeneca continually seeks to augment its development portfolio and sales range with promising therapies from external sources.

Sales and Marketing

AstraZeneca has an extensive worldwide sales and marketing network and in the majority of key markets, sells its products through wholly-owned local marketing companies. In other countries, the Company sells through third-party distributors or local representative offices.

AstraZeneca's products are marketed primarily to physicians (both general and specialist). However, marketing efforts are also directed towards explaining products' economic and therapeutic benefits to healthcare buying groups such as managed care organisations in the US, trust hospitals and budget-holding medical groups in the UK and insurance groups in Germany.

Geographical Review

North America

US 'Winning in the US', the world's largest pharmaceutical market, is one of AstraZeneca's key strategic objectives. The Company increased sales by 12% in 2000 from $7.2 billion to $8.0 billion and now ranks fifth in the US pharmaceutical market with a market share of 5.5%.

The Company aims to build on its sales success and achieve a leading position principally through major investment in both sales and marketing and R&D. To support the introduction of new products and accelerate the growth of key existing therapies, the field force was increased and now represents the third largest in the US. During the year, sales territories were realigned to further improve operating efficiency.

Product highlights of the year include:

– *Prilosec* retained its leadership position in the increasingly competitive GI prescription market. Sales increased 10% over 1999 and market share was maintained at 31%. AstraZeneca's US GI franchise will be enhanced in March 2001 by the launch of *Nexium.* Intensive training for the primary care sales force and close liaison with relevant patient advocacy groups will support this launch. The Company plans an aggressive marketing campaign for *Nexium* and confidently expects to maintain its leadership of the GI market.

– The successful launch of *Atacand HCT* contributed to strong market share growth for the cardiovascular therapy area. Overall, cardiovascular sales were up 11% over the previous year, led by *Atacand*, which enjoyed a net sales growth of 109%. *Zestril* sales increased by 2% in the year, and prescriptions by 10%. *Zestril* has maintained its lead in the ACE inhibitor market and the difference in the value and prescription performance is accounted for by inventory de-stocking and increased rebates.

– Respiratory sales increased by 39% fuelled by the launch of *Rhinocort Aqua* for allergic rhinitis and *Pulmicort Respules* – the first and only nebulized corticosteroid for treating asthma in children as young as 12 months of age. Additionally, there was increased demand for *Pulmicort Turbuhaler*.

– The CNS therapeutic area recorded impressive growth, up 61% over 1999. *Seroquel*, a key growth product for AstraZeneca, continued to increase its share of the antipsychotic market. Total prescription market share at the end of 2000 was 11% compared to 7% at the previous year end. *Zomig* continued to penetrate the triptan market, growing by 33% over last year.

– *Casodex*, the number one anti-androgen for the treatment of prostate cancer, remained the market leader with 73% market share. The FDA approval of *Arimidex* for first-line treatment of women with locally advanced and metastatic breast cancer, contributed to sales growth of 10%. Regulatory approval of *Nolvadex* to treat ductal carcinoma in situ was obtained in 2000 – the first medication approved in the US for women at risk of suffering from breast cancer.

– The pain and anaesthesia therapeutic area reported several milestones, including FDA approval of the *Naropin* 72-hour infusion formulation and orphan drug status for *Merrem*. *Diprivan* declined 25% due to generic competition.

In June 2000, the Company opened a new $100 million R&D centre in Boston, where work will focus on cancer and infection. Expansion and renovation projects were also completed at AstraZeneca's Wilmington, Delaware R&D facility, the global home of its CNS research and development initiatives, and construction began on the new US business centre, also located in Wilmington.

Low unemployment in the US means fierce competition for the best talent. As part of AstraZeneca's aim to become an employer of choice, the US business launched a 'Total Rewards' programme, which considers all the factors that contribute to a positive work experience, from competitive salary and benefits packages, to providing opportunities for professional development, to initiatives that aim to encourage a balanced approach to work/life.

More than 100 million people in the US use internet services and, among adults, health-related information is the most popular search request. Some two million people a month visit AstraZeneca's US website for information about the Company's activities, products and career opportunities. In 2000, a programme was launched in the US to develop the Company's strategic approach to the evolving e-business landscape and the opportunities it presents (see also e-strategy, page 21).

Educating and informing healthcare professionals and consumers through direct-to-consumer advertising continued to be a focus at AstraZeneca in the US. In particular, the award-winning patient education campaign, 'It's *Prilosec* Time' was featured on primetime network television in addition to consumer magazines and internet banner advertising.

The Company's understanding of the US market, together with its products, people skills and commitment to the customer, leave AstraZeneca well placed to further increase sales growth and maintain a leading position in this strategically important market.

Canada In 2000, sales growth was 14% with total sales of just over $480 million. All products in the Canadian product portfolio performed well, including *Losec* which had 18% growth in 2000.

Europe

AstraZeneca ranks third in the European pharmaceutical market with a market share of 5.5%. Sales grew 6% to $5,064 million in 2000, representing 32% of AstraZeneca's total pharmaceutical business. Particularly strong growth was seen in France, Italy and in the Netherlands.

In France, which continues to be the largest AstraZeneca market outside the US, sales grew by 16%, exceeding the market growth of 9%. AstraZeneca ranks number three in France with a 4.7% market share, number one in Sweden with a market share of 14.3%, number two in the UK with a share of 8.5%, number five in Germany with 4.2% market share and number eight in Italy with a 4.3% market share.

Across Europe, the important growth products were the key to increased sales performance of $630 million, up 47% and representing 13% of the total European sales. AstraZeneca has delivered a strong performance in the growth products, *Seroquel*, *Atacand*, *Casodex*, *Zomig and Arimidex* and the recent launches of both *Nexium* and *Symbicort* in the second half of 2000.

Highlights across Europe in the year included:

France Successful life cycle initiatives, which included a new indication and the new 10mg tablet enabled *Losec* to grow faster than the market at 19%. Sales growth of newer products, *Atacand*, *Zomig*, *Casodex* and *Arimidex*, each outperformed their respective markets. Sales of *Zomig*, the leading triptan brand in France, were significantly enhanced by the launch of *Zomig Rapimelt* in October.

Germany The sales force was increased in 2000 to support the launch of *Nexium* in October. The product achieved a 6% monthly share of the total H2A/PPI market which represents a high level of market acceptance and one of the best pharmaceutical product launches seen in Germany. *Seroquel* also delivered a strong performance following its launch in March, achieving 4.8% market share to exceed risperidone monthly take-off rates. Overall sales fell, due largely to increasing generic competition on mature products including *Losec, Tenormin,* and *Pulmicort.*

UK *Nexium* was launched in the UK in September 2000, and achieved sales of $5 million by the end of the year. Prescription data in the first four months has shown it to be one of the most successful launches ever in the UK. In oncology, sales development through good growth from *Casodex* 150mg tablet increased the *Casodex* share of the anti-androgen market by 16% to 62%, helped by the monotherapy claim for locally advanced prostate cancer. Total invoiced sales in the UK declined due substantially to pricing pressures, some of which were caused by the relative weakness of the Euro compared with Sterling.

Italy *Atacand* performance was especially notable with a growth of 65%, and is one of the leading products in the angiotensin II antagonist market. *Seroquel* was launched in May, and achieved a monthly market share of 4% of the atypical market six months after launch. *Losec* has also continued to perform well, contributing to healthy sales growth.

Sweden *Symbicort* was launched to both Specialists and GPs in August and achieved a market share of 27% of the combination market. *Nexium* was also launched in August to GI Specialists and achieved a market share of 2% in December. The broader launch of *Nexium* to GPs took place in January 2001 with encouraging early feedback. As in the UK, *Casodex* benefitted from the monotherapy claim for locally advanced prostate cancer.

Japan

In the world's second largest market, AstraZeneca is ranked number 21. Value sales growth of 8% exceeded the market growth of 5%, despite the negative impact of Y2K effect in the first quarter and the divestment of the 'Hibi' range of hospital antiseptics to Sumitomo Chemical Ltd., in September. Allowing for these two factors, underlying volume growth was 16%.

Key growth products were *Casodex*, with a 32% share of the anti-androgen market and *Diprivan* with a share of 29% of the general anaesthesia market. Expansion of the sales team strengthened the performance of *Losec* (known in Japan as *Omepral*), with a volume growth of 9% and an 18% value share of the PPI market. The *Losec* sales team has been strengthened and the plans for *Losec* in 2001 include the launch for long-term use and the 10mg tablet.

The Company has a strong product pipeline for launch in 2001. In February 2001, the products *Accolate*, *Arimidex*, and *Seroquel* were launched. AstraZeneca has assigned exclusive marketing rights for *Seroquel* in Japan to Fujisawa Pharmaceutical Co. Ltd., who have significant expertise in the Japanese psychiatric market. Further development of products include *Zomig*, *Diprivan PFS*, and *Zoladex LA*.

Rest of the World (ROW)

Sales in ROW increased 13% and account for 7% of Company turnover. Strong growth was achieved in Mexico 12%, China 17% and the Philippines 14%, whilst Australia maintained its sales despite this year being the first full year without patent protection for *Losec*. In June 2000, the agreement with ICI concerning distribution rights to former Zeneca products in Venezuela was terminated, and AstraZeneca established its own operating company locally.

Manufacturing

AstraZeneca's Supply and Manufacturing organisation ensures the supply and delivery of the product portfolio and the rapid, efficient introduction of major new products, such as *Nexium* and *Symbicort* to customers worldwide. AstraZeneca aims to be the world's leading company in pharmaceutical manufacturing and supply by 2003.

Investment for growth

The Company continues to invest in and develop its global operations function of over 13,000 people at 34 sites in 19 countries. Operations capital expenditure totalled $700m in 2000 and the Company is on track to meet the future challenges presented by the growth of key products and major new product launches, particularly in the key markets of US, Japan and Europe. Major expansion of the manufacturing capability in France, UK, Sweden and Puerto Rico has been initiated and is expected to be completed in 2002.

New plants being brought into operation include capacity for *Nexium* at Dunkirk and Södertälje, *Turbuhaler* at Södertälje and aerosol capacity at Dunkirk. The new plant in Wuxi, China was also completed and is the largest AstraZeneca facility in Asia and one of the largest manufacturing projects undertaken by an international pharmaceutical company in China. Work is also well advanced on new plants in the UK and Puerto Rico to manufacture *Crestor* and these are expected to be operational in 2001.

Strategy

AstraZeneca's global supply chain and manufacturing strategy concentrates on building a responsive organisation which can meet the changing demands from markets and customers worldwide. The focus of the organisation is now on delivering the strategy through challenging improvement targets for customer service, supply capability, cost of goods, stock turns/lead time and fast, secure new product introduction.

Further consolidation of manufacturing sites has also taken place in Argentina during 2000, is planned in the UK and Spain in 2001 and in Japan by 2003.

Teamworking with all its stakeholders is strong and performance is on target to achieve AstraZeneca's goal of becoming the leading supply and manufacturing organisation in the industry.

Competition

AstraZeneca operates in the highly competitive and regulated ethical pharmaceutical market. The Company's principal competitors are major pharmaceutical companies.

AstraZeneca's products compete against other branded, patent-protected, prescription products from international research-based pharmaceutical and biotechnology companies and generic products from companies which typically do not incur significant R&D costs.

The Company's ability to maintain and enhance its competitive position in its therapeutic areas depends mainly on its development of new, innovative, cost-effective products from its R&D and in-licensing activities, the manufacture and supply of products to high quality standards and the effective marketing of products to its global customer groups.

Other Businesses

Astra Tech

Astra Tech is engaged in the R&D, manufacture and marketing of medical devices and implants for use in healthcare, primarily in urology but also in odontology, diagnostic radiology and surgery. It has a leading position in the Nordic countries and is expanding its operations in Europe and other key markets. Sales are conducted through the Company's own subsidiaries in most western European countries, Australia, Japan and the US, and through local distributors in other countries.

All products showed good sales growth, in particular *LoFric*, the hydrophilic urinary catheter. The Dental Implant System, now the fastest growing product line, has been successfully introduced in most key markets. Special attention is given to the US market, where considerable investments in sales and marketing were made during the year. Further investments have been made in R&D, clinical research and new production facilities programmes to strengthen the product portfolio.

Salick Health Care

Salick Health Care (SHC) is a leading provider of outpatient oncology management services in the US. Ownership of SHC provides AstraZeneca with a window on the provider sector of the US oncology market.

SHC manages full-service outpatient comprehensive cancer centres in affiliation with major teaching and community hospitals in California, Florida and New York. The centres offer a unique, patient-centred approach to care that provides diagnostic, treatment and support services in a single facility with full integration of services. SHC is affiliated with a large network of over 100 physicians, specialising in a broad range of treatments including medical, radiation and surgical oncology.

During 2000, SHC has successfully refocused its business on the management of comprehensive cancer centres by exiting underperforming, non-core businesses. SHC is committed to promoting and developing an innovative clinical research network to improve patient care and cancer treatment and pursuing growth opportunities by expanding its existing programmes and the generation of new hospital relationships. SHC has invested in the expansion of its clinical research programme to physicians and patients and is continuing its investment in information technology.

Marlow Foods

Marlow Foods is a leading company in the fast growing 'healthy eating' sector of the food market. Marlow has established this position through the *Quorn* brand. *Quorn* foods are currently available in the UK and many countries in Europe.

Quorn foods use myco-protein, an innovative protein produced by fermentation, to deliver nutritionally desirable, low fat, low calorie, high protein and high fibre foods. A wide variety of meal dishes are available from convenience items, entrees and ready meals to a delicatessen range and ingredient forms. They are sold in major grocery retail outlets under the *Quorn* brand and some retail co-brand labels, in both chilled and frozen forms. *Quorn* products appeal to an increasing range of consumers, because they offer an excellent combination of health, taste and convenience benefits.

Quorn is the leading European meat alternative brand, and in 2000 the business improved this position by growing sales volumes 29% in continental Europe, and 4% in the UK. Despite difficult trading conditions in the UK, the *Quorn* brand has successfully extended its leadership by the introduction of new meal formats. Further launches are planned in Europe and the US market in 2001, which will substantially increase the available consumer base for the *Quorn* range. New product applications using myco-protein are also in development.

Intellectual Property

During 2000 AstraZeneca invested $2.6 billion in global Healthcare R&D activities. Obtaining adequate protection for the intellectual property associated with these activities continues to be a key business imperative. The range of protection includes patents, trademarks, design registrations, copyrights and internet domain name registrations. It is AstraZeneca's policy to seek patent or other appropriate intellectual property protection for all of the inventions and innovations of significant commercial value which arise from its drug discovery, development, manufacturing, marketing and other business activities.

