

# AstraZeneca PLC Chairman's Letter, Notice of Annual General Meeting 2004 and Shareholders' Circular



## Letter from the Chairman

This document is important. If you are in any doubt about its contents you should consult your independent financial adviser. If you have sold or transferred all of your AstraZeneca Ordinary Shares you should send this complete document with the Proxy Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

15 March 2004

15 Stanhope Gate  
London  
W1K 1LN

Dear Shareholder

On behalf of the Board of AstraZeneca PLC, I enclose various documents concerning your shareholding in the Company. These are:

- 1 A Shareholders' Circular incorporating the formal Notice of the Annual General Meeting of the Company to be held on Thursday, 29 April 2004;
- 2 A Proxy Form and Attendance Card for the AGM. This also includes an Option Card for use if you wish to receive the full Annual Report and Form 20-F Information next year.

As in previous years, the principal meeting place for the AGM will be in London. There will be one satellite meeting place, in Stockholm. An audio-visual link will enable shareholders and their proxies attending the AGM at each venue to see and hear the business being conducted, ask questions and vote. English/Swedish translation facilities will be available at each venue.

The business to be conducted at the AGM is summarised below.

**Item 5: Directors** Following the appointment by the Board in July 2003 of Michele Hooper and Joe Jimenez as Non-Executive Directors, it is proposed that they should be elected to the Board by shareholders for the first time at the AGM.

After five years as Chairman, I have informed the Board that I wish to step down. Louis Schweitzer, presently Chairman and Chief Executive Officer of Renault SA, has just been appointed as a Non-Executive Director of the Company. Our plan is that he will become Chairman later in the year. I will then step down from the Board. This will give Mr Schweitzer time to get to know AstraZeneca before he takes over as Chairman. It is proposed that he should also be elected to the Board by shareholders for the first time at the AGM. The Board believes that Mr Schweitzer is independent.

Karl von der Heyden wishes to retire at the AGM after more than five years as Non-Executive Director and Chairman of the Audit

Committee. On behalf of the Board, I would like to express our gratitude to Karl for his contribution as a Director and the important role he has played in the development of the work of the Audit Committee. The Board has asked John Buchanan to become Chairman of the Audit Committee.

Finally, on Board matters, the contract of the Chief Executive, Sir Tom McKillop is due to expire in March 2005 when he is 62. The Board has unanimously asked Sir Tom to extend his contract beyond that and I am pleased to report that he has indicated his willingness to do so.

Biographical details of the Directors presenting themselves for election or re-election are given in the Shareholders' Circular. Towards the end of 2003, the Board reviewed the performance of each individual Director. The Board concluded that each Director and the Board as a whole are performing effectively. During 2003, the Board also considered the independence of the Non-Executive Directors under the revised Combined Code on Corporate Governance published in the UK last year. With the exception of myself as Chairman, Håkan Mogren and Marcus Wallenberg for the reasons explained in the Directors' Report for 2003, the Board concluded that all are independent. The Directors' Report can be found in the Company's Annual Report and Form 20-F Information which is available on our website, [astrazeneca.com](http://astrazeneca.com), or by request from the Company if you have not already received a copy.

In addition to the ordinary business of the meeting under Items 1 to 6, shareholders will be asked for their approval of the following matters:

**Item 7: Adoption of New Articles of Association (the "Articles")** This special resolution seeks approval to adopt a new set of Articles. The main changes introduced by the new Articles are summarised in Appendix 2 to the Shareholders' Circular. The proposed changes are about how the Company deals with shares that it has bought back from shareholders. Legislation is now in force in the UK which enables a company to hold treasury shares in itself. The new Articles would, if adopted, enable the Company to take advantage of the new legislation by holding on to shares that it bought back from shareholders, giving the Company greater flexibility to manage its share capital. It would be possible for the Company to distribute

treasury shares to employees under employee share schemes, if approval were to be given for such purpose by shareholders. We do not currently plan to use treasury shares for this purpose, but may wish to do so in the future. In that case, the Board would seek the necessary approval from shareholders at the time.

**Item 8: Political Donations** As in previous years, this ordinary resolution seeks authority from shareholders to enable the Company or its subsidiaries to make donations or incur expenditure in the European Union ("EU"), up to an aggregate limit of \$150,000, which it would otherwise be prohibited from making or incurring because of the Political Parties, Elections and Referendums Act 2000 in the UK ("the Act").

The Company has no intention of changing its current practice of not making donations to political parties in the EU and it will not do so without the specific endorsement of its shareholders. However, the Act defines 'political organisation' widely to include, amongst other things, an organisation which carries on activities which are capable of being reasonably regarded as intended to influence public support for a political party in any EU member state or to influence voters in relation to any referendum in any EU member state.

As a result, it is possible that EU political organisations may include, for example, interest groups or lobbying organisations concerned with the review of government policy or law reform. It may, depending upon the issue, be in the Company's interest to support or participate in such groups or organisations and the purpose of this resolution is to enable the Company or its subsidiaries to do so without inadvertently breaching the Act.

**Item 9: Allotment of New Shares** This ordinary resolution, if approved by shareholders, would enable the Directors to continue to exercise their existing power under the Company's Articles to allot new shares in the capital of the Company. As specified in the resolution, the Directors' authority would expire no later than 30 June 2005. It would be limited to the allotment of a maximum of 561,826,000 Ordinary Shares representing 33.33% of the total Ordinary Share capital of the Company in issue at 27 February 2004 (known as the Section 80 amount). The limit of 33.33% is derived from guidelines issued by the Association of British

Insurers ("ABI") which, for public companies listed in the UK, effectively limit the maximum amount of share capital which can be authorised for allotment to one third of a company's issued Ordinary Share capital.