This policy is designed to provide each of its new products with an effective shield of valid, enforceable patent and other intellectual property rights in all significant markets to protect it from unauthorised competition during its commercialisation. This shield of intellectual property rights extends to those areas of target identification, genomics and other research technologies in which AstraZeneca is investing significant resources. The adequacy of the patent and trademark portfolio for individual products is kept under review during product development, clinical evaluation and early marketing so that, wherever possible, additional protection is sought for new applications and developments. The therapeutic area focus of AstraZeneca's R&D operating model allows appropriate intellectual property strategies to be formulated and regularly updated from an early stage in product development.

More countries have now introduced stronger, non-discriminatory patent laws extending protection to pharmaceutical products with a term of 20 years from the date of filing a patent application, based on the improvements in the minimum standards set out in the Trade Related Aspects of Intellectual Property (TRIPs) adjunct to the General Agreement on Tariffs and Trade. Patent protection is now available for the TRIPs 20-year minimum period in most of AstraZeneca's significant markets but this period is eroded by the comparatively long time required for development, safety evaluation and review for marketing authorisation for pharmaceutical products. A number of countries have recognised this in part and provide for limited extensions to the basic patent term (for example the US and Australia) or provide similar rights to patents for an extended period (for example, supplementary protection certificates in the European Union). A number of major countries now provide protection for up to ten years for the proprietary data filed in applications for marketing authorisations, but its practical effectiveness is often limited because of narrow interpretation of the limits of protection.

AstraZeneca monitors competitor activity carefully as part of its normal business process and will enforce its intellectual property rights fully, whenever appropriate, in relation to unauthorised commercial activities. It will also defend vigorously any unwarranted challenges to its intellectual property rights.

Description of Property

AstraZeneca owns and operates numerous production, marketing and R&D facilities worldwide. Its corporate headquarters is in London, UK and its R&D headquarters is in Södertälje, Sweden.

Out of its total 34 manufacturing sites in 19 countries, the principal facilities are in:
UK (Avlon and Macclesfield);
Sweden (Södertälje Snäckviken and Södertälje Gärtuna);
US (Newark, Delaware and Westborough, Massachusetts);
Australia (North Ryde, New South Wales);
Canada (Mississauga, Ontario);
France (Dunkirk, Monts and Reims);
Germany (Plankstadt);
Italy (Caponago);
Puerto Rico (Canovanas, Carolina and Guayama).

Bulk drug production is concentrated in the UK, Sweden, France, Germany and Puerto Rico. AstraZeneca's sources of supply for raw materials are secure. Raw materials prices are not subject to volatility.

AstraZeneca's principal R&D facilities are in:
UK (Alderley Park and Charnwood);
Sweden (Lund, Mölndal and Södertälje);
US (Boston, Massachusetts and Wilmington, Delaware);
Canada (Montreal, Quebec);
India (Bangalore).

Substantially all of AstraZeneca's properties are held freehold, free of material encumbrances and AstraZeneca believes such properties are adequate for their purposes and suitably utilised according to the individual nature and requirements of the relevant properties. The Group operates under various site licensing regimes (including environmental licences) in a number of jurisdictions. Whilst occasional instances of non-compliance can occur, actions are taken to meet current good practice standards and regulatory requirements at all sites.

Industry Regulation

AstraZeneca's products are subject to numerous regulations concerning their safety, efficacy and, in many cases, their pricing. The degree and scope of regulation varies according to the product and jurisdiction concerned.

Regulations governing ethical pharmaceuticals are stringent and the manufacture and marketing of these products are normally conditional upon regulatory approval. Registration processes are complex and time-consuming and involve significant expenditure. Regulation is concerned not only with a product's chemical composition, but also with matters such as manufacturing, handling, packaging, labelling, distribution, promotion and marketing.

Product regulation: Pharmaceuticals

Before a pharmaceutical product is approved for marketing, it must undergo exhaustive and lengthy clinical trials. The process of developing a new pharmaceutical product, from idea to launch in the market, typically takes up to 12 years, but this period varies considerably from case to case and country to country. The time taken from submission of an application for marketing approval to launch of the product is typically one to two years.

After a product has been approved and launched, it is a condition of the product licence that all aspects relating to its safety, efficacy and quality must be kept under review. Depending on the jurisdiction, fines and other penalties may be imposed for failure to adhere to the conditions of product licences and, in extreme cases, the product licence can be revoked.

During the marketing of a product, strict procedures must be in place to monitor, evaluate and report any potential adverse reactions. Where adverse reactions occur or it is judged that they may occur, changes may be required to prescribing advice and to the product licences. In extreme cases, the product may need to be withdrawn.

Manufacturing plants and processes are subject to periodic external inspection by the regulators as part of their monitoring procedures to ensure that manufacturers are complying with prescribed standards of operation.

Price regulation: Pharmaceuticals

Prescription medicines are subject to government price controls which operate in most countries in which AstraZeneca sells its products. This can result in large price differentials between markets, which may be further aggravated by currency fluctuations.

US Currently, there is no direct government control of prices for non-government drug sales in the US. In 1990, however, federal legislation was enacted which required manufacturers to agree to substantial rebates in order for the manufacturers' drugs to be reimbursed by state Medicaid programmes, and an additional rebate if manufacturer price increases after 1990 exceed the increase in inflation.

In addition, certain states have taken action to require further manufacturer rebates on Medicaid drug utilisation and for other state pharmaceutical assistance programmes. Congress has also enacted statutes placing a ceiling on prices that manufacturers may charge US government agencies and establishing a minimum discount (comparable to the Medicaid rebate) on manufacturers' sales to certain clinics and hospitals that serve the poor and other populations with special needs.

Late in 2000, President Clinton signed the Medicines Equity and Drug Safety Act. However, the legislation was not implemented due to concerns over safety and cost-effectiveness. The US Congress is likely to revisit the legislation in 2001. The law would allow for the re-importation into the US of pharmaceutical products produced in the US and exported to countries where governmental price controls result in lower prices than in the US. If introduced, such a law could have an adverse impact on realised prices.

Europe Some governments in Europe, notably Italy and Spain, set price controls having regard to the medical, economic and social impact of the product. In other European countries, primarily Germany, the UK, the Netherlands and, more recently, France, governments are exerting a strong downward pressure on prices by incentives and sanctions to encourage doctors to prescribe cost-effectively.

Japan There is formal central government control of prices in Japan. New product prices are determined primarily by comparison with existing product classes. All existing products are subject to a price review at least every two years. New regulations introduced in 2000 included the overseas average price adjustment method under which prices can be set according to the average price of four major countries (US, UK, Germany and France). Generally, and particularly if the US pricing environment remains unchanged, these regulations are likely to have a positive impact on AstraZeneca's prices in Japan.

Product regulation: Astra Tech

Product registration and certified quality management systems form the basis of the regulatory environment relating to medical devices.

In Europe, compliance with regulatory requirements involves the implementation and maintenance of a quality management system and, for certain products, a design dossier review. Medical devices in the US are regulated through a product registration requirement. Astra Tech continues to maintain a European and US compliant quality management system.

Product regulation: Salick Health Care

The healthcare facilities to which Salick Health Care provides administrative and management services on behalf of certain hospitals are subject to extensive federal, state and local legislation and regulations, such as those relating to the reimbursement and control of healthcare costs. The largest single component of Salick Health Care's revenue continues to be fees that are affected by the reimbursement rates for healthcare services which are set or regulated by federal or state authorities.

Product regulation: Marlow Foods

National legislation governs the safety of food products and the nutritional content of foods and their ingredients. Generally, the responsibility for achieving the required standards, and for the processes adopted in so doing, resides with the manufacturer. The regulatory agencies audit compliance by way of process audits and product analysis.

Corporate Social Responsibility

AstraZeneca seeks to apply best practice in the exercise of its corporate and social responsibilities with both internal and external communities. All employees are required to comply with the AstraZeneca Code of Conduct. Integrity, honesty, diligence and care are the cornerstones of the Code which is designed to make a useful contribution to how the Company exercises its corporate social responsibilities.

Safety, Health and Environment (SHE)

Policy and management

Good SHE performance is essential for continued business success and throughout all of AstraZeneca's activities, the SHE impact of every aspect is a fundamental Company consideration.

AstraZeneca's SHE policy reflects the Company's commitment and sets out the baseline requirements for its worldwide performance, as agreed by the Board and Senior Executive Team (SET). To ensure compliance, the policy is supported by a SHE management system comprising eight standards, describing what has to be done and guidelines for managers on how the requirements can be met. The management system is consistent with, but is wider in scope than, the requirements of some internationally recognised standards such as ISO14001.

Auditing is a vital element of the management system and an annual programme of internal audits has been established. Additionally, the results of an annual review of SHE performance and related issues are presented to the Board and SET and are used to identify and manage risks on a routine basis. The process is consistent with the guidance provided by the Turnbull Report on internal controls for corporate governance.

AstraZeneca aims for continuous improvement in its environmental performance so that potential adverse effects are eliminated or kept to a practicable minimum. The Company has developed improved processes, uses more benign materials, economises on the use of natural resources to minimise waste and is investing in additional waste water treatment facilities.

The Chief Executive, as part of his responsibility for and commitment to good SHE performance, runs an annual awards scheme to promote and recognise good SHE practice throughout the Company. Many examples are submitted each year in the categories of management, technology, office safety, waste reduction, health and well-being, training, travel safety and contractors.

Details of SHE policy, management and performance are published in a report each year and are also available on the Company's website, www.astrazeneca.com

2000 SHE performance

AstraZeneca aims to eliminate injuries and occupational related ill-health by comprehensive hazard assessment, reducing and managing risk and by providing employees with education and training, thereby improving their understanding and gaining their commitment to continuous improvement in SHE performance.

Classified accidents rate

During 2000, 725 accidents were reported, of which 370 resulted in injury (equivalent to 4.2 per million hours worked). Regrettably two fatalities occurred. One at a conference and the other the result of a road accident. As driving-related accidents accounted for 56% of the total, defensive driver training programmes are being reinforced in all countries, particularly with the sales force teams.

725 reported accidents at work of which 370 resulted in injury

Occupational illness rate

The 310 reported cases of illness relating to occupation were mainly musculo-skeletal problems and work-related stress. Attention is being paid to help employees develop and maintain a healthy balance between work and home life. Additionally, a new international travel planning advisory service encourages employees to take health, safety and security risks into account.

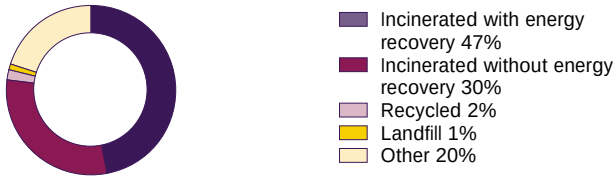
310 reported occupational illnesses

Environmental performance

Data on the use of energy, effluents produced, recycling and disposal mechanisms is comprehensively collected and reported. AstraZeneca continues to reduce the amount of volatile organic solvents which are emitted from its sites and the *Turbuhaler* technology has provided an alternative to CFC propellants for some applications.

For environmental costs and liabilities, see note 36

Hazardous waste



60,000 tonnes of waste of which 31,000 is hazardous waste

Energy consumption

1,950 Gigawatt hours

Corporate Social Responsibility (continued)

Community involvement

AstraZeneca recognises the importance of good relations not just with shareholders, customers and employees, but with all those in society who have an interest in the Company's activities and progress. Improvement in environmental performance, responsible labour practices, ethical conduct and an enhanced appreciation of the role of business in society flow from the Company's interaction with many organisations in the voluntary sector.

As part of this AstraZeneca aims to be a good neighbour among its local communities through charitable donations, sponsorship and other initiatives such as site open days which give people a better understanding of the Company's activities, or Company secondments into local organisations to help boost expertise in a particular area.

AstraZeneca's sponsorship programmes are all focused on bringing benefit in a way that is consistent with the Company's business aim of improving health and quality of life.

In the US, the Company supports National Breast Cancer Awareness Month, the nation's largest collaborative public education programme in cancer, which focuses on the importance of early detection and which celebrated its 15-year anniversary in 2000. To mark the occasion, AstraZeneca sponsored, in conjunction with the Disney Institute in Florida, a special 'Think Tank' conference for patient advocates and opinion-leaders in oncology.

In the UK, the Company supports the British Red Cross Humanity Awards, which recognise acts of caring and bravery within the community that may otherwise go unnoticed. In acknowledging the conscientious actions of the individual, the awards scheme aims to encourage greater responsibility within the community as a whole.

A collaboration with the local healthcare community in Sweden offers specialised training for nurses and doctors wishing to set up dedicated Asthma Treatment Units. These units give patients with asthma the opportunity to learn more about their illness and how to control it.

On a more global scale, AstraZeneca chose to celebrate its first birthday in June 2000 through community projects around the world. Employees at all levels in over 20 countries organised and participated in a range of events, all aimed at bringing benefit to the community. Whether raising money for a charity, or hosting a great day out for underprivileged children, all the projects helped to make a difference within the local community and to boost AstraZeneca's own community spirit.

AstraZeneca's products are all the result of the successful application of science and the Company is therefore committed to promoting the value of science within the community. It supports a range of science-based schools' programmes which aim to encourage young people's interest and promote scientific excellence. In the UK, the AstraZeneca Science Teaching Trust, an independent charity with a total trust fund of $32 million, supports a programme of projects designed to help build the knowledge, skills and understanding required to lead and teach science effectively and confidently in primary schools. Last year, AstraZeneca donated $13 million to charity. Where possible, the Company also responds to humanitarian appeals, making contributions to disaster funds.

People

AstraZeneca recognises that its success depends on the quality and performance of all its people worldwide and values the individuality, diverse talents and creative potential that every employee brings to the business. The Company's business priority is to attract, develop and retain the best people in all areas of the business.

Creating the new culture

AstraZeneca wants to be first with new ideas and innovative in all areas of the business in order to create value for all its stakeholders. The Company's performance culture is based on the following values:

– respect for the individual and diversity
– openness, honesty, trust and support for each other
– integrity and high ethical standards
– leadership by example at all levels

People have been encouraged to discuss and adopt these values in their daily working practices.

Developing global leaders

The Senior Executive Team has defined leadership capabilities which are being applied throughout the business with a strong lead from the top. A global leadership programme has been implemented with the first 200 senior managers and will be extended throughout 2001. This programme and other initiatives are accelerating the development of the AstraZeneca culture and values, developing good working relationships across the organisation and a climate of openness and honesty.

Managing and rewarding high performance

AstraZeneca is establishing a high performance culture in which every person recognises the need to add value for customers and shareholders and understands the link between their contribution and the business priorities.

The Company's reward policy and practice closely links individual and team reward with business performance at each level, and ensures alignment of the Company's, shareholders' and employees' interests. New, integrated reward and benefits schemes are designed to meet varied and changing employee needs around the world by introducing more choice and flexibility. Future plans include a 'total rewards' approach, combining a mutually acceptable mix of financial rewards, stimulating work environment and opportunities for learning and development.

Individual development and succession planning

AstraZeneca encourages and supports all employees to develop their potential to the full in line with business needs. An on-line global centre for learning and development provides information and ideas on personal development planning.

Global succession plans ensure that opportunities for key positions can be anticipated and planned for and that a pool of future leaders is available to support the long-term viability of the business.

Broadening the talent base

AstraZeneca wants to draw upon the widest possible pool of talent and to be the employer of choice for people already employed within the Company, as well as for potential recruits. To achieve this, the Company will widen the range of people it employs and ensure that the diversity of their backgrounds, experiences and abilities is fully recognised and developed.

Employee communications

AstraZeneca places great importance in keeping its 50,000 people working in 44 countries informed of all major business decisions, developments and community-building activities. Employees are encouraged to expand their knowledge of the Company through a variety of media, including emerging technologies such as web-casting.

Equally, AstraZeneca actively seeks and listens to employee feedback. A global opinion survey, involving 22,500 people across the business has shown the progress achieved in AstraZeneca's first year:

– people are proud to be associated with AstraZeneca, want to stay with the Company and feel committed to its continued success;

– they perceive the overall business objectives as clear and the targets for teams and individuals as well defined;

– they are convinced that the merger has added business value and will make the Company more successful.

The survey emphasised the importance and need to improve the link between the Company's reward and recognition systems and performance. The challenges of managing heavy workloads and maintaining the right balance in their work and home lives was also reported.

One recommendation from employees was the need to increase awareness of AstraZeneca with key audiences and more widely in the community. Consistent with the Company's values and communication principles, the full findings from the survey were communicated to employees worldwide.

Board of Directors

Percy Barnevik (59)‡
Non-Executive Chairman
Appointed as a Director 6 April 1999. Non-Executive Chairman of ABB Ltd, Investor AB and Sandvik AB. Non-Executive Director of General Motors Corporation.

Håkan Mogren (56)‡
Executive Deputy Chairman
Appointed as a Director 6 April 1999. Formerly CEO and a Director of Astra AB (appointed 18 May 1988). Chairman of the Research Institute of Industrial Economics (IUI). Non-Executive Vice-Chairman of Gambro AB. Non-Executive Director of Investor AB, Reckitt Benckiser plc, the Federation of Swedish Industries and the Marianne and Marcus Wallenberg Foundation. Member of the Royal Swedish Academy of Engineering Sciences.

Claes Wilhelmsson (61)
Executive Director,
Research and Development
Appointed as a Director 6 April 1999.

Åke Stavling (56)
Executive Director, Business Development and Integration
Appointed as a Director 6 April 1999. Also has responsibility for corporate strategy.

Tom McKillop (57)
Chief Executive
Appointed as a Director 1 January 1996. Non-Executive Director of Lloyds TSB Group plc. Vice-President of the European Federation of Pharmaceutical Industries and Associations. Co-Chairman of the Pharmaceutical Industry Competitiveness Task Force. Pro-Chancellor of the University of Leicester.

Sir David Barnes CBE (64)‡
Non-Executive Deputy Chairman
Appointed as a Director 15 February 1993. Non-Executive Director of Prudential Corporation Plc. Member of the Board of Trustees of the British Red Cross. Non-Executive Chairman of Imperial Cancer Research Technology Ltd. Deputy Chairman of Syngenta AG.

Jonathan Symonds (41)
Executive Director and
Chief Financial Officer
Appointed as a Director 1 October 1997. Also has overall responsibility for information services.

Lars Ramqvist (62)*
Non-Executive Director and Chairman of the Remuneration Committee
Appointed as a Director 6 April 1999. Formerly a Director of Astra AB (appointed 17 May 1994). Chairman of Telefonaktiebolaget LM Ericsson, Volvo AB and Skandia Insurance Company Ltd. Non-Executive Director of Svenska Cellulosaaktiebolaget (SCA). Member of the Royal Swedish Academy of Sciences, the Royal Swedish Academy of Engineering Sciences and the European Round Table of Industrialists.

Marcus Wallenberg (44)#
Non-Executive Director
Appointed as a Director 6 April 1999. Appointed as a Director of Astra AB 18 May 1989. President and Chief Executive Officer of Investor AB. Non-Executive Vice-Chairman of Saab AB and Telefonaktiebolaget LM Ericsson. Non-Executive Director of Scania AB, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and the SAS Assembly of Representatives.

Erna Möller (60)*
Non-Executive Director
Appointed as a Director 6 April 1999. Formerly a Director of Astra AB (appointed 15 May 1995). Professor of Clinical Immunology and Member of the Nobel Assembly, Karolinska Institute.

Sir Peter Bonfield CBE, FREng (56)*
Non-Executive Director
Appointed as a Director 1 January 1995. Chief Executive of British Telecommunications plc. Vice-President of The British Quality Foundation.

Karl von der Heyden (64)#
Non-Executive Director and Chairman of the Audit Committee
Appointed as a Director 1 October 1998. Non-Executive Director of Federated Department Stores Inc. and Fort Point Partners Inc.

Dame Bridget Ogilvie (62)#
Non-Executive Director
Appointed as a Director 1 January 1997. Non-Executive Director of the Manchester Technology Fund Limited. Chairman of the Medicines for Malaria Venture, the Committee on the Public Understanding of Science (COPUS), the Governing Body of the Institute of Animal Health and the Advisory Committee for Science, Technology and Business of the British Library. Trustee of the Science Museum, the National Endowment for Science, Technology and the Arts (NESTA) and the Cancer Research Campaign.

Other Officers of the Company at 31 December 2000 included members of the Senior Executive Team, as set out on page 32 and:

Graeme Musker
Group Secretary and Solicitor
Appointed as Company Secretary 6 June 1993.

‡Member of the Nomination Committee
*Member of the Remuneration Committee
#Member of the Audit Committee

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

Financial Review

Introduction and business background

The purpose of the Financial Review is to provide understanding and analysis of the Group's results for the year 2000. It also provides details of material movements between 1999 and 1998.

Following the demerger of the Agrochemicals business on 13 November 2000 and the disposal of the Specialties business on 30 June 1999, AstraZeneca is now predominantly a pharmaceutical company. AstraZeneca conducts this business with a view towards long-term growth of profits and shareholder value, which is largely dependent on a flow of new products and product enhancements deriving from substantial and continuing investment in R&D.

Pharmaceuticals' operating results can be affected by a number of factors, the most important of which are new product introductions, the expiry of patents, fluctuation of exchange rates and the regulatory environment. These factors are important to the long-term development of the Group and may also affect AstraZeneca's short-term performance. Further information about these and other risk factors is given on page 128.

In general terms, the performance in the market place of new products and product extensions and competition from manufacturers of patented and generic products still tend to influence the results of pharmaceutical companies more than general economic conditions. For AstraZeneca, the expiration of patents covering the compound omeprazole contained in *Losec* (*Prilosec* in the US) in different markets will adversely affect its operating results in the future. Launch and roll-out of new products, such as *Nexium*, *Crestor*, *Atacand* and *Seroquel* are likely to have a positive impact in reducing any such effect. The success of *Nexium* will depend, among other things, on the rate of customer uptake of the product and the timing of generic omeprazole availability in the market place. *Crestor* has the potential to be a significant treatment for patients with high levels of cholesterol, while *Atacand* and *Seroquel* have already registered impressive sales growth.

AstraZeneca's business will continue to be affected by competition and pressure to contain healthcare expenditure in a number of countries, including the US (AstraZeneca's largest market), as governments and other bodies continue to seek to control costs. Results may also be affected during any one period by buying patterns for its products (e.g. speculative buying by wholesalers).

AstraZeneca's largest market is the US, which accounted for 52% of continuing business sales (by customer location) in 2000, while Europe (including the UK) accounted for 33% of sales. The UK and Sweden are AstraZeneca's most important manufacturing locations and were also the source of exports of approximately $5.3 billion in 2000 to external customers and to AstraZeneca's worldwide subsidiaries.

The US dollar is the primary currency in which the Group conducts its business. Accordingly, the Group operates as a dollar based entity and presents its financial statements in US dollars. AstraZeneca's policy, where appropriate, is to seek to reduce the impact of exchange rate movements on its transactional exposures through the purchase of forward foreign exchange contracts or options, and to reduce the impact of exchange rate movements on its long-term economic position by structuring debt to reflect the currencies of the underlying asset base and investing surplus liquidity in US dollar denominated deposits.

AstraZeneca's business requires high levels of investment in the research, development, licensing and launch of new products, and the enhancement of existing products. This activity provides the dynamic for AstraZeneca's existence and growth, and the resulting products and related intellectual property are amongst the Group's most valuable assets. The areas covered range from initial broad-range research, including collaboration with other parties, through targeted exploratory development, regulatory approval, and commercialisation, to individual product support in the market. Products may also be licensed at any particular stage of development. AstraZeneca's Healthcare R&D expenditure increased by 6% in 2000 to $2,616 million. These research, development and licensing costs, together with launch costs, are likely to remain a significant feature of the cost base as new products are successfully brought to market.

In addition to its pharmaceuticals' business, AstraZeneca conducted operations in the agrochemicals sector and in specialty chemicals until divestment of these businesses in November 2000 and June 1999, respectively. Mainly as a result of these activities, AstraZeneca had environmental liabilities attributable to past events at some currently or formerly owned, leased and third party sites in the US, a number of which have now been settled. Further information relating to remaining environmental exposures are included in Note 36 to the Financial Statements.

AstraZeneca sales

	Statutory			Pro Forma
	2000 $m	1999 $m	1998 $m	1998 $m
Healthcare	15,698	15,042	11,223	12,938
Other trading	106	92	95	95
Continuing operations	15,804	15,134	11,318	13,033
Agrochemicals (discontinued)	2,299	2,657	2,790	2,790
Specialties (discontinued)	–	654	1,294	1,294
Total	18,103	18,445	15,402	17,117

On 13 November 2000 the Zeneca Agrochemicals business was demerged and merged with the agrochemicals and seeds activities of Novartis to form Syngenta AG. The results of Zeneca Agrochemicals are therefore treated as discontinued in the financial statements. The demerger was accounted for in the Group financial statements as a dividend in specie at the book value of the net assets of the business which were deconsolidated, $2,059 million, together with related goodwill of $813 million which had previously been written off to reserves, less debts repaid and liabilities assumed by Zeneca Agrochemicals, $1,203 million. Shares in the new company were distributed to shareholders on the basis of 1 Syngenta share for every 40.237651 AstraZeneca shares held. The dimensions of the business are shown in Note 10 to the Financial Statements and the impact of the demerger is shown in Note 27.

On 19 January 2001 AstraZeneca announced the sale of its dental product range of local anaesthetics to Dentsply International, Inc. for a series of payments, some of which are contingent on performance, worth some $136 millon, plus future royalty payments.

Results of operations

The tables shown set forth sales and operating profit for AstraZeneca. The pro forma sales and operating profit figures for 1998 include two adjustments to the statutory figures to illustrate the effect on sales and operating profits 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 Directors consider that pro forma information for 1998 provides a more meaningful basis by which to measure the actual results of the business for 1999. Therefore the following analysis and review of results refers to pro forma growth rates (unless noted otherwise).

Year to 31 December 2000

All narrative in this section excludes the effects of exchange rate movements (unless noted otherwise).

Group sales for the year amounted to $18,103 million compared to $18,445 million in 1999, an increase of 2% in CER terms. Excluding the discontinued Agrochemicals and Specialties businesses, sales for continuing operations were $15,804 million compared to $15,134 million, an increase of 8%.

Operating profit before exceptional items was $4,330 million for the Group, an increase of 13%, while for continuing operations it was $3,984 million, an increase of 14%.

Healthcare sales and operating profit increased by 8% and 14% respectively, the main contributors being continued strong sales of *Losec/Prilosec* and significant expansion for *Seroquel*, *Atacand*, and *Casodex*. The US reported healthy sales growth of 11%. The strength of the dollar reduced reported operating profits by 2% for the year. Earnings per share (before exceptional items) grew by 18%.

The key growth products grew by 50% in aggregate, fuelled by important life cycle initiatives. These included launches of *Atacand Plus/Atacand HCT*, *Casodex* for monotherapy of advanced prostate cancer, *Arimidex* for first line treatment of advanced breast cancer, *Zomig Rapimelt* tablets, and a further twenty country launches for *Seroquel*. Healthcare sales growth overall slowed from the 18% achieved in 1999, having been affected by a more competitive gastrointestinal market in the US, and generic competition on some products and in some markets and price rebates on some mature products.

For *Losec/Prilosec* it was another year of good growth. Reported sales for *Prilosec* in the USA finished somewhat ahead of prescription growth in a highly competitive PPI market that grew by 21%.

The roll out of *Nexium* is underway, with launches in ten European markets to date. It is planned to launch *Nexium* in the US during March 2001, following its approval by the FDA in February 2001.

It was another productive year for the R&D organisation. The Discovery group delivered fourteen new high quality candidate drugs into development, exceeding their target.

Throughout the year, the progressive unveiling of major clinical data for *Nexium*, *Viozan*, the Oral Direct Thrombin Inhibitor, *Iressa* and *Crestor* has reinforced the promising product profiles which underpin the Group's commercial ambitions. As the year ended this promise was beginning to be translated into performance in the market, with the first launches of *Nexium* and *Symbicort*. The early information emerging from tracking the progress of these launches is very encouraging.

During 2000 the synergy and integration programme introduced in 1999 following the merger continued. Exceptional charges under the programme amounted to $322 million.

AstraZeneca operating profit
Pre exceptional items

	Statutory			Pro Forma
	2000 $m	1999 $m	1998 $m	1998 $m
Healthcare	4,011	3,595	2,573	3,029
Other trading	(27)	(25)	(27)	(27)
Continuing operations	3,984	3,570	2,546	3,002
Agrochemicals (discontinued)	346	267	359	359
Specialties (discontinued)	–	71	146	146
Total	4,330	3,908	3,051	3,507

Zeneca Agrochemicals figures cover the period from 1 January to 13 November 2000, when the business was demerged. Sales during this period amounted to $2,299 million compared to $2,657 million for the full year 1999. However, operating profit before exceptional items was $346 million for the period compared to $267 million for 1999. The improved performance during 2000 reflects some stabilisation of agricultural commodity prices in the first half of the year, economic improvements in Asia Pacific and Latin America, increased sales, and cost savings following the restructuring activity initiated in previous years. The costs related to the demerger of Zeneca Agrochemicals, which have been booked as an exceptional charge, amounted to $150 million, together with a net tax cost of $50 million.