As at 27 February 2004, no shares in the Company were held as treasury shares.

Other than the allotment of Ordinary Shares for the purposes of fulfilling the Company's obligations under its various share plans, the Directors have no present intention of allotting any of the authorised share capital of the Company which has not yet been allotted.

For information, during 2003, the Directors used equivalent authorities, given to them by shareholders at previous AGMs, for the purposes of fulfilling the Company's obligations under its various share plans. In total, 1,240,117 new Ordinary Shares were allotted in 2003 which represented 0.0733% of the total Ordinary Share capital of the Company at 31 December 2003. The number of new Ordinary Shares allotted during 2003, the percentage of the Company's share capital they represented at 31 December 2003 and the share plans in respect of which they were allotted were as follows:

Zeneca 1993 Senior Staff Share Option Scheme*	4,200	0.0002%
Zeneca 1994 Executive Share Option Scheme*	358,533	0.0212%
AstraZeneca Share Option Plan	52,127	0.0031%
AstraZeneca Savings-Related Share Option Scheme*	–	–
AstraZeneca All-Employee Share Plan†	825,257	0.0488%
AstraZeneca Savings-Related Share Option Plan	–	–
<b>Total allotted in 2003</b>	<b>1,240,117</b>	<b>0.0733%</b>

\* No further options are being granted under these schemes.

† UK Share Incentive Plan approved by the Inland Revenue, offering free shares and partnership shares.

No other new shares were allotted during 2003.

**Item 10: Pre-Emption Rights** This special resolution authorises the Directors to allot shares of the Company and to sell treasury

shares for cash as if the pre-emption provisions of Section 89 of the Companies Act 1985 do not apply. Under Section 89, when new shares are allotted or treasury shares are sold for cash, they must first be offered to existing shareholders pro-rata to their holdings. This provision was designed to prevent the holdings of existing shareholders being diluted against their wishes by the allotment of new shares. Shareholders may waive this right of pre-emption. The authority contained in this resolution would be limited to the allotment of shares or the sale of treasury shares for cash having an aggregate nominal value of \$21,068,475, which represents 5.00% of the total Ordinary Share capital of the Company in issue at 27 February 2004 (known as the Section 89 amount). The limit of 5.00% is also derived from the ABI guidelines mentioned above. This authority will expire at the conclusion of the AGM in 2005, or 30 June 2005 whichever is earlier.

**Item 11: Purchase of Own Shares by the Company** This special resolution renews the authority of the Directors to purchase, in the market, the Company's own shares, for the purposes of Section 166 of the Companies Act 1985. The authority limits the total number of shares that could be purchased and sets minimum and maximum prices.

In accordance with the announcement it made in August 1999, the Company embarked at the end of 1999 on a share re-purchase programme as part of a balanced distribution policy to give the Company more flexibility in managing its capital structure over time. This programme continued in 2003. The original programme envisaged re-purchases totalling \$2 billion over three years. In January 2002, the programme was extended by an additional \$2 billion, which was completed on schedule by the end of 2003.

In January 2004, the Board approved a new share re-purchase programme of \$4 billion to be completed by the end of 2005.

As at 27 February 2004, the Company has purchased in total 100,446,504 of its own Ordinary Shares with a nominal value of \$0.25 each for an aggregate cost of \$4,331 million. This number of shares represents 5.96% of the Company's total issued share capital at 27 February 2004. Following the purchase of these shares, they were all cancelled and not used for any other purpose, as was then required by applicable English law.

The authority being sought under this resolution would permit any shares so purchased to either be cancelled or, following the changes to the Articles described earlier, held as treasury shares. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

As at 27 February 2004, the total number of options over shares that were outstanding under all of the Company's share option plans was 47,359,936, representing 2.81% of the Company's issued share capital at that date. This number of outstanding options could potentially represent 3.40% of the issued capital of the Company, if the Company were to purchase its own shares to the fullest possible extent of its authority from shareholders (existing and being sought).

This authority will only be valid until the conclusion of the AGM in 2005 or 30 June 2005, whichever is earlier.

**Item 12: Increase of the Cap on Non-Executive Remuneration** This special resolution proposes an increase in the maximum aggregate annual sum which may be paid as fees to Non-Executive Directors under the Company's Articles to £1,100,000. This is a maximum upper limit and not the actual sum that will be paid to Non-Executive Directors.

The proposed increase reflects the impact on Non-Executive Directors' fees of the substantial increase in their corporate governance and other responsibilities in recent years. In common with most other public companies, the Company demands an increasing workload and time commitment of its existing Non-Executive Directors both at the Board and in the operation of its committees and has also recently appointed two additional Non-Executive Directors and a senior Non-Executive Director. In view of this, the Company requires this increase in the cap on fees to have the flexibility to recruit and retain the high calibre candidates that the Board wishes to attract. The increase also provides some limited headroom for any further appointments or increases which may be required, in response to emerging corporate governance best practice and regulatory requirements.

Details of the Company's current policy and practice on remuneration are given in the Directors' Remuneration Report for 2003 set out in Appendix 1 to the Shareholders' Circular.

**In accordance with the Company's Articles, a poll vote will be held for the special resolutions. This year, all other resolutions will also be put to a poll vote. This means that the votes of all shareholders, including the majority of our shareholders who cannot attend the meeting but who submit a Proxy Form, are counted. A poll vote allows the entire shareholder base to express its views.**

**The Directors unanimously recommend that you vote in favour of all the resolutions and ask you to complete the Proxy Form and return it as soon as possible. This will not prevent you from also attending the AGM and voting in person. All shareholders or proxies attending the AGM are asked to bring the Attendance Card with them.**

Please note that if you wish to receive the full Annual Report and Form 20-F Information next year, you must return the Option Card by 31 October 2004. If you do not, you will receive the shorter Annual Review only.

Yours sincerely



**Percy Barnevik**  
Chairman

**Note:**

In order to update you since the publication of the Company's Annual Report and Form 20-F Information for 2003, please note:

- > We announced on 11 February 2004 that Investor AB had reduced its holding in the Company from the previously notified level to 63,465,810 Ordinary Shares, being 3.75% of the total Ordinary Share capital of the Company in issue on that date.
- > On 27 February 2004, the proportion of Ordinary Shares represented by American Depositary Shares was 7.60% of the Ordinary Share capital of the Company in issue on that date.
- > The number of registered holders of Ordinary Shares on 27 February 2004 was 168,874 (of which 845 were in US) and the number of record holders of American Depositary Receipts on the same date was 3,055 (of which 3,025 were in US).
- > On 27 February 2004, there were options outstanding to subscribe over 47,359,936 Ordinary Shares of the Company, with subscription prices in the range of 748 – 3487 pence (weighted average subscription price 2763 pence) and normal expiry dates from 2004 – 2013.
- > During the period 1 January 2004 to 27 February 2004, no Director exercised any options.

# Notice of Annual General Meeting of AstraZeneca PLC and Shareholders' Circular

This document is important. If you are in any doubt about its contents you should consult your independent financial adviser. If you have sold or transferred all of your AstraZeneca Ordinary Shares you should send this complete document with the Proxy Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of AstraZeneca PLC will be held on Thursday, 29 April 2004 in the Ballroom at the Hotel Ibis London Earls Court (formerly called the Paragon Hotel), 47 Lillie Road, London SW6 1UD at 11.00 am (BST), with an audio-visual link to a satellite meeting place at The Globe Arena, Stockholm at 12.00 noon (local time) for the following purposes:

- 1 To receive the Company's Accounts and the Reports of the Directors and Auditor for the year ended 31 December 2003.
- 2 To confirm the first interim dividend of \$0.255 (15.9 pence, SEK2.07) per Ordinary Share and to confirm as the final dividend for 2003 the second interim dividend of \$0.540 (29.4 pence, SEK3.91) per Ordinary Share.
- 3 To re-appoint KPMG Audit Plc, London as Auditor.
- 4 To authorise the Directors to agree the remuneration of the Auditor.
- 5 To elect or re-elect the following Directors:

A separate vote will be taken in respect of the election or re-election of each Director. In accordance with Article 65 of the Company's Articles of Association, all of the Directors will retire at the Annual General Meeting in 2005 and may present themselves for re-election.

**Percy Barnevik (63) – Non-Executive Chairman. Chairman of the Nomination Committee.**

Appointed as a Director 6 April 1999. Honorary Chairman of Sandvik AB. Non-Executive Director of General Motors Corporation. Member of the Academies of Engineering Sciences in Sweden and Finland and Honorary Member of the Royal Academy of Engineering, UK. Member of Advisory Councils in Korea, India and the Investment Council advising the South African Government. Member of the Business Council of American CEOs. Member of the Advisory Board of the Centre for European Reform, UK.

**Håkan Mogren (59) – Non-Executive Deputy Chairman. Member of the Nomination Committee.**

Appointed as a Director 6 April 1999. Formerly CEO and a Director of Astra AB (appointed 18 May 1988). Chairman of Affibody AB and the Sweden-America Foundation. Vice-Chairman of Gambro AB. Member of the Board of Directors of Investor AB, Rémy Cointreau S.A., Groupe Danone and Norsk Hydro ASA. Director of the Marianne and Marcus Wallenberg Foundation.

**Sir Tom McKillop (60) – Executive Director and Chief Executive.**

Appointed as a Director 1 January 1996. Non-Executive Director of Lloyds TSB Group plc. President of the European Federation of Pharmaceutical Industries and Associations. Pro-Chancellor of the University of Leicester. Chairman of the British Pharma Group and the North West Science Council.

**Jonathan Symonds (45) – Executive Director and Chief Financial Officer.**

Appointed as a Director 1 October 1997. Also has overall responsibility for Information Services. Non-Executive Director of QinetiQ Group plc. Non-Executive Director of Diageo plc (effective 1 May 2004). Member of the UK Accounting Standards Board. Chairman of The Hundred Group of Finance Directors in the UK.

**Sir Peter Bonfield CBE, FEng (59) – Senior Non-Executive Director. Chairman of the Remuneration Committee and Member of the Nomination Committee.**

Appointed as a Director 1 January 1995. Fellow of the Royal Academy of Engineering. Non-Executive Director of Telefonaktiebolaget LM Ericsson, Mentor Graphics Corporation and Taiwan Semiconductor Manufacturing Company Ltd. Vice-President of The British Quality Foundation. Member of Citigroup International Advisory Board.