Joint ventures and associates consists largely of results from AstraZeneca's 50% interest in Advanta B.V., the seeds joint venture with Koninklijke VanderHave Groep BV. The Group's share of Advanta's 2000 operating loss was $7 million compared to a loss of $6 million in 1999. The Group has taken an exceptional charge of $88 million to provide for the impairment of its 50% interest in the company and to write off $49 million of related goodwill which had previously been taken to reserves. With the demerger of Agrochemicals, the seeds business no longer has a strategic fit within AstraZeneca and it is loss making. A dispute with our joint venture partner over the interpretation of aspects of the shareholders' agreement is now the subject of legal proceedings in the Dutch courts.

The Group had net interest receivable of $135 million compared to net interest expense of $4 million in 1999. Included in net interest receivable are certain exchange gains amounting to $46 million which are not expected to recur, the effect of which has been to increase earnings per share by 2 cents in 2000. The underlying improvement in the net interest position reflects the Group's strong cash flow and the proceeds from the refinancing of Syngenta.

The taxation charge for continuing operations was $1,192 million, representing an effective tax rate of 29% (1999 29.5%). The total tax charge, including discontinued businesses and exceptional items, was $1,299 million compared to $815 million in 1999. The respective effective tax rates were 33.8% for 2000 and 41.6% for 1999.

AstraZeneca PLC paid a first interim dividend for 2000 on 23 October 2000 of $0.23 per $0.25 Ordinary Share. A second interim dividend for 2000 of $0.47 per $0.25 Ordinary Share has been declared, which the Annual General Meeting will be asked to confirm as the final dividend. This, together with the first interim dividend, makes a total of $0.70 for the year in line with the dividend policy announced in 1999. These dividends are in addition to the dividend in specie discussed previously. The policy (in the absence of unforeseen circumstances) anticipates that dividends will be maintained at $0.70 per Ordinary Share until earnings cover dividends by between two and three times (thereafter, dividends are intended to be grown in line with earnings).

Healthcare – 2000 compared with 1999

Gastrointestinal

Gastrointestinal sales grew by 9% to $6,322 million in the year, driven by US *Prilosec* growth of 10%. Market share in the US anti-secretory market held steady at around 31% but continued to come under some pressure from new entrants within the Proton Pump Inhibitors segment, which continues to grow at 21%. Strong sales of *Losec* in France 20% and Italy 13%, more than offset sales declines in Spain and Germany (due to generic competition).

With launches in ten European markets, *Nexium* is off to an excellent start. Early market tracking from the UK and Germany indicate market acceptance rivalling the best launches seen in these markets. The broad GP launch of *Nexium* in Sweden, as well as a further 20 launches are anticipated in 2001, including the US in March 2001.

Sales by therapeutic area/key products

	% of total	2000 $m	1999 $m	% CER growth
Gastrointestinal	**40**	**6,322**	5,957	+9
Losec/Prilosec	40	**6,260**	5,909	+9
Cardiovascular	**22**	**3,477**	3,416	+6
Zestril	8	**1,188**	1,221	+1
Seloken	4	**577**	531	+13
Tenormin	3	**471**	509	-4
Plendil	3	**480**	452	+11
Atacand	2	**293**	171	+82
Respiratory	**9**	**1,372**	1,339	+10
Pulmicort	4	**705**	730	+5
Rhinocort	1	**221**	167	+37
Accolate	1	**152**	156	-2
Bricanyl	1	**125**	142	-6
Oxis	1	**116**	87	+48
Oncology	**12**	**1,929**	1,764	+12
Zoladex	5	**734**	686	+10
Nolvadex	4	**576**	573	+1
Casodex	3	**433**	340	+31
Arimidex	1	**156**	140	+19
Central Nervous System	**4**	**672**	433	+58
Seroquel	3	**424**	232	+85
Zomig	2	**237**	189	+31
Pain Control & Infection	**9**	**1,376**	1,506	-5
Diprivan	3	**507**	608	-14
Xylocaine	2	**238**	249	-3
Merrem	1	**170**	153	+18
Marcaine	1	**92**	88	+8
Others	**4**	**550**	627	-8

Cardiovascular
Strong market share growth continued, resulting in a sales increase of 6% to $3,477 million.

Total US prescription share for *Zestril* remained competitive at 24%, with underlying prescription growth of nearly 10%. However, wholesaler inventory de-stocking and price rebates brought annual US sales growth down to 2%. *Atacand* showed continued strong growth in all markets, sales increased by 82% to $293 million. *Seloken* US market share rose to 18% from 13% in 1999. Worldwide sales were $577 million, an increase of 13% on prior year.

Plendil sales in the US were $31 million higher than in the prior year, driven by a 10% increase in total prescriptions. Worldwide sales grew by 11%.

Respiratory
Respiratory sales grew by 10% to $1,372 million.

In the US sales of *Pulmicort* increased by 76%. The successful launch of *Pulmicort Respules* as well as a nearly 40% increase in prescriptions for the *Turbuhaler* drove this performance. Competitor inroads in the mature markets resulted in a more modest worldwide sales increase. *Accolate* sales decreased by 2%, the result of de-stocking and a declining prescription trend in the US, which more than offset the modest growth seen in other markets. *Rhinocort* sales have increased by 37% to $221 million; performance benefited from the successful US launch of *Rhinocort Aqua*, which achieved a 7% share of its market. *Rhinocort NI* continues to be the US market leader. *Symbicort* received its first approval in Sweden. Since its launch in late August market response has been encouraging, with an 8% share of the inhaled steroid and fixed combination market achieved in four months. Further European launches in the first half of 2001 will follow the December approval through the EU Mutual Recognition Procedure.

Oncology
Oncology sales grew by 12% to $1,929 million.

Casodex sales increased by 31% to $433 million with particularly strong performance in Japan. The monotherapy claim for locally advanced prostate cancer has now been launched in nine markets, with notable uptake seen in the UK and Sweden. Continued strong growth of *Arimidex* resulted in a worldwide increase of 19%, mainly the result of first line treatment use in the advanced breast cancer setting and overall market expansion. US sales of *Arimidex* were slightly behind the 14% increase in prescriptions. *Nolvadex* sales in the US showed limited growth as de-stocking masked 7% growth in prescriptions. *Zoladex* sales increased by 10% to $734 million; strong growth was seen in the US due to good demand in the LHRH market and indications of an increase in market share.

Central Nervous System
Strong sales within the Central Nervous System sector continued, with growth of 58% to $672 million.

Seroquel had an excellent year with growth at 85% to $424 million. Growth was driven by steadily increasing market share in the US, where its share of new prescriptions exceeded 12% in December 2000. We are also beginning to see some contribution from the 20 new launches in 2000. *Zomig* sales advanced on continued market share gains, helped by the launch of *Zomig Rapimelt* tablets in 14 markets. Worldwide sales reached $237 million, a growth of 31%.

Pain Control & Infection
The decrease in *Diprivan* sales (down by 14% to $507 million) is due to increased generic competition. *Merrem* sales grew 18% to $170 million helped by improved supply.

Geographic analysis
In the US the growth rate was 11%, due to strong sales of *Prilosec*, *Seroquel* and *Toprol-XL*, as well as the launch of *Rhinocort Aqua* and *Pulmicort Respules*. Sales growth in Japan was ahead of the market, with growth driven by *Casodex*, *Zoladex* and *Diprivan*. In Europe, sales in Germany were affected by generic competition and in the UK by price reductions, while strong demand was seen in France and Italy.

Research and development
Healthcare R&D expenditure increased by 12% to $2,616 million in 2000, up slightly as a percentage of sales to 16.7%. However, the synergy and integration programme realised cost benefits of some $101 million during the year. Continued strong progress was made across the discovery and development portfolio with 14 high quality candidate drugs introduced into development during 2000 and 152 projects in the pipeline. Capital investment continues with new research facilities being developed at Charnwood in the UK and Boston in the US.

Operating margin
Healthcare operating margin before exceptional items, increased to 25.6% compared to 23.9% in 1999. Cost of goods sold was lower as a proportion of sales and early delivery of synergy benefits made a valuable contribution to reducing the proportion of selling, general and administrative expenses. Synergy benefits were partially offset by the cost of the US field force expansion programme, which is now complete.

Synergy and integration programme
Following completion of the merger in 1999, integration task forces were established to consolidate the operations of the new company and to remove duplicate activities throughout the organisation and rationalise the number of facilities around the world. Synergy and integration costs in 2000 came to $322 million, bringing total costs thus far to $1,186 million, the major elements of which were manpower related costs, $425 million, information systems integration costs, $285 million, and external advisor costs, $170 million. Of the total charge, $383 million related to integration activities and $803 million to synergy plans.

The manpower costs are designed to deliver approximately 6,000 job reductions worldwide and include severance and early retirement payments. These job reductions affect the majority of business functions, job types and geographic locations. The impact of the job reductions is approximately 50% in Europe, 30% in North America and 20% in the rest of the world.

IS integration costs were incurred in ensuring that the two companies move quickly onto common systems platforms using, principally, existing systems.

The actual cash expenditure in 2000 on synergy and integration costs was $532 million bring the total cash spend to 31 December 2000 to $835 million.

The total programme cost is estimated at $1.3 billion, made up principally of manpower related costs, $450 million, information systems integration costs, $400 million, and external advisor costs, $170 million.

The annual benefits expected to be delivered from the programme by the middle of 2002 total $1.1 billion, of which approximately two thirds will arise in selling, general and administrative expenses, 25% in research and development and the remainder in production and distribution. Actual benefit delivery in 2000 was $520 million, giving total benefits to 31 December 2000 of $650 million.

Other trading

Other trading comprises Marlow Foods together with certain corporate operations, including insurance and environmental activities. While sales by Marlow Foods were slightly lower than in 1999 in dollar terms, at $90 million, excluding the effect of exchange rate movements, sales increased by 3%, reflecting healthy volume growth.

Agrochemicals – 2000 compared with 1999

Sales for the period to date of demerger (13 November 2000) were $2,299 million compared to $2,657 million for the full year 1999. Trading conditions improved in 2000 compared with the difficulties experienced in 1999.

Non-selective herbicides showed strong growth, while the rate of decline in sales of selective herbicides was less severe than in 1999 as the number of acres planted with genetically modified crops stabilised. Insecticide sales recovered to 1998 sales levels. Fungicide sales also increased but were constrained by adverse weather conditions in Europe.

Sales increased in all main geographic regions. Significant increases were recorded in Latin America and Asia Pacific, helped by the economic recovery in these regions. North America showed healthy growth, particularly with non-selective herbicides and insecticides, while growth in Europe was muted by adverse weather conditions, particularly for fungicides.

Operating margin before exceptional items was 15% in the period to 13 November 2000 compared to 10% for the year 1999. The increase was principally due to increased sales and the benefits of the 1999 cost restructuring programme.

The costs related to the demerger of Zeneca Agrochemicals amounted to $150 million and have been booked as an exceptional charge, together with a net tax cost of $50 million.

Year to 31 December 1999

All narrative in this section refers to pro forma growth rates and excludes the effects of exchange rate movements (unless noted otherwise).

Summary

AstraZeneca's sales for the year ended 31 December 1999 were $18,445 million, an increase of 9%. The Group's operating profit before exceptional items was $3,908 million for the year, an increase of 12%.

The core pharmaceutical business delivered full year sales and profits growth of 18% and 19% respectively. This growth came not only from the continued success of *Losec*/*Prilosec* and *Zestril* but also by excellent performances from a range of newer products including *Casodex* ($340 million), *Seroquel* ($232 million) and *Atacand* ($171 million). A particularly strong performance was registered in the US with sales growth of 23%.

In Zeneca Agrochemicals, sales fell by 5% whilst operating profit declined by 21% and, excluding the ISK integration costs charged in 1998, by 29%. Sales in Europe and the rest of the world increased but this growth was more than offset by declines in the Americas.

The majority of the Specialties business was disposed of in the year for $2 billion, resulting in a pre-tax gain of $237 million after separation and other costs.

The Group incurred significant exceptional costs in 1999. An exceptional charge, against operating profits, of $864 million was incurred for the AstraZeneca integration and synergy programme and $28 million costs to complete the rationalisation of Astra's US operations following the Astra Merck restructuring were charged. $145 million was incurred as a consequence of refocusing the Salick Health Care business and $125 million in respect of restructuring projects commenced by Zeneca Agrochemicals. Exceptional items charged below operating profit comprise merger costs of $1,013 million (including the $809 million R&D related payment to Merck) and an exceptional gain before tax of $237 million arising from the disposal of the Specialties business.

Joint ventures and associates in 1999 consist largely of results from AstraZeneca's 50% share in Advanta B.V., the seeds joint venture with Koninklijke VanderHave Groep BV. The Group's share of Advanta's 1999 operating loss was $6 million compared to a profit of $8 million in 1998. The statutory results in 1998 include the Group's share of the results of Astra Merck Inc., the former joint venture in the US with Merck, until its restructuring in June 1998.

The statutory net interest expense for the year was $4 million, compared to income of $47 million in 1998, reflecting the lower levels of cash balances in the year as a result of the major exceptional costs and other investments (particularly the first option payment of $967 million to Merck and $276 million in relation to the reacquisition of marketing rights).

The Group taxation charge for 1999 for continuing operations was $1,048 million representing an effective tax rate of 29.5% (1998 29.0%). The total tax charge after exceptional items for 1999 was $815 million representing an effective rate of 41.6% (1998 29.4%) reflecting restricted tax relief available on exceptional items.

Healthcare – 1999 compared with 1998

Gastrointestinal

Gastrointestinal sales grew by 24% to $5,957 million in the year. The growth was driven by the *Prilosec* US prescription market share which increased to 33%. Strong sales of *Losec* in France, reflecting an increase of 51% mainly due to co-prescribing with NSAIDs, were offset by a decline of 27% in Germany (due to generic competition). Proton Pump Inhibitors continued to expand their share of the US anti-secretory market where total prescription share was 62% (compared with 54% at December 1998).

Sales by therapeutic area/key products
Pro Forma Combined

	% of total	1999 $m	1998 $m	% CER growth
Gastrointestinal	**39**	**5,957**	4,845	+24
Losec/Prilosec	39	**5,909**	4,799	+24
Cardiovascular	**23**	**3,416**	3,017	+14
Zestril	8	**1,221**	1,126	+9
Seloken	4	**531**	450	+19
Tenormin	3	**509**	502	+2
Plendil	3	**452**	367	+24
Atacand	1	**171**	43	+312
Respiratory	**9**	**1,339**	1,256	+10
Pulmicort	5	**730**	691	+9
Rhinocort	1	**167**	158	+8
Accolate	1	**156**	152	+4
Bricanyl	1	**142**	154	–5
Oxis	1	**87**	44	+107
Oncology	**12**	**1,764**	1,538	+15
Zoladex	5	**686**	626	+9
Nolvadex	4	**573**	526	+7
Casodex	2	**340**	245	+41
Arimidex	1	**140**	121	+19
Central Nervous System	**3**	**433**	183	+139
Seroquel	2	**232**	66	+254
Zomig	1	**189**	102	+88
Pain Control & Infection	**10**	**1,506**	1,490	+2
Diprivan	4	**608**	653	–6
Xylocaine	2	**249**	240	+2
Merrem	1	**153**	128	+29
Marcaine	1	**88**	80	+11
Others	**4**	**627**	609	+5

Cardiovascular

Strong market share growth continued in the cardiovascular area with sales increasing by 14% to $3,416 million.