**John Buchanan (60) – Non-Executive Director. Member of the Audit Committee and the Remuneration Committee.**

**Chairman of the Audit Committee (effective 29 April 2004).**  
Appointed as a Director 25 April 2002. Executive Director and Group Chief Financial Officer of BP p.l.c. 1996 – 2002. Member of the UK Accounting Standards Board 1997-2001. Senior Independent Non-Executive Director of BHP Billiton Plc and Non-Executive Director of Vodafone Group Plc.

**Jane Henney (56) – Non-Executive Director. Member of the Audit Committee, the Nomination Committee and the Science Committee.**

Appointed as a Director 24 September 2001. Senior Vice-President & Provost for Health Affairs, University of Cincinnati Medical Center. Commissioner of Food and Drugs 1998 – 2001 and Deputy Commissioner for Operations 1992 – 1994, US Food and Drug Administration. Deputy Director, US National Cancer Institute 1980 – 1995. Non-Executive Director of AmerisourceBergen Corporation. Member of the Board of Trustees of the Commonwealth Fund and the Scripps Research Institute. Member of the Medical & Scientific Advisory Board of MPM Capital.

**Michele Hooper (52) – Non-Executive Director. Member of the Audit Committee (effective 29 April 2004).**

Appointed as a Director 1 July 2003. President and Chief Executive Officer of Stadtlander Drug Company 1998 – 1999. Corporate Vice-President and President, International Businesses of Caremark International Inc. 1992 – 1998. Non-Executive Director of PPG Industries, Inc., Target Corporation and Davita Inc.

**Joe Jimenez (44) – Non-Executive Director. Member of the Nomination Committee. Member of the Remuneration Committee (effective 29 April 2004).**

Appointed as a Director 1 July 2003. Executive Vice-President of H J Heinz Company and President and Chief Executive Officer of Heinz Europe since 2002. Corporate Vice-President then Senior Vice-President and President of Heinz North America 1998 – 2002. Non-Executive Director of Hain Celestial Group, Inc.

**Erna Möller (64) – Non-Executive Director. Member of the Remuneration Committee and the Science Committee.**

Appointed as a Director 6 April 1999. Formerly a Director of Astra AB (appointed 15 May 1995). Executive Director of the Knut and Alice Wallenberg Foundation. Professor of Clinical Immunology and Member of the Nobel Assembly and of the Nobel Committee, Karolinska Institutet. Member of the Royal Swedish Academy of Engineering Sciences and the Royal Swedish Academy of Science.

**Dame Bridget Ogilvie (65) – Non-Executive Director. Member of the Audit Committee and the Science Committee.**

Appointed as a Director 1 January 1997. Also has responsibility for overseeing corporate responsibility. Non-Executive Director of the Manchester Technology Fund Limited. Chairman of the Medicines for Malaria Venture and the Association of Medical Research Charities. Trustee of Cancer Research UK. Chairman of the Trustees of the AstraZeneca Science Teaching Trust.

**Louis Schweitzer (61) – Non-Executive Director.**

Appointed as a Director 11 March 2004. Chairman and Chief Executive Officer of Renault SA since 1992. Chairman of the Management Board of Renault-Nissan BV since 2002. Chief Financial Officer and Executive Vice-President 1988-1992 and President and Chief Operating Officer 1990-1992, Renault SA. Member of the Boards of BNP Paribas, Électricité de France, Philips Electronics NV, Veolia Environnement and Volvo AB.

**Marcus Wallenberg (47) – Non-Executive Director. Member of the Audit Committee**

Appointed as a Director 6 April 1999. Formerly a Director of Astra AB (appointed 18 May 1989). President and Chief Executive Officer of Investor AB. Non-Executive Vice-Chairman of Saab AB, Skandinaviska Enskilda Banken AB and Telefonaktiebolaget LM Ericsson. Non-Executive Director of Scania AB, Stora Enso Oyj and the Knut and Alice Wallenberg Foundation.

**6** To approve the Directors' Remuneration Report for the year ended 31 December 2003 set out in Appendix 1.

**7** To consider and, if thought fit, pass the following as a special resolution:

"That the regulations contained in the document produced to the Annual General Meeting and signed by the Chairman for the purposes of identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for the existing Articles of Association."

**8** To consider and, if thought fit, pass the following as an ordinary resolution:

"That the Company and any company which is or becomes a subsidiary of the Company during the period to which this resolution relates be and is hereby authorised for the purposes of Part XA of the Companies Act 1985 to make Donations to EU Political Organisations or incur EU Political Expenditure during the period ending on the date of the Company's Annual General Meeting in 2005 provided that any such donations and expenditure made by the Company together with those made by any subsidiary company while it is a subsidiary of the Company shall not exceed in aggregate \$150,000 during that period. For the purposes of this resolution, the expressions 'Donations', 'EU Political Organisations' and 'EU Political Expenditure' have the meanings set out in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000)."

**9** To consider and, if thought fit, pass the following as an ordinary resolution:

"That the authority and power to allot new shares conferred on the Directors by Article 7.1 of the Company's Articles of Association be renewed for the period commencing on the date of this Annual General Meeting and ending on the date of the Annual General Meeting of the Company in 2005 or, if earlier, on 30 June 2005, and for such period the Section 80 amount shall be US dollars 140,456,500."

**10** To consider and, if thought fit, pass the following as a special resolution:

"That the power conferred on the Directors by Article 7.2 of the Company's Articles of Association be renewed for the period commencing on the date of this Annual General Meeting and ending on the date of the Annual General Meeting of the Company in 2005 or, if earlier, on 30 June 2005, and for such period the Section 89 amount shall be US dollars 21,068,475."