US prescription growth for *Zestril* remained strong with total prescription share standing at 25% at the end of December; annualised total prescription volume growth for *Zestril* at 16% for the year continued to outstrip the ACEi class (5% for the same period). Sales of *Zestril* worldwide grew by 9% to $1,221 million. *Atacand* sales grew strongly in all markets (up 312% to $171 million) with US prescription share standing at 6% (total scripts) and 7% (new scripts) at the end of the year. *Seloken* US prescription growth remained strong with a total market share of 13% at the end of December; sales grew by 19% to $531 million worldwide. *Plendil* sales were strong due to the securing of new guaranteed volume contracts with US healthcare providers, and overall increased to $452 million (up 24%).

Respiratory

Respiratory sales grew by 10% to $1,339 million.

Prescription demand for *Pulmicort* in the US, the fastest growing market for the product, remained strong despite supply constraints due to manufacturing difficulties. Worldwide sales grew by 9% to $730 million. *Accolate* US total prescription market share stood at 7% at the end of the year with new prescription share at 5%. Growth was restricted to 4%, bringing total sales to $156 million, although the launch of paediatric indications in the US improved sales late in the year. *Rhinocort* sales grew 8% to $167 million. A new indication for *Oxis Turbuhaler*, for 'as needed' treatment of asthma symptoms, was approved by the European regulators in December. The first European filing for *Symbicort* was made in December; *Symbicort* combines the proven benefits of *Pulmicort* with those of *Oxis* in a single inhaler to provide compliance and convenience benefits to patients.

Oncology

Oncology sales grew by 15% to $1,764 million led by strong demand for *Casodex* in all markets.

Casodex consolidated its leadership position and first approvals were received for monotherapy. 1999 saw sales increase to $340 million. *Arimidex* continues to grow strongly maintaining its number one position (sales up 19% to $140 million). Impressive clinical results in first line breast cancer were announced late in the year. The growth of *Nolvadex* sales (an increase of 7% to $573 million) represented increased prescribing in the US following the publication of positive data across a range of indications, including reduction of risk of developing breast cancer. *Zoladex* continued to grow well (up 9% to $686 million) despite a highly competitive pricing environment, particularly in the US. Significant new survival data in both early breast and prostate cancer for *Zoladex* was published during the year.

Central Nervous System

Sales saw an increase of 139% driven by strong growth in *Seroquel* and *Zomig*.

Seroquel continued to gain market share in the US as a result of increasing acceptance of the benefits of the product; total prescription market share was 7% at the end of December 1999 with new prescription share increasing to 9%.

Seroquel was the leading brand in the US in gaining 'switch' business within the atypical class of antipyschotics and sales increased worldwide to $232 million (up 254%). *Seroquel* was approved through the European mutual recognition process in December 1999.

Zomig continued to capitalise on the steady move to triptan therapy in the US and France with worldwide sales of $189 million.

Pain Control & Infection

Demand for *Merrem* remained strong in all markets with sales up 29% to $153 million. Supply constraints in the US due to manufacturing difficulties earlier in the year adversely affected sales growth.

The decline in *Diprivan* sales (down by 6% to $608 million) was due to the increased penetration of a generic formulation in the US market. *Diprivan* volume growth in Europe continued in double digits, including Germany where generics were on the market since 1997. Sales in Japan grew by 75% benefiting from the launch of new indications and the ongoing expansion and acceptance of intravenous anaesthesia.

Geographic analysis
Sales grew in the US by 23%. Continued strong sales growth in most European markets was led by France where sales were up 27%. Sales volume growth in Japan continued to exceed market growth driven by new indications for key products.

Research and development
Healthcare R&D expenditure increased by 13% to $2,469 million, declining slightly as a percentage of sales to 16.5%. Through the consolidation of the two R&D functions synergy benefits of $20 million were realised in 1999. A thorough review was completed of all R&D activities leading to a more focused development portfolio which comprised 57 new chemical entities and approximately 159 projects at year end. All major projects continued to make good progress towards their defined profiles and against clear milestones.

Operating margin
Pharmaceuticals' operating margin, before exceptional items, for 1999 increased to 24.3%. The benefits from the synergy programme began to flow through but the full benefit was offset by an increased proportion of contingent payments to Merck and the cost of terminating licence agreements.

Exceptional items
Exceptional charges against 1999 operating profits totalled $892 million, comprising $864 million for the AstraZeneca integration and synergy programme and $28 million to complete the work commenced in 1998 to rationalise Astra's US operations following the Astra Merck restructuring. In addition, charges against profit before tax comprised merger costs of $1,013 million, including the $809 million R&D related payment to Merck.

The actual cash expenditure in 1999 on synergy and integration costs was $303 million of which the main elements were manpower related costs amounting to $150 million.
Actual benefit delivery in 1999 was $130 million, of which $100 million was in selling, general and administrative expenses, $20 million in research and development and $10 million in production and distribution.

Salick Health Care
Salick Health Care made a loss of $153 million after an exceptional charge of $145 million was made against operating profit following the decision to refocus the business on a smaller base of profitable cancer centres and to recognise the impairment of certain asset carrying values.

Other trading
Other trading comprised Marlow Foods, together with certain corporate operations, including insurance and environmental activities. Sales by Marlow Foods were unchanged from 1998 at $92 million.

Agrochemicals – 1999 compared with 1998
Sales for the full year decreased by 5%; operating profit decreased by 21%, and excluding the ISK integration costs charged in 1998, by 29%. Towards the end of the year trading improved with strong sales performances in Europe and Asia Pacific more than offsetting the impact of continuing adverse trading conditions in the Americas.

Touchdown sustained volume growth of over 20% for the full year; selective herbicide sales were affected by further penetration of genetically modified crops in addition to generally adverse conditions. The impact in the Americas of low farm incomes and low insect infestation in many crops depressed insecticide sales; Karate sales were down 13% compared to 1998. Amistar, with 1999 sales of $415 million three years following launch, became the world's leading proprietary fungicide and sales grew by over 40% in 1999 with growth continuing in all markets.

Sales in North America and Latin America fell by 12% and 18% respectively compared to 1998 while sales in Europe and the rest of the world increased by 5% and 8% respectively. Adverse trading conditions depressed overall demand in both North and Latin America and tight credit policies were maintained in Argentina and Brazil in difficult economic conditions. Growth in Europe, driven largely by Amistar, resulted in share gains in a contracting market with little recovery in Eastern Europe. The business took advantage of a steady recovery in the markets of Asia Pacific to achieve full year sales growth of 12%.

1999's operating margin before exceptional items reduced from 12.9% to 10.0%; in addition to the margin impact of lower sales, research costs increased as a result of the expanding biotechnology programme and there were additional fixed manufacturing costs following Amistar and Touchdown plant capacity increases.

Advanta
Contribution for the full year from Advanta was reduced due to poor trading conditions in the seeds sector.

Exceptional items
During 1999, Zeneca Agrochemicals undertook a number of restructuring projects designed to improve profitability. These measures resulted in a charge of $125 million including some 600 job reductions, equivalent to 8% of total employees, with expected annual savings of approximately $50 million per annum from 2000.

Specialties – 1999 compared with 1998
The sale of the Specialties business was completed on 30 June 1999 for $2 billion. The exceptional gain before tax on the disposal of Specialties was $237 million and generated net cash of $1.6 billion. Sales were $654 million compared to $1,294 million in the whole of 1998 reflecting the disposal. Operating profit for the period until disposal was $71 million compared with $146 million in 1998.

Liquidity and capital resources
All narrative in this section is on an actual basis (unless noted otherwise).

Cash flow
In 2000 a net cash flow of $4,992 million was generated from operations before exceptional items. This was augmented by $909 million of net cash repayment from Syngenta on the demerger of the Agrochemicals business. This cash was applied mainly to expenditure against the exceptional provisions $809 million, to taxation $648 million, capital expenditure and acquisition of minority interests $1,595 million and shareholders' dividends $1,220 million. The net cash inflow before management of liquid resources and financing amounted to $1,648 million of which $353 million was applied to share repurchases.

In 1999 net cash of $4,699 million was generated from operations before exceptional items to which was added $1,981 million of disposal proceeds (principally from the sale of the Specialties business). Expenditure on exceptional items totalled $1,586 million, taxation $1,020 million, capital expenditure and financial investment $2,731 million, and shareholders' dividends $1,216 million. The net inflow before management of liquid resources was $156 million. The share repurchase programme cost $183 million in this its first year of operation.

The business disposals and major merger related payments in both 1999 and 2000 obscure the underlying cash flow of the continuing business which can be summarised as follows:

	2000 $bn	1999 $bn
Trading cash flow	4.8	4.3
Capital expenditure	(1.3)	(1.5)
Interest	–	–
Tax paid	(0.5)	(0.8)
Net cash flow before distributions	3.0	2.0
Dividends	(1.2)	(1.2)
Share repurchase	(0.4)	(0.2)
Net cash flow	1.4	0.6

The net cash inflow of $4,699 million generated in 1999 from operations before exceptional items, compared to $3,817 million in 1998. Net cash inflow before management of liquid resources was $156 million, compared with an outflow of $955 million in 1998. This improvement reflects the increased cash generation from operations and disposals together with lower acquisition costs offset by higher expenditure on intangible assets and exceptional costs.

Capitalisation

AstraZeneca had net funds of $3,605 million at 31 December 2000 (31 December 1999 $2,169 million).

Undrawn committed bank facilities at 31 December 2000 totalled $525 million with maturities ranging from 1 to 2 years. These facilities are used, in part, to support the Group's US commercial paper programme. Uncommitted facilities and issues of commercial paper are used mainly to finance the Group's seasonal working capital requirements. Working capital is sufficient for the Group's present requirements.

The Group repurchased 9.4 million shares in 2000 for $353 million, bringing the total number of shares repurchased to 13.7 million at a cumulative cost of $536 million. The number of shares in issue at year end was 1,766,480,864. Group reserves were reduced by $926 million due to the effect of exchange rate movements on translation of overseas assets and liabilities. Shareholders' funds reduced by a net $781 million to $9,521 million at year end.

Investments, divestments and capital expenditure

There were no significant acquisitions or disposals in 2000. The demerger of Zeneca Agrochemicals led to net cash inflow of $909 million. The impact of the demerger is shown in Note 27 to the Financial Statements.

The Group's net cash outflow on capital expenditure and financial investments during 2000 totalled $1,426 million. Capital expenditure on tangible fixed assets was a little over 9% of sales, with Healthcare capital expenditure just below target of 8% of sales. Investment in production capacity for growth phase and new products continues. This includes increased production facilities for *Crestor* in both the UK and Puerto Rico, along with a new Bulk Drug facility in Dunkirk, France for the support of *Nexium* growth. Further expansions in tablet production facilities in Sweden and the UK are ongoing. Support of the new R&D strategy continues with additional research facilities being built in the UK (Charnwood) and the US (Boston). The Group's capital expenditures are financed from internally generated funds.

There were no significant acquisitions in 1999. Net proceeds from acquisitions and disposals totalled $1,978 million, the principal element being the disposal of Zeneca Specialties for $1,956 million.

The Group's net cash outflow on capital expenditure and financial investments during 1999 totalled $2,731 million. This included new facilities for pharmaceuticals manufacturing and packing and investment in China for the manufacture of Gramoxone. Financial investments included the re-acquisition of certain marketing rights and the creation of a joint venture between Zeneca Agrochemicals and Japan Tobacco.

In 1998, cash investments in acquisitions totalled $2,696 million. This principally consisted of tangible and intangible assets acquired in connection with the formation of Astra Pharmaceuticals LP in the US, the acquisition of the US-based fungicide business of ISK and the acquisition of the pharmaceutical business of Orica Ltd in Australia. Alongside this was investment in new facilities for *Zoladex*, *Zomig*, *Casodex*, *Touchdown* and *Amistar* and the purchase of additional land in the UK and Puerto Rico.

EMU

Within Europe, economic and monetary union ('EMU') introduced a new currency, the euro, on 1 January 1999. On that date, 11 member states of the European Union – Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain – locked their exchange rates with the euro. Euro notes and currency are expected to come into circulation in January 2002 and national currencies will be withdrawn by 1 July of that year.

Neither the UK nor Sweden participated in EMU at the commencement of the third stage on 1 January 1999 and there are currently no agreements in place to do so. There can be no prediction as to whether the United Kingdom or Sweden will participate in EMU or as to the rate of exchange at which sterling and the Swedish kronor would be converted into euro. Plans are well advanced for adoption of the euro in those countries and corporate systems affected and we foresee no significant problems for our Eurozone subsidiaries to convert to euros in 2001. The costs associated with the conversion will not be material.

US GAAP

AstraZeneca's financial statements have been prepared in accordance with UK GAAP which differs in certain significant respects from US GAAP. In particular, under US GAAP, the merger has been accounted for as a purchase accounting acquisition of Astra by Zeneca.

For US GAAP purposes continuing operations comprise the Group's Healthcare operations (Pharmaceuticals and Salick Health Care) and other trading operations (Marlow Foods and miscellaneous operations). Discontinued operations comprise the Zeneca Agrochemicals business and the Zeneca Specialties business (excluding Marlow Foods). For the periods prior to 6 April 1999 the results of AstraZeneca under US GAAP comprise the former Zeneca businesses only.

Results of continuing operations (US GAAP)

The tables on the following page show the trend of sales and operating income under US GAAP for the continuing operations of the Group.

2000 compared with 1999

Sales from continuing operations (US GAAP) rose by $3,015 million from $12,789 million in 1999 to $15,804 million in 2000. A full year's contribution from Astra was the main driver of the increase with *Losec/Prilosec* sales rising from $4,495 million to $6,260 million.

Sales in Continental Europe and the Americas grew strongly by $633 million and $2,053 million respectively, once again reflecting a full year's impact of Astra.

The Healthcare operating profit for the year was $1,718 million compared with a loss of $4,214 million in 1999. 1999 was affected by acquisition costs, inventory step-up costs, and Salick Health Care impairment and rationalisation charges amounting to $5,841 million. The corresponding effects in 2000 were $419 million acquisition related costs and $131 million impairment in respect of the Advanta seeds business. Excluding these effects, operating profit rose from $1,627 million to $2,268 million. Both years were impacted by amortisation charges arising from the acquisition of Astra amounting to $1,298 million in 1999 and $1,756 million in 2000.