**11** To consider and, if thought fit, pass the following as a special resolution:

"That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 of that Act) of Ordinary Shares of \$0.25 each in the capital of the Company provided that:

- (a) the maximum number of shares which may be purchased is 10% of the Company's share capital then in issue;
- (b) the minimum price which may be paid for each share is \$0.25;
- (c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market values of the Company's Ordinary Shares as derived from The London Stock Exchange Limited Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and
- (d) this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2005 or, if earlier, on 30 June 2005 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry)."

**12** To consider and, if thought fit, pass the following as a special resolution:

"That the maximum aggregate annual sum available for the ordinary remuneration of non-executive directors, pursuant to Article 81 of the Company's Articles of Association, be and is hereby increased from £750,000 to £1,100,000."

**By order of the Board:**  
**G H R Musker**  
**Group Secretary and Solicitor**  
**AstraZeneca PLC**

**Registered in England No. 2723534**  
**Registered Office: 15 Stanhope Gate,**  
**London W1K 1LN**

**15 March 2004**

**Note: An explanation of Items 7 to 12 is given in the letter from the Chairman accompanying this Notice of Annual General Meeting.**

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only holders of Ordinary Shares entered in the register of members of the Company at 10.00 pm on Tuesday, 27 April 2004 (or their duly appointed proxies) are entitled to attend or vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to the entries in the register of members after 10.00 pm on Tuesday 27 April 2004 shall be disregarded in determining the rights of any person to attend or vote at the AGM. A shareholder may appoint one or more proxies (whether shareholders or not) to attend and vote in his or her place. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the office of the AstraZeneca Registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA not less than 48 hours before the time for holding the AGM.

The following information may be inspected during business hours at the Company's registered office and at the R&D headquarters of the Company, S-151 85 Södertälje, Sweden and will on the day of the AGM be available for inspection at the Hotel Ibis London Earls Court (formerly called the Paragon Hotel), 47 Lillie Road, London from 10.45 am (BST) and at The Globe Arena, Stockholm from 11.45 am (local time) until the conclusion of the AGM: (1) a statement of the interests and transactions of Directors and their families in the share capital of the Company and any of its subsidiaries; and (2) copies of all contracts of service and letters of appointment under which Directors of the Company are employed by the Company or any of its subsidiaries; and (3) a copy of the proposed new Articles of Association.

## Appendix 1: Directors' Remuneration Report for the Year Ended 31 December 2003

At the Annual General Meeting on 29 April 2004, a resolution will be proposed to approve the Directors' Remuneration Report.

### Remuneration Committee

The members of the Remuneration Committee are Sir Peter Bonfield (Chairman of the Committee), John Buchanan and Erna Möller. They are all Non-Executive Directors. The Board considers them all to be independent.

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

The Remuneration Committee met four times during 2003. Each meeting was attended by all three of its members. At the invitation of the Remuneration Committee, the Chairman of the Board, a Non-Executive Director, attended all of its meetings in 2003. At the request of the Remuneration Committee, Sir Tom McKillop, Chief Executive and Peter Brown, Vice-President, Global Compensation and Benefits, as well as the Secretary of the Remuneration Committee, Graeme Musker, attended all of its meetings and provided advice and services which materially assisted the Remuneration Committee during 2003. In doing so, Mr Brown drew on various sources of data concerning directors' and executives' salaries, bonus levels and other incentives including general pharmaceutical industry reports and surveys, as well as surveys specifically carried out for the Company. These included certain surveys prepared for the Company by Towers Perrin. During 2003, Towers Perrin also provided global share plan administration services to the Company and consultancy services to the Company's US business.

### Overall remuneration policy and purpose

The Company is committed to maintaining a dynamic performance culture in which every employee champions the growth of

shareholder value, is clear about the Company's objectives, knows how their work impacts on those objectives and that they will benefit from achieving high levels of performance.

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

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

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

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

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

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

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

- > annual salary – based on conditions in the relevant geographic market, with the provision to recognise, in addition, the

value of individuals' sustained personal performance, resulting from their ability and experience;

- > annual bonus – a lump sum payment related to the targeted achievement of corporate, functional and individual goals, measured over a year within a specific plan; the corporate goals are derived from the annual budget set by the Board and take into account external expectations of performance; the functional goals are agreed by the Remuneration Committee at the start of, and are monitored throughout, the year;
- > longer term incentive – for selected groups, a longer term incentive targeted at the achievement of strategic objectives with close alignment to the interests of shareholders;
- > pension arrangements which are appropriate to the relevant market;
- > other benefits such as holidays and sickness benefit which are cost-effective and compatible with the relevant national welfare arrangements; and
- > share participation – various plans provide the opportunity for employees to take a personal stake in the Company's wealth as shareholders.