1999 compared to 1998

Sales for continuing operations (US GAAP) for the year ended 31 December 1999 were $12,789 million, an increase of $7,818 million compared to 1998. The incorporation of Astra sales from the completion of the merger on 6 April 1999, accounted for $7,254 million of the increase, of which $4,495 million was from *Losec/Prilosec*.

Excluding the impact of Astra sales, Pharmaceuticals sales increased by 12% with continued success from *Zestril* and excellent performances from *Seroquel* and *Casodex*.

Astra sales in 1999 added $2,357 million to sales in Continental Europe and $3,967 million sales to the Americas. Excluding the contribution from Astra, the Zeneca sales in Continental Europe grew by 10% and in the Americas by 9%.

The 1999 Pharmaceuticals operating loss of $3,739 million is after charging $6,686 million of acquisition costs and related amortisation charges. The $6,686 million comprises: acquisition related costs of $4,562 million (principally in-process research and development of $3,315 million, the Merck trigger event payment of $809 million and integration and synergy costs of $377 million), increased goodwill and intangible amortisation charges of $1,298 million, and inventory set-up costs of $826 million. Excluding the above items Pharmaceuticals operating income in 1999 was $2,947 million, $1,643 million higher than 1998 and including post aquisition operating income from Astra of $1,610 million.

Salick Health Care made a loss of $475 million after an exceptional charge of $453 million ($308 million of goodwill, $145 million of impairment and rationalisation costs) following the decision to refocus the business on a smaller base of profitable cancer centres and to recognise the impairment of certain asset carrying values.

Taxation (US GAAP)

Taxation in relation to continuing operations in 2000 was a charge of $969 million compared to a credit in 1999 of $190 million. In 1999, tax relief was accounted for in relation to the in-process research and development charge of $3,315 million in the year. In 1998 the tax charge for continuing operations was $397 million, an effective taxation rate of 33.2%.

AstraZeneca sales (US GAAP) of ongoing operations by business

	2000 $m	1999 $m	1998 $m
Healthcare	15,698	12,697	4,876
Other trading	106	92	95
Continuing operations	15,804	12,789	4,971

AstraZeneca sales (US GAAP) of ongoing operations by geographic market

Sales in each geographic market in which customers are located

	2000 $m	1999 $m	1998 $m
United Kingdom	795	734	400
Continental Europe	4,370	3,714	1,234
The Americas	8,993	6,939	2,726
Asia, Africa & Australasia	1,646	1,402	611
Continuing operations	15,804	12,789	4,971

AstraZeneca operating income/(loss) of ongoing operations by business – (US GAAP)

	2000 $m	1999 $m	1998 $m
Healthcare	1,718	(4,214)	1,272
Other trading	(25)	(24)	(22)
Continuing operations	1,693	(4,238)	1,250

Discontinued operations (US GAAP)

The 2000 net income from discontinued operations includes the results of Zeneca Agrochemicals up until its demerger on 13 November 2000. The 1999 net income of discontinued operations includes twelve months of Zeneca Agrochemicals and six months of Zeneca Specialties up until disposal. In 1998 net income from discontinued operations comprised whole year results for Zeneca Agrochemicals and Zeneca Specialties. The UK GAAP operating results of Zeneca Agrochemicals and Zeneca Specialties for these periods are reviewed on pages 40 and 42 of the Financial Review.

Cash flow (US GAAP)

Net cash of $3,554 million was generated by operating activities in 2000, after exceptional cash outflows of $809 million. There was a cash outflow in respect of investing activities of $1,294 million representing, in the main, capital expenditure of $1,460 million offset by the repayment of debt from Syngenta AG of $909 million. Financing cash outflows totalled $1,620 million, the principal elements being the stock repurchase programme of $353 million ($183 million in 1999) and equity dividends of $1,220 million.

Net cash of $1,698 million was generated from operating activities in 1999, after accounting for exceptional items of $1,586 million (including $713 million for the Merck trigger event payment), compared to $1,493 million in 1998. Net cash inflow before financing activities was $1,474 million compared to $587 million in 1998. The improvement in net cash inflow before financing reflects the impact of nine months operational cash inflow from Astra activities, the sale consideration received

Ratios

As at end and for the year ended 31 December	2000	1999	1998
Return on shareholders' equity (%)	25.6	10.8	25.5
Equity/assets ratio (%)	51.6	52.0	59.1
Net funds/equity ratio (%)	37.9	21.1	20.6
Number of employees	52,300	55,200	60,900

31 December 2000

		Market value change favourable/(unfavourable)			
	Market value 31 December 2000	Interest rate movement		Exchange rate movement	
	$m	+1% $m	–1% $m	+10% $m	–10% $m
AstraZeneca					
Cash and short-term investments	4,568	(2)	2	–	–
Long-term debt	(746)	15	(20)	2	(2)
Interest and currency swaps	64	–	–	2	(2)
Foreign exchange forwards	(1)	–	–	(51)	43
Foreign exchange options	1	–	–	(11)	85
		13	(18)	(58)	124

31 December 1999

		Market value change favourable/(unfavourable)			
	Market value 31 December 1999	Interest rate movement		Exchange rate movement	
	$m	+1% $m	–1% $m	+10% $m	–10% $m
AstraZeneca					
Cash and short-term investments	3,287	3	(3)	–	–
Long-term debt	(778)	39	(44)	5	(6)
Interest and currency swaps	14	–	–	9	(11)
Foreign exchange forwards	19	–	–	(26)	33
Foreign exchange options	35	–	–	(3)	54
		42	(47)	(15)	70

in relation to the Group's Specialties business, offset partly by the higher expenditure on intangible assets and exceptional items. Cash outflows for financing activities in 1999 were $1,407 million compared to $773 million in 1998. Equity dividends were the main items of financing cash outflows, $1,216 million in 1999 compared to $616 million in 1998.

Net assets (US GAAP)

The net assets of the Group at 31 December 2000, in accordance with US GAAP, are significantly higher than those under UK GAAP as a result of the acquisition accounting for Astra. The goodwill arising on the acquisition of Astra had a net book value of $12.6 billion ($14.2 billion at 31 December 1999) and intangible assets were $9.5 billion ($11.2 billion at 31 December 1999). These effects were partly offset by approximately $2.7 billion (1999, $3.2 billion) of other adjustments being principally deferred tax liabilities related to the acquisition.

New accounting standards

New UK or US applicable accounting standards which have been issued (both adopted and not yet adopted) are discussed on pages 54 and 107, respectively. The Group has not yet evaluated the effects of new accounting standards which have been issued but not yet adopted, other than FRS 19 – Deferred Tax; however they are not expected to have a material impact upon AstraZeneca's financial position and results of operation.

Treasury policy

The main objective for the treasury operation within AstraZeneca is to support the Group in building shareholder value by managing and controlling the Group's financial risks. AstraZeneca's treasury operations are conducted centrally within the Group in accordance with policies and procedures approved by the Board.

The treasury policy stipulates how treasury operations should manage the Group's foreign exchange risk, interest rate risk, credit risk and funding risk.

Foreign exchange risk

The US dollar is the most significant currency for the Group; as a consequence AstraZeneca has chosen to report its results in US dollars and manages its exposures against US dollars accordingly. Differing proportions of AstraZeneca's revenues, costs, assets and liabilities remain denominated in currencies other than US dollars. Approximately half of AstraZeneca's sales in 2000 were denominated in currencies other than the US dollar while a significant proportion of AstraZeneca's manufacturing and research costs are denominated in pounds sterling and Swedish kronor. As a result, AstraZeneca's operating profit in US dollars can be affected by movements in exchange rates.

The principal market risk is the exposure to movements in the exchange rates of currencies relative to the US dollar, in particular sterling, the Swedish kronor and the euro. The principal exposures are net revenues in euro and yen and net costs in sterling and Swedish kronor as the majority of the Group's manufacturing and research operations are in Sweden and the UK.

In 2000 the US dollar appreciated against all major currencies, though this trend began to reverse towards the end of the year. It is estimated that the effect of currency movements was to reduce continuing business sales by approximately $580 million and operating profit by some $75 million (net of hedging benefits).

Currency exposure is managed centrally by Group Treasury using 12 month currency cash flow forecasts for Swedish kronor, sterling, euro and Japanese yen, and monthly updated working capital forecasts for the major currencies reported by subsidiaries. Treasury uses derivative financial instruments, principally currency options and forward foreign exchange contracts, to hedge its currency exposure and it is Group policy not to engage in any speculative transactions.

AstraZeneca hedges all of the transaction exposure on working capital balances, for a period of one to three months, using forward exchange contracts.

For the 12 month transaction exposure the benchmark is to hedge 50%, subject to variation within authorised limits, using a mixture of currency options and forward exchange contracts. The aim of the policy is to protect the downside risk by reducing short-term volatility risk.

Key controls applied to transactions in derivative financial instruments are to only use instruments where good market liquidity exists, to re-value all financial instruments daily using current market rates and to write options only to offset purchased options – ensuring that the Group is not a net writer of options against any exposure.

Interest rate risk

The management of the Group's liquid assets and loans are co-ordinated and controlled centrally by the Group's treasury operations. AstraZeneca has significant positive cash flows and the liquidity of major subsidiaries is co-ordinated in cash pools and concentrated daily in London. Over 90% of the Group's total net liquid funds are directly managed and controlled by Group Treasury. Interest rate risk is managed according to a benchmark reflecting 90 days' duration of net liquid funds. The Group's liquid funds are either invested directly in US dollars or, where invested in other currencies, are hedged back to the US dollar.

AstraZeneca's debt has an average maturity of 11 years, the majority is denominated in US dollars. A large portion has been swapped from fixed rate into floating rate debt, thereby reducing the Group's exposure to interest rate movements and offsetting the negative market valuation of long-term debt.

Credit exposure

AstraZeneca's exposure to counterparty credit risk is controlled centrally by establishing and monitoring counterparty limits.

AstraZeneca trades in over 100 countries worldwide including trading in countries that are subject to political and economic uncertainty. This can give rise to exposure to sovereign risk and payment difficulties. AstraZeneca has a policy of reducing such exposure where possible through appropriate use of insurance, third party provided trade finance products or letters of credit.

Funding risk

The Group has significant net funds to finance its ongoing working capital requirements for its operations. In addition, AstraZeneca also has guaranteed credit facilities in the amount of $525 million and retains its commercial paper programme should the need arise for significant additional funding.

Sensitivity analysis

The analysis shown summarises the sensitivity of the market value of AstraZeneca's financial instruments to hypothetical changes in market rates and prices. Changes to the value of the financial instruments are normally offset by the underlying asset/liability of the Group. The range of changes chosen reflects AstraZeneca's view of changes which are reasonably possible over a one year period. Market values are the present value of future cash flows based on the market rates and prices at the valuation date.

Interest rate risk

Market values for interest rate risk are calculated using a third party software model which models the present value of the instruments based on the market conditions at the valuation date. For long-term debt a favourable change in market value results in a decline in the absolute value of debt, for other financial instruments a favourable change in market value results in an increase in market value.

The sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2000, with all other variables held constant.

Based on the composition of AstraZeneca's long-term debt portfolio as at 31 December 2000 (which is predominantly floating rate), a 1% increase in interest rates would result in an additional $7 million in interest incurred per year.

Foreign currency exchange rate risk

The sensitivity analysis above assumes an instantaneous 10% change in foreign currency exchange rates from their levels at 31 December 2000, with all other variables held constant. The +10% case assumes a 10% strengthening of the US dollar against all other currencies and the -10% case assumes a 10% weakening of the US dollar.

AstraZeneca
Financial Statements

Financial Statements

Notes relating to the Financial Statements

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.

Independent Auditor's Report to the Members of AstraZeneca PLC

We have audited the financial statements on pages 50 to 115.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and Form 20-F. As described on page 48 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards; the Directors have also presented additional information under United States requirements. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We review whether the statement on page 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.

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 106 to 115.

7 February 2001

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 50 to 115 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 106 to 115. 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

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		
	Pre exceptional items $m	Exceptional items $m	Pre exceptional items $m	Exceptional items $m	2000 Total $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		
	Pre exceptional items $m	Exceptional items $m	Pre exceptional items $m	Exceptional items $m	2000 Total $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:

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

Continuing operations		Discontinued operations			Continuing operations		Discontinued operations		
Pre exceptional items $m	Exceptional items $m	Pre exceptional items $m	Exceptional items $m	1999 Total $m	Pre exceptional items $m	Exceptional items $m	Pre exceptional items $m	Exceptional items $m	1998 Total $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			Continuing operations		Discontinued operations		
Pre exceptional items $m	Exceptional items $m	Pre exceptional items $m	Exceptional items $m	1999 Total $m	Pre exceptional items $m	Exceptional items $m	Pre exceptional items $m	Exceptional items $m	1998 Total $m
(10)	–	1	–	(9)	534	–	4	–	538
–	–	2	–	2	–	–	1	–	1
(10)	–	3	–	(7)	534	–	5	–	539

Balance sheet	30 June 1998 $m
Fixed assets	565
Current assets	661
Creditors due within one year	(660)
Creditors due after one year or more	(30)
Net assets	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 *Imdur* 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 and it is loss making. As described in Note 36 we are in dispute with our joint venture partner over the interpretation of aspects of the shareholders' agreement.

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 re-acquisition 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 7 to 26. 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 $967m first option payment to Merck and $720m in respect of the reacquisition of marketing rights.

Employees	2000	1999	1998
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)

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).

Notes relating to the Financial Statements

10 Segment information (continued)

Profit from	Operating profit after exceptional items 2000 $m	1999 $m	1998 $m	Profit after exceptional items before interest and taxation 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	2,037	1,873	2,140
Continental Europe	4,649	3,638	1,001
The Americas	184	1,130	1,131
Asia, Africa & Australasia	734	747	2,791
Continuing operations	7,604	7,388	7,063
Discontinued operations – Agrochemicals	–	1,860	2,027
Discontinued operations – Specialties	(126)	(164)	656
	7,478	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

10 Segment information (continued)

	2000 $m	1999 $m	1998 $m
Geographic markets			
Turnover in each geographic market in which customers located			
United Kingdom	795	863	888
Continental Europe	4,370	4,555	4,050
The Americas	8,993	8,140	5,068
Asia, Africa & Australasia	1,646	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	Other investments 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 45 to 46. 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	–	3	–
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:

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

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

c. Loans – the fair value of publicly traded debt is based on year-end quoted market prices; the fair value of floating rate debt is nominal value, as 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.

d. Forward foreign exchange contracts – the Group has forward foreign exchange contracts to sell currency for the purpose of hedging non-dollar commercial transaction exposures which existed at the date of the balance sheet and to hedge anticipated, but not firmly committed, non-dollar commercial transactions for 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.

e. 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.

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

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.

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

Current period cash flow related to exceptional items and merger related payments, before associated tax charge/relief	2000 $m	1999 $m	1998 $m
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 interests	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	1,491
Current assets	2,130
Creditors due within one year	(1,306)
Creditors due after more than one year and provisions	(246)
Book value of Zeneca Agrochemicals net assets disposed	2,069
Minority interest share of net assets	(10)
Goodwill previously charged to reserves written back	813
	2,872
Repayment of debt by Zeneca Agrochemicals	
Net repayment of debt per Cash Flow Statement	(909)
Net financial liabilities demerged	(294)
	(1,203)
Dividend in specie	1,669

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

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 items 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	30	19	19	12
Repurchase of AstraZeneca PLC Ordinary Shares	30	(353)	(183)	–
Issue of shares by subsidiaries to minority interests		–	3	–
		(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 $202m, 1998 $170m). 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			ASVIP
	Options '000	WAEP* pence	Options '000	WAEP* pence	Options '000	WAEP* pence	Shares under option '000	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		809		712		396		
At 31 December 2000								
Options outstanding	712	3093	10,987	2588	3,826	2074	1,090	370
Range of exercise prices	3093p		826p to 2749p		1023p to 2806p		298SEK to 442SEK	
Weighted average remaining contractual life	3,521 days		3,198 days		1,146 days		1,319 days	
Options exercisable	2	3093	1,064	1618	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 except as otherwise stated.

	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	9,966
Tom McKillop	65,176	18,414	8,759	73,935	20,190
Åke Stavling	537	–	8,041	8,578	8,041
Jonathan Symonds	6,252	3,302	7,790	14,042	11,090
Claes Wilhelmsson	18,349	–	8,774	27,123	8,774
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 include both long-term incentive bonus shares appropriated under the Zeneca Executive Performance Bonus Scheme and also shares allocated on the demerger of Zeneca Agrochemicals, in respect of executive share options held on 10 November 2000, and which have not yet been released. In respect of the latter, the shares generally will not become beneficially owned by Directors until 13 November 2003.

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 $13m (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	29	84*	1,822	1,741	848
Åke Stavling	616	293	25		934	842	–
Jonathan Symonds	678	413	31	123†	1,245	1,149	734
Claes Wilhelmsson	680	380	14		1,074	885	–
Sir David Barnes	313	254	10		577	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	–
Former Directors							
Michael Pragnell	539	303	47		889	871	637
Others					–	1,374	2,044
Total	5,788	2,696	181	207	8,872	10,195	5,791

† Payments for pension related tax liabilities.
* 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 91.

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 page 34.

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	609	947	349	457
2. Increase in accrued pension during year as a result of inflation	20	10	4	5
3. Adjustment to accrued pension as a result of salary increase relative to inflation	41	–	14	80
4. Increase in accrued pension as a result of additional service	26	–	13	–
5. Accrued pension at 31 December 2000 or date of resignation	696	957†	380†	542†
6. Employee contributions during year	46	–	–	–
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 $^{2}/_{7}$ths (or 28.6%) from the figures shown.

	Michael Pragnell $'000	Jonathan Symonds $'000
Money Purchase Arrangements		
Company contributions paid	178	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 member's accrued pension is available from age 60 without any actuarial reduction. In addition the accrued pension is available, unreduced, from age 57 if the Company consents to a request for early retirement, and from age 50 if the retirement is at the Company's request.

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

Jonathan Symonds has 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	604	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.

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.

36 Assets pledged, commitments and contingent liabilities (continued)

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 licence agreement will continue indefinitely with respect to the compounds still subject to the licence agreement at the time of the merger, the value of which licence rights will diminish over time.

Environmental costs and liabilities

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

They are an integral part of normal ongoing expenditure for maintaining the Group's manufacturing capacity and product ranges and are not separated from overall operating and development costs. There are no known changes in environmental, regulatory or other requirements resulting in material changes to the levels of expenditure for 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 34 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.

AstraZeneca has provisions at 31 December 2000 in respect of such costs in accordance with the accounting policies on page 55. 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.

Notes relating to the Financial Statements

36 Assets pledged, commitments and contingent liabilities (continued)

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

Plendil (felodipine)

In August 2000, AstraZeneca LP received a letter from Mutual Pharmaceutical Co., Inc. informing AstraZeneca of Mutual's intention to market a generic version of AstraZeneca's felodipine extended release tablets (*Plendil*) prior to the expiration of AstraZeneca's patent covering the extended release formulation. AstraZeneca filed a patent infringement action against Mutual in the US District Court for the Eastern District of Pennsylvania. Mutual responded and filed counterclaims alleging non-infringement and invalidity.

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.

36 Assets pledged, commitments and contingent liabilities (continued)

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 federal 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 other cases were filed on behalf of a putative class of 'third party payers' (including HMOs, insurers and other managed care providers and health plans) that have reimbursed or otherwise paid for prescriptions of tamoxifen. The plaintiffs allege that they paid 'supra-competitive and monopolistic prices' for tamoxifen as a result of the settlement of patent litigation between Zeneca and Barr in 1993. The plaintiffs seek injunctive relief, treble damages under the anti-trust laws of certain states, disgorgement and restitution.

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.

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. During 2000, the District Attorney for the First Judicial Circuit of Alabama filed an action on behalf of Alabama consumers. 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.

Notes relating to the Financial Statements

36 Assets pledged, commitments and contingent liabilities (continued)

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, Mississippi and Wisconsin retail cases as well as all the consumer cases, except for Alabama, which was dismissed. The Alabama consumer case filed in 2000 is pending. 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.

In 1991, an action was instituted in the US District Court for the Eastern District of California, whereby 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. AstraZeneca 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 as of that 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 has 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 settlements 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.

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.

Notes relating to the Financial Statements

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.

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

Related party transactions

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

Subsequent events

No significant change has occurred since the date of the annual financial statements.

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 50 to 115 were approved by the Board of Directors on 7 February 2001 and were signed on its behalf by:

Tom McKillop
Director

Jonathan Symonds
Director

Notes relating to the Financial Statements

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

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.

Notes relating to the Financial Statements

40 Called-up share capital of parent company

	Authorised	Allotted, called-up and fully paid	
	2000 $m	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;

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) ('FRS 1'), whose objective and principles are similar to those set out in SFAS No. 95, 'Statement of Cash Flows'. The principal differences between the standards relate to classification and also that the UK GAAP cash flow statement combines the cash flow statements of Astra and Zeneca for all periods whilst the US GAAP cash flow statements includes the cash flows of Astra only from the date of acquisition, 6 April 1999. Under FRS 1, the Company presents its cash flows for (a) operating activities; (b) dividends received from joint ventures and associates; (c) returns on investments and servicing of finance; (d) tax paid; (e) capital expenditure and financial investment; (f) acquisitions and disposals; (g) dividends paid to shareholders; (h) management of liquid resources; and (i) financing. SFAS No. 95 requires only three categories of cash flow activity being (a) operating; (b) investing; and (c) financing.

Cash flows from taxation, returns on investments and servicing of finance and dividends received from joint ventures and associates under FRS 1 would be included as operating activities under SFAS No. 95; capital expenditure and financial investment and acquisitions and disposals would be included as investing activities; and distributions would be included as a financing activity under SFAS No. 95. Under FRS 1 cash comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand; and liquid resources comprise current asset investments held as readily disposable stores of value. Under SFAS No. 95 cash equivalents, comprising short-term highly liquid investments, generally with original maturities of three months or less, are grouped together with cash; short-term borrowings repayable on demand would not be included within cash and cash equivalents and movements on those borrowings would be included in financing activities.

New accounting standards not yet adopted
Statement of Financial Accounting Standards (SFAS) No. 133 – 'Accounting for Derivative Instruments and Hedging Activities' as amended by SFAS No. 137, 'Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133', and SFAS No. 138, 'Accounting for Certain Derivative Instruments and Certain Hedging Activities', is effective for the Company as of 1 January 2001. SFAS No. 133 requires that an entity recognise 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.

Additional information for US investors

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

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.

Additional information for US investors

Differences between UK and US accounting principles (continued)

US GAAP Statement of Comprehensive Income

For the years ended 31 December	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

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

Additional information for US investors

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/(profit)	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.

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)

Additional information for US investors

Differences between UK and US accounting principles (continued)

US GAAP Condensed Consolidated Statement of Cash Flows

For the years ended 31 December	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
Acquisitions 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).

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	212	268
Double taxation relief	(42)	(34)	(31)
Deferred	(27)	3	42
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, Advanta, and Salick Health Care impairment	576	275	16
Net effect of lower rates and eligible costs in other jurisdictions	(86)	(313)	(14)
Other	(113)	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
Group operating profit before exceptional items	*2,670*	*2,977*	*2,857*	*3,051*	*3,908*	*4,330*
Exceptional items charged to operating profit	*(103)*	–	–	*91*	*(1,162)*	*(322)*
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

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.

Group Financial Record – UK GAAP

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)	865
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	($2.26)	$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)	15.5

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	46,640	41,500
Shareholders' equity	4,673	5,035	5,558	33,735	29,707

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	$1.44
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

Shareholder Information

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.

	Astra							
	A-Shares				B-Shares			
	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

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.

					AstraZeneca	
	Ordinary LSE		ADS		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	386.5
– August	3160	2898	45.20	41.90	434.5	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

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.

Shareholder Information

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.,	177,077,626	10.02%
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	1998 In Astra	16 Mar 1999 In Zeneca
The Capital Group Companies, Inc.,	10.02%	7.80%	<3.00%	5.53%
Investor AB	5.18%	5.20%	11.00%	<3.00%

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 4.6% of the Ordinary Shares outstanding.

Number of registered holders of Ordinary Shares as of 9 February 2001:
– In the United States 760
– Total 191,156

Number of record holders of American Depositary Receipts as of 9 February 2001:
– In the United States 3,330
– Total 3,358

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.

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	564,239	0.032

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 38 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
15,537,354	630p-3093p	2001-2010

The weighted average subscription price of options outstanding at 9 February 2001 was 2479p. 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
1,033,192	630p-3093p	2002-2010

(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. During this period, Åke Stavling increased his interest in Ordinary Shares from 8,578 to 8,929 and Claes Wilhelmsson increased his interest in Ordinary Shares from 27,123 to 27,462 compared to 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

Registrar and Transfer Office
The AstraZeneca Registrar
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone 0870 600 3956
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 other documents concerning the Company which are referred to in this document may be inspected at the Company's registered office at 15 Stanhope Gate, London W1K 1LN.

Shareholder Information

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 (1/9th) 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.

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)		
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)		
2000	9.5390	1.4925

Shareholder Information

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
Depositary	Morgan Guaranty Trust Company of New York, as depositary 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.

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

Risk factors and additional information

Risk factors

Risk of loss or expiration of patents or trademarks

Scientific and technological innovation is critical to the long-term success of AstraZeneca's business. In the pharmaceutical market, a drug, diagnostic or medical device is normally only subject to competition from alternative products during the period of patent protection, but thereafter it will also be open to competition from generic copy products. AstraZeneca believes that it has patent or trademark protection for many of its most important products, although certain important patents will expire in the near future.

For example, patents covering the compound, omeprazole, the active substance in *Losec* (*Prilosec* in the US), which in 2000 accounted for 40% of AstraZeneca's sales for continuing operations, have now expired in all major markets but patent term extensions extend substance patent protection until April 2001 in the US and 2004 in Japan, and supplementary protection certificates ('SPCs') extend substance patent protection until 2002-2005 in most of Europe. Patents protecting the salt in *Losec* MUPS expire in Europe in 2004 and in the US in 2005. Formulation patents relating to *Losec* remain until 2007 in most major markets. *Zestril* patent protection in the US expires in December 2001 but a further six months' marketing exclusivity may be granted by the FDA if data from AstraZeneca's ongoing paediatric trial programme are accepted.

The expiration or loss of certain patents or trademarks could have an adverse effect on the pricing and sales with respect to these products and, consequently, could result in a material adverse effect on AstraZeneca's financial condition, liquidity and results of operations.

Difficulty of integrating large and complex businesses and realising synergies

The merger of Astra AB with Zeneca Group PLC in 1999 involved the integration of two large and complex businesses that previously operated independently. AstraZeneca expects to realise significant cost savings and other synergies from the merger, but for various reasons, it may not be able to achieve all of these synergies or may not be able to achieve them within the expected timescale.

Impact of fluctuations in exchange rates

The results of operations of AstraZeneca are accounted for in US dollars. Approximately 56% of AstraZeneca's 2000 sales were in the Americas (comprised of the US, Canada and Latin America) with a significant proportion of that figure being in respect of US sales. The US is, and is expected to remain, AstraZeneca's largest and potentially fastest growing major market. Sales in certain other countries are also in US dollars, or in currencies whose exchange rates are linked to the US dollar. Major components of AstraZeneca's cost base are however located in Europe, where an aggregate of approximately 60% of the combined Group's employees are based. Movements in the exchange rates used to translate foreign currencies into US dollars may therefore have a significant impact on AstraZeneca's reported results of operations from year to year. Therefore, we cannot ensure that AstraZeneca's reported financial results will not fluctuate significantly from year to year as a result of changes in exchange rates.

Certain subsidiaries of AstraZeneca import and export goods and services in currencies other than their own functional currency, although AstraZeneca minimises this practice. The results of such subsidiaries could, therefore, be affected by currency fluctuations arising between the transaction dates and the settlement dates for those transactions. AstraZeneca hedges these exposures through financial instruments in the form of forward contracts and currency swaps. The notional principal amount of AstraZeneca's financial instruments used to hedge these exposures, principally forward foreign exchange contracts and purchased currency options, at 31 December 2000 was $2,427 million. The policies of AstraZeneca seek to mitigate the effect of exchange rate fluctuations on the value of foreign currency cash flows and in turn their effects on the results of the various subsidiaries, but do not seek to remove all such risks. In general, a unilateral strengthening of the US dollar adversely affects the results of AstraZeneca whereas a weakening of the US dollar is generally favourable. AstraZeneca cannot ensure that exchange rate fluctuations will not have a material adverse effect on its business, financial condition or results of operations in the future.

Risk that R&D will not yield new products that achieve commercial success

Like other pharmaceutical companies, AstraZeneca devotes substantial resources to R&D. In the pharmaceutical industry, R&D is expensive, prolonged and entails considerable uncertainty. The process of developing a new pharmaceutical product, from the start of development to the submission of an application for registration, typically takes between five and seven years, but this period varies considerably from case to case and country to country. Because of the complexities and uncertainties associated with pharmaceutical research, we cannot ensure that compounds currently under development by AstraZeneca will survive the development process and ultimately obtain the regulatory approvals needed to market such products successfully. For example, in 2000 AstraZeneca stopped the development of Zendra (clomethiazole) for the treatment of stroke after clinical trials showed no efficacy benefits for patients suffering acute cases of stroke. There can be no assurances regarding the development of and commercial success of any of the products in the current pipeline. The commercial success of products in the current pipeline will be particularly important to AstraZeneca because several current key products will lose patent protection in major markets in the 2001-2002 period.