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

For each Executive Director, the individual components are:

- > annual salary – the actual salary for each of the Executive Directors is determined by the Remuneration Committee on behalf of the Board; these salaries reflect the experience and sustained performance of the individuals to whom they apply, as judged annually by the Remuneration Committee, taking account also of market competitiveness;
- > short term bonus:
  - > the Chief Executive is eligible for an annual bonus related solely to the achievement of the targeted performance of earnings per share; the bonus payable is on a scale of 0-100% of salary and 50% of salary is payable for the achievement of target performance; as referred to

above, this is derived from the budget set by the Board and takes into account external expectations of performance;

- > the Deputy Chairman was also eligible for this annual bonus related solely to earnings per share for that part of 2003 during which he served as an Executive Director (1 January 2003 until 31 August 2003);
- > the Chief Financial Officer is eligible for an annual bonus related to the achievement of both the targeted performance of earnings per share and the achievement of performance measures relevant to his particular area of responsibility; the bonus payable is on a scale of 0-100% of salary and 50% of salary is payable for the achievement of target business performance; 80% of the bonus relates to the achievement of the earnings per share target and 20% to the other performance measures;
- > longer term incentive – Executive Directors are also rewarded for improvement in the share price performance of the Company over a period of years by the grant of share options; the grant of options under the AstraZeneca Share Option Plan is determined by the Remuneration Committee, as are the performance targets that will apply and whether they will apply to the grant and/or exercise of options – this is described in more detail below; and
- > pension arrangements – the table on page 12 gives details of the changes in the value of the Executive Directors' accrued pensions during 2003:
- > UK Executive Directors' pension arrangements – the Chief Executive is a member of the Company's main UK defined benefit pension plan; the normal pension age under this plan is 62; however, a member's accrued pension is available from age 60 without any actuarial reduction; in addition the accrued pension is available, unreduced, from age 57 if the Company consents to a request for early retirement and from age 50 if the retirement is at the Company's request;

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

In respect of UK Executive Directors whose pensionable earnings are capped by the earnings limit imposed by the Finance Act 1989, unapproved defined contribution schemes are made available; currently, only the Chief Financial Officer is affected by this limit; the Company has agreed to pay annually 50% of base salary in excess of the statutory earnings cap for the pension and associated tax liability, with the intention of providing equivalence of benefits with non-capped UK Executive Directors; if this does not provide equivalence, the Company has agreed to make up the difference; the benefits derived from equivalence are shown in the table on page 12 as if the scheme was a defined benefit arrangement; the Company contribution in 2003 in respect of the pension element was \$193,000;

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

Other customary benefits (such as a car and health benefits) are also made available. This happens by way of the Executive Directors' participation in the Company's flexible benefits arrangements, which apply to the vast majority of the Company's UK and Swedish employees.

#### Measurement of performance

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

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

#### **AstraZeneca Share Option Plan**

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

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

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

The dilutive effect of the proposed grants of options on the Company's issued share capital was also considered by the Remuneration Committee, particularly in the light of the letter sent to shareholders in 2000 by the then Chairman of the Remuneration Committee ahead of the approval of the plan at the AGM in which it was stated that the percentage of the issued share capital which could be allocated under all of the Company's employee share plans over a period of ten years should be under 10%; this commitment is applied by the Remuneration Committee in practice as a limit, on average, of under 1% per annum.

The Remuneration Committee concluded that a grant of options to those plan participants and individual Executive Directors proposed for a grant was appropriate given the level of performance achieved.

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

A graph is set out on page 13 illustrating the Company's total shareholder return (TSR) over the last five years against the FTSE 100 Index. Although the Company does not use TSR as a formal measure of performance for its share plans, it is an important measure used in the Company's overall business performance assessment process.

#### **Executive Directors' service contracts**

The service contracts of the current Executive Directors provide for a notice period of one year. For new Executive Directors, the Board would aim to negotiate a one year notice period. In exceptional circumstances, the initial notice period may be for longer than one year. In those circumstances, the Board would explain to shareholders the reasons why it believed a longer notice period was necessary and it would be the Board's intention that it should be reduced to one year subsequently. At the time of the AGM on 29 April 2004, the unexpired term of Executive Directors' service contracts will be a maximum of one year. The details of the Executive Directors' individual service contracts are set out in the table on page 15.

In the event of the termination of an Executive Director's service contract, depending upon the circumstances the Company may be liable to provide compensation to the Executive Director equivalent to the benefits which he or she would have received during the contractual notice period. For current Executive Directors, it is the Company's expectation that any such liability would be calculated on the basis of one year's base salary, target bonus and other benefits. The Company's policy in the event of the termination of an Executive Director's service contract is to avoid any liability to the Executive Director in excess of his or her contractual entitlement and aim to ensure that any liability is mitigated to the fullest extent possible.

#### **Leaving arrangements for Åke Stavling**

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

- > As disclosed in the Directors' Remuneration Report for 2002, Mr Stavling is receiving compensation from the Company which is being paid on a monthly basis from his leaving date until the end of January 2005; the amount of this compensation is equivalent to two years' base annual salary; Mr Stavling was entitled to a notice period of two years under his service contract at the time he left the Company.

- > All other allowances, bonuses and benefits ceased on Mr Stavling leaving the Company at the end of January 2003.
- > On leaving the Company, options held by Mr Stavling over 80,516 Ordinary Shares in the Company vested and became exercisable; these options had been granted to him since April 1999 at various prices in the normal course of operation of the Zeneca 1994 Executive Share Option Scheme and the AstraZeneca Share Option Plan; if not exercised, they will lapse on 31 January 2005.
- > In May 2003, there were released to Mr Stavling from retention 7,624 Ordinary Shares in the Company which he was awarded in 2000 under the Zeneca Executive Performance Bonus Scheme in respect of his bonus for 1999.
- > In November 2003, there were released to Mr Stavling 533 Ordinary Shares in the Company which were allocated to him in November 2000 on the demerger of Zeneca Agrochemicals in respect of executive share options he held on 10 November 2000.
- > Share options held by Mr Stavling under the Astra Shareholder Value Incentive Plan were not affected by his leaving the Company and details are disclosed on page 15 in the normal way.
- > From age 60, the pension arrangements previously disclosed by the Company in respect of Mr Stavling will apply.

#### **Arrangements for Håkan Mogren ceasing to be an Executive Director**

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

- > From 1 January 2003 until 31 August 2003, Dr Mogren received the emoluments to which he was entitled as Executive Deputy Chairman, the details of which are disclosed on pages 11 and 12 in the normal way; these included an

annual bonus which was calculated pro rata for the period of his employment by the Company in 2003.

- > Following his change in status to Non-Executive Deputy Chairman at the end of August 2003, Dr Mogren is receiving compensation from the Company which is being paid on a monthly basis from 1 September 2003 until the end of August 2004; the amount of this compensation is equivalent to one year's base annual salary which is derived from his service contract.
- > All allowances, bonuses and benefits ended on Dr Mogren ceasing to be an Executive Director and employee of the Company at the end of August 2003 with the exception of his existing health insurance cover and life insurance arrangements which will continue until age 60.
- > Although Dr Mogren ceased to be an employee of the Company on 31 August 2003, he has continued as a Director of the Company and consequently, under the relevant plan rules, options over Ordinary Shares previously granted to him at various prices in the normal course of operation of the Astra Shareholder Value Incentive Plan, the Zeneca 1994 Executive Share Option Scheme and the AstraZeneca Share Option Plan were not affected by his change of status to Non-Executive Deputy Chairman.
- > The same applies to both the Ordinary Shares in the Company which he was awarded in 2000 under the Zeneca Executive Performance Bonus Scheme in respect of his bonus for 1999 and the Ordinary Shares in the Company which were allocated to him in November 2000 on the demerger of Zeneca Agrochemicals in respect of executive share options he held on 10 November 2000. These Ordinary Shares were released to him in May and November 2003 respectively. More details about share options and the releases of shares are disclosed on pages 13 to 15.

As a Non-Executive Director, Dr Mogren will not be entitled to any future performance related bonuses, grants of share options or pension contributions. From age 60, subject to his re-election as a Director at AGMs, Dr Mogren's fee as Non-Executive

Deputy Chairman will be £100,000 per annum. From age 60, the pension arrangements previously disclosed by the Company in respect of Dr Mogren will apply.

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

#### **Position of the Non-Executive Directors**

None of the Non-Executive Directors has a service contract. They are not eligible for performance-related bonuses or the grant of share options. No pension contributions are made on their behalf.

#### **External appointments and retention of fees**

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

Sir Tom McKillop, Chief Executive, served as a Non-Executive Director of Lloyds TSB Group plc throughout 2003 and retained the fees paid to him for this service. In 2003, the total amount of such fees paid to him was £49,000.

Jonathan Symonds, Chief Financial Officer, served as a Non-Executive Director of QinetiQ Group plc throughout 2003 and retained the fees paid to him for this service. In 2003, the total amount of such fees paid to him was £33,000. With effect from 1 September 2003, Mr Symonds also receives and retains fees of £15,000 per annum for his position as a member of the UK Accounting Standards Board.

#### **Directors' emoluments in 2003**

The Directors' emoluments in 2003 are disclosed on pages 11 to 12.

#### **Directors' interests in shares**

Details of the Directors' interests in the Company's Ordinary Shares are disclosed on pages 13 to 15.

#### **Audit**

The Directors' emoluments in 2003 and the details of the Directors' interests in the Company's Ordinary Shares disclosed on pages 11 to 15 have been audited by the Company's external auditor.

## Directors' emoluments in 2003

The aggregate remuneration, excluding pension contributions, paid to or accrued for all Directors and officers of the Company for services in all capacities during the year ended 31 December 2003 was £11 million (\$18 million) (including £250,000 (\$403,000) to the Chairman). Remuneration of individual Directors is set out below in sterling and US dollars. Among those Directors who receive their remuneration in sterling are the Chairman, the Non-Executive Deputy Chairman, the senior Non-Executive Director, the Chief Executive and the Chief Financial Officer.

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

\* Relates to relocation allowances; † Payment for pension related tax liabilities; + Includes settlement on retirement of accrued holiday entitlement;

‡ Includes provision for accommodation in the UK; o Compensation payment and for accommodation related tax liabilities; \*\* Part year only.

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

\* Relates to relocation allowances; † Payment for pension related tax liabilities; + Includes settlement on retirement of accrued holiday entitlement;

‡ Includes provision for accommodation in the UK; o Compensation payment and for accommodation related tax liabilities; \*\* Part year only.

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

## Directors' emoluments in 2003 (continued)

The remuneration of Directors is or was in the case of former Directors (with minor exceptions) established and paid in either Swedish kronor or sterling and has been converted into US dollars in the second table on page 11 at the average exchange rate for the year in question. These rates were:

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

Some Directors and officers were also granted options to subscribe for Ordinary Shares under the Company's share option plans. Details of share options granted to, and exercised by, Directors and the aggregate of gains realised on exercised options in the year are given on pages 14 and 15.

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

### Transactions with Directors

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

## Executive Directors' pension arrangements

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

<sup>†</sup> Accrued pension payable between the age of 60 and 65. Once 65 the pension payable is reduced by 2/7ths (or 28.6%) from the figures shown.