Competition, price controls and price reductions

The principal markets for the pharmaceutical products of AstraZeneca are the US, the countries of the European Union and Japan. These markets are highly competitive and regulatory and pricing pressures have become increasingly demanding.

Currently there is no direct government control of prices for non-government sales in the US. In 1990, however, federal legislation was enacted which required drug manufacturers to agree to substantial rebates in order for the manufacturer's drugs to be reimbursed by state Medicaid programmes, and an additional rebate if manufacturer price increases after 1990 exceed the increase in inflation. In addition, certain states have taken action to require further manufacturer rebates on Medicaid drug utilisation and for other state pharmaceutical assistance programs. Congress also has enacted statutes that place a ceiling on the price manufacturers may charge US government agencies, thereby causing a substantial discount, as well as establishing a minimum discount (comparable to the Medicaid rebate) on manufacturers' sales to certain clinics and hospitals that serve the poor and other populations with special needs. These government initiatives together with competitive market pressures have contributed to restraints on realised prices.

Pending legislation in the US may also affect the pricing of and access to pharmaceutical products. If drug importation into the US market from other countries with lower prices becomes a reality, parallel import activity will affect realised prices. On the other hand, outpatient prescription drug coverage could improve access to pharmaceutical products for senior citizens, albeit at potentially lower realised prices.

In addition, realised prices are being depressed by pressure from managed care and institutional purchasers who use cost considerations to restrict the sale of preferred drugs that their physicians may prescribe as well as other competitive activity. Such limited lists or formularies may force manufacturers either to reduce prices or be excluded from the list, thereby losing all the sales revenue from patients covered by that formulary. The use of strict formularies by institutional customers is increasing rapidly in response to the current cost containment environment, resulting in lower margins on such sales.

Some governments in Europe, notably Italy and Spain, set price controls having regard to the medical, economic and social impact of the product. In other European countries, primarily Germany, the UK, the Netherlands and, more recently, France, governments are exerting a strong downward pressure on prices by incentives and sanctions to encourage doctors to prescribe cost-effectively. Efforts by the European Commission to harmonise the disparate national systems have met with little immediate success, leaving the industry exposed to ad hoc national cost containment measures on prices and the consequent parallel trading of products from markets with prices depressed by governments into those where higher prices prevail.

There is formal central government control of prices in Japan. New product prices are determined primarily by comparison with existing products for the same medical condition. All existing products are subject to a price review at least every two years, which has usually led to an overall price reduction of approximately 5% to 10%. New regulations introduced in 2000 include provisions allowing a drug's price to be set according to the average price of the product in four major countries (the US, the UK, Germany and France).

Difficulties of obtaining government regulatory approvals for new products

AstraZeneca is subject to strict controls on the manufacture, labelling, distribution and marketing of its pharmaceutical products. The requirement to obtain regulatory approval based on safety, efficacy and quality before such products may be marketed in a particular country and to maintain and to comply with licences and other regulations relating to their manufacture are particularly important. The submission of an application to a regulatory authority does not guarantee that approval to market the product will be granted. The countries that constitute material markets for the pharmaceutical products of AstraZeneca include the US, the countries of the European Union and Japan. Approval of such products is required by the relevant regulatory authority in each country, although in Europe, single marketing authorisation can govern the approval of products throughout the European Union through a centralised procedure. In addition, each jurisdiction has very high standards of regulatory approval and, consequently, in most cases, a lengthy approval process. Furthermore, each regulatory authority may impose its own requirements and may refuse to grant, or may require additional data before granting, an approval even though the relevant product has been approved in another country.

Regulatory authorities also have administrative powers that include product recalls, seizure of products and other sanctions for non-compliance with their requirements. Compliance can involve substantial costs and non-compliance could adversely impact the manufacturing and marketing of AstraZeneca's products.

Risk of substantial product liability claims

Given the widespread impact ethical drugs may have on the health of large patient populations, pharmaceutical and medical device companies have, historically, been subject to large product liability damages claims, settlements and awards for injuries allegedly caused by the use of their products. Substantial product liability claims that are not covered by insurance could have a material adverse effect on AstraZeneca's operating results or financial condition.

Risk factors and additional information

Historical US environmental liabilities

AstraZeneca has environmental liabilities at some currently or formerly owned, leased and third party sites in the US. In particular, AstraZeneca or its indemnitees have been named as potentially responsible parties in respect of 34 sites under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and similar statutes (although AstraZeneca expects to be indemnified against liability associated with eight of these sites by the seller of the businesses associated with such sites). There is no reason for AstraZeneca to believe that current and expected expenditures and risks occasioned by these circumstances are likely to impair materially its financial position although they could, to the extent that they exceed applicable provisions, have a material adverse effect on AstraZeneca's results of operations for the relevant period. In addition, a change in circumstances (including a change in applicable laws or regulations) may result in such a material adverse effect.

Risks associated with forward looking statements

This report contains certain forward looking statements about AstraZeneca. Although AstraZeneca believes its expectations are based on reasonable assumptions, any forward looking statements may be influenced by factors that could cause actual outcomes and results to be materially different from those predicted. We intend to identify the forward looking statements in this report, by using the words 'anticipates', 'believes', 'expects', 'intends' and similar expressions in such statements. These forward looking statements are subject to numerous risks and uncertainties. Important factors that could cause actual results to differ materially from those in forward looking statements, certain of which are beyond the control of AstraZeneca, include, among other things: exchange rate fluctuations, the risk that R&D will not yield new products that achieve commercial success, the impact of competition, price controls and price reductions, the risk of loss or expiration of patents or trademarks, difficulties of obtaining and maintaining governmental approvals for products, the risk of substantial product liability claims, exposure to environmental liability and the risks related to the difficulty of completing the integration of Astra's and Zeneca's large and complex businesses on a timely basis and realising synergies.

History and development of the Company

AstraZeneca PLC was incorporated in England and Wales on 17 June 1992 under the Companies Act 1985. It is a public limited company domiciled in the UK. The Company's registered number is 2723534 and its registered office is at 15 Stanhope Gate, London W1K 1LN (telephone + 44 (0)20 7304 5000). From February 1993 until April 1999, the Company was called Zeneca Group PLC. On 5 April 1999, the Company changed its name to AstraZeneca PLC.

The Company was formed when the pharmaceutical, agrochemical and specialty chemical businesses of Imperial Chemical Industries PLC were demerged in 1993. In 1999, the Company sold the specialty chemical business. Also in 1999, the Company merged with Astra AB of Sweden. In 2000, it demerged the agrochemical business and merged it with the similar agribusiness of Novartis AG to form a new company called Syngenta AG.

Memorandum and Articles of Association

Objects

As is typical of companies registered in England and Wales, the Company's objects, which are detailed in the Memorandum of Association, are broad and wide-ranging and include manufacturing, distributing and trading pharmaceutical products.

Directors

Subject to certain exceptions, Directors do not have power to vote at Board Meetings on matters in which they have a material interest.

The quorum for meetings of the Board of Directors is a majority of the full Board, of whom at least four must be Non-Executive Directors. In the absence of a quorum, the Directors do not have power to determine compensation arrangements for themselves or any member of the Board.

The Board of Directors may exercise all the powers of the Company to borrow money. Variation of these borrowing powers would require the passing of a special resolution of the Company's shareholders.

Directors are not required to retire at a particular age.

Directors are required to beneficially own Ordinary Shares in the Company of an aggregate nominal amount of $125. At present, this means they must own at least 500 shares.

Rights, preferences and restrictions attaching to shares

The share capital of the Company is divided into 2,400,000,000 Ordinary Shares with a nominal value of $0.25 each and 50,000 Redeemable Preference Shares with a nominal value of £1.00 each. The rights and restrictions attaching to the Redeemable Preference Shares differ from those attaching to Ordinary Shares as follows:

- the Redeemable Preference Shares carry no rights to receive dividends;
- the holders of Redeemable Preference Shares have no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances; they have one vote for every 50,000 Redeemable Preference Shares held;
- on a distribution of assets of the Company on a winding-up or other return of capital (subject to certain exceptions), the holders of Redeemable Preference Shares have priority over the holders of Ordinary Shares to receive the capital paid up on those shares; and
- subject to the provisions of the Companies Act 1985, the Company has the right to redeem the Redeemable Preference Shares at any time on giving not less than seven days' written notice.

Action necessary to change the rights of shareholders

In order to vary the rights attached to any class of shares, the consent in writing of the holders of three quarters in nominal value of the issued shares of that class or the sanction of an extraordinary resolution passed at a general meeting of such holders is required.

Annual General Meetings and Extraordinary General Meetings

Annual General Meetings and Extraordinary General Meetings where a special resolution is to be passed or a Director is to be appointed require 21 clear days' notice to shareholders. All other Extraordinary General Meetings require 14 clear days' notice.

For all general meetings, a quorum of two shareholders present in person or by proxy is required.

Shareholders and their duly appointed proxies and corporate representatives are entitled to be admitted to general meetings.

Limitations on the rights to own shares

There are no limitations on the rights to own shares.

Material contracts

Agreement between AstraZeneca PLC and Novartis AG entered into on 2 December 1999, as amended and restated on 7 September 2000 concerning the demerger of the Zeneca Agrochemicals business and its merger with the Novartis agribusiness to form Syngenta AG (the 'master agreement'):

The master agreement provides for:

- the separation of the Zeneca Agrochemicals business and the Novartis agribusiness from the remaining businesses of AstraZeneca and Novartis; and
- the combination of the Zeneca Agrochemicals business and the Novartis agribusiness under Syngenta (the 'transaction').

Pursuant to the master agreement, AstraZeneca agreed to demerge its agrochemicals business and Novartis to demerge its agribusiness, and the consolidation of both into Syngenta. AstraZeneca and Novartis made certain representations and warranties relating to the assets and liabilities of the Zeneca Agrochemicals business and the Novartis agribusiness and, respectively, the profits made by such businesses and the accuracy of the financial data and certain other publicly available information. In addition, each of AstraZeneca and Novartis gave certain covenants relating to the separation of the Zeneca Agrochemicals business and the Novartis agribusiness, respectively, from the other business of AstraZeneca and Novartis, the establishment of historical financial accounts and agreed to do or procure all such acts and things necessary or appropriate to complete the transaction as soon as reasonably practicable.

Risk factors and additional information

Further, each of AstraZeneca and Novartis agreed, following the completion of the transaction:

- to co-operate with Syngenta to negotiate and to act in accord with various agreements governing the separation of the Zeneca Agrochemicals business and the Novartis agribusiness and certain supplementary agreements and arrangements. Pursuant to these agreements and arrangements, AstraZeneca, Novartis and Syngenta have, as appropriate, provided and received indemnification from the other(s) in respect of relevant liabilities pertaining to the respective businesses (including in relation to certain environmental liabilities) as well as potential liabilities arising from the transaction;

- not to, and to procure that each member of the AstraZeneca group or the Novartis group will not, within a period of 18 months after the completion of the transaction, solicit for employment a defined category of Syngenta employees; and

- to ensure Syngenta was able to implement, as the Syngenta board judged appropriate, a share repurchase of up to 10% of the issued share capital of Syngenta. AstraZeneca and Novartis agreed to make a capital contribution to Syngenta in the ratio of 39:61 for the amount of any share repurchases made by Syngenta in the first ten days following completion of the transaction.

The obligations of the parties to complete the master agreement and the transaction contemplated by it were subject to the satisfaction of numerous conditions, including the absence of a material adverse change in either the Zeneca Agrochemicals business or the Novartis agribusiness and the registration in the commercial register of three capital increases of Syngenta.

The master agreement provided for certain compensation payments to be made in the event that the transaction had not completed or the master agreement had been terminated due to certain circumstances.

The master agreement is governed by, and will be construed in accordance with, the laws of Switzerland.

Agreement dated 12 May 1999, as amended by a supplemental agreement dated 29 June 1999, between Syngenta Limited (formerly called Zeneca Limited) and certain other companies which were then subsidiaries of AstraZeneca PLC (the 'Sellers'), AstraZeneca and Avecia Investments Limited (the 'Purchaser'):

The Purchaser agreed to acquire the companies, assets and liabilities together comprising the worldwide specialty chemicals operations of the Sellers for an aggregate consideration of £1,300 million, subject to certain adjustments, including in relation to debt and working capital.

The Sellers agreed to indemnify the Purchaser against a number of liabilities relating to the specialty chemicals operations, including certain pre-completion taxation liabilities and environmental liabilities, and gave a number of warranties to the Purchaser.

Pursuant to the sale and purchase agreement referred to above, Syngenta Limited and the Purchaser entered into certain agreements in relation to the sharing of sites and supply of services between each other in the UK and the sharing of certain intellectual property rights.

AstraZeneca agreed to guarantee the obligations of the Sellers under the sale and purchase agreement and the other related agreements.

Under the terms of an agreement entered into between AstraZeneca UK Limited and Syngenta Limited in relation to the separation of the pharmaceuticals business and the agrochemicals business in preparation for the demerger of the agrochemicals business to Syngenta AG, AstraZeneca UK Limited agreed to assume the liabilities of Syngenta Limited, and those of the Sellers which were transferred to Syngenta AG, relating to the sale and purchase agreement and the other related agreements.

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.

Contact information

Registered office
and corporate headquarters address:
AstraZeneca PLC
15 Stanhope Gate
London W1K 1LN
UK
Tel: +44 (0)20 7304 5000
Fax: +44 (0)20 7304 5183

R&D headquarters address:
AstraZeneca R&D Södertälje
S-151 85 Södertälje
Sweden
Tel: +46 (0)8 553 260 00
Fax: +46 (0)8 553 290 00

Investor relations contacts:
UK and Sweden: As above or e-mail:
investor-relations@astrazeneca.com
US:
Investor Relations
AstraZeneca LP
1800 Concord Pike
PO Box 15438
Wilmington
DE 19850-5438
US
Tel: +1 (302) 886 3000
Fax: +1 (302) 886 2972

Registrar and transfer office:
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA
UK
Tel: +44 (0)870 600 3956

Swedish securities registration centre:
VPC AB
PO Box 7822
S-103 97 Stockholm
Sweden
Tel: +46 (0)8 402 9000

US depositary:
Morgan Guaranty Trust Company of New York
ADR Service Center
PO Box 842006
Boston MA 02284-2006
US
Tel: (toll free in the US) 888 697 8018
Tel: +1 (781) 575 4328

www.astrazeneca.com

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