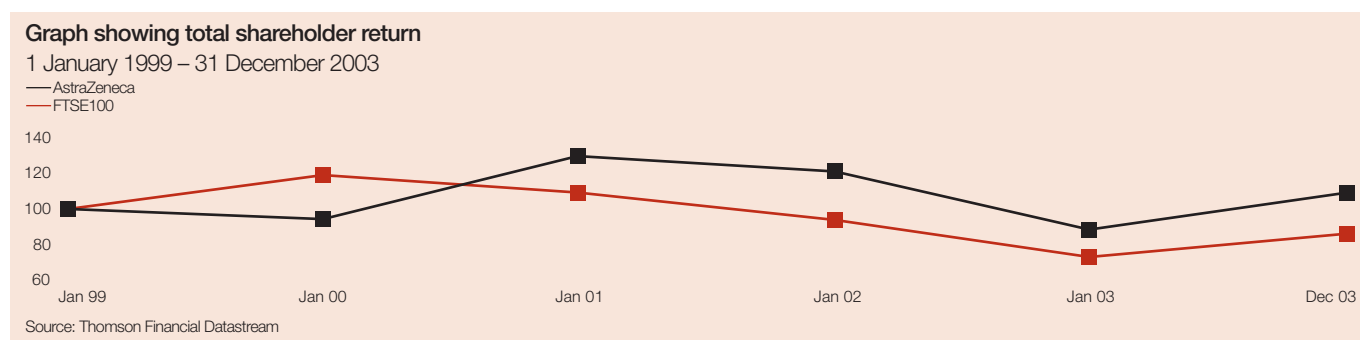
<sup>\*</sup> On leaving service at 31 August 2003

<sup>+</sup> On leaving service at 31 January 2003

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

## Graph showing total shareholder return

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



## Directors' interests in shares

The interests at 31 December 2003 or on date of retirement of the persons who on that date were Directors (including the interests of their families) in shares and debentures of AstraZeneca PLC are shown below, all of which were beneficial except as otherwise stated. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries.

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

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

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

### Directors' interests in shares (continued)

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

		No. of shares under option	Exercise price per share <sup>†</sup>	Market price at date of exercise	First date exercisable*	Last date exercisable*
Håkan Mogren	At 1 Jan 2003	179,345	3073p		13.12.02	27.03.12
	– market price above option price	–				
	– market price below option price	179,345	3073p		13.12.02	27.03.12
	Granted	65,551	2231p		25.03.06	24.03.13
	At 31 Dec 2003	244,896	2848p		13.12.02	24.03.13
	– market price above option price	65,551	2231p		25.03.06	24.03.13
	– market price below option price	179,345	3073p		13.12.02	27.03.12
Sir Tom McKillop	At 1 Jan 2003	339,068	2604p		05.04.97	27.03.12
	– market price above option price	93,508	1236p		05.04.97	03.04.07
	– market price below option price	245,560	3125p		26.03.01	27.03.12
	Granted	128,498	2231p		25.03.06	24.03.13
	Exercised	1,900	748p	2840p	05.04.97	04.04.04
	Exercised	12,424	826p	2866p	17.08.97	16.08.04
	At 31 Dec 2003	453,242	2555p		27.03.98	24.03.13
	– market price above option price	256,350	2013p		27.03.98	24.03.13
	– market price below option price	196,892	3260p		16.03.03	27.03.12
Jonathan Symonds	At 1 Jan 2003	160,376	2828p		01.10.00	27.03.12
	– market price above option price	30,656	2055p		01.10.00	30.09.07
	– market price below option price	129,720	3011p		20.08.01	27.03.12
	Granted	48,012	2231p		25.03.06	24.03.13
	At 31 Dec 2003	208,388	2691p		01.10.00	24.03.13
	– market price above option price	121,444	2271p		01.10.00	24.03.13
	– market price below option price	86,944	3277p		23.08.03	27.03.12
Åke Stavling	At 1 Jan 2003	111,217	3014p		26.05.02	27.03.12
	– market price above option price	–				
	– market price below option price	111,217	3014p		26.05.02	27.03.12
	At 31 Jan 2003	111,217	3014p		26.05.02	31.01.05
	– market price above option price	–				
	– market price below option price	111,217	3014p		26.05.02	31.01.05

<sup>†</sup> Exercise prices are weighted averages.

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

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

### Astra SVIP Options

		No. of shares under option	Exercise price per share <sup>†</sup>	Market price at date of exercise	First date exercisable*	Last date exercisable*
Håkan Mogren	At 1 Jan 2003	25,080	389.68SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	25,080	389.68SEK		06.04.99	23.01.06
	Sold	8,792	316.13SEK	358.00SEK	06.04.99	09.01.04
	At 31 Dec 2003	16,288	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	16,288	429.38SEK		06.04.99	23.01.06
Åke Stavling	At 1 Jan 2003	8,143	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	8,143	429.38SEK		06.04.99	23.01.06
	At 31 Jan 2003	8,143	429.38SEK		06.04.99	23.01.06
	– market price above option price	–				
	– market price below option price	8,143	429.38SEK		06.04.99	23.01.06

<sup>†</sup> Exercise prices are weighted averages.

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

The aggregate amount of gains made by Directors on the exercise of share options during the year amounted to \$0.5 million (2002 \$0.4 million, 2001 \$0.02 million) and the gains made by the highest paid Director were \$470,000 (2002 \$nil, 2001 \$13,000). The market price of shares trading on the London Stock Exchange at 31 December 2003 was 2680 pence and the range during 2003 was 1820 pence to 2868 pence. The market price of shares trading on the Stockholm Stock Exchange at 31 December 2003 was 350.50 SEK and the range during 2003 was 245.00 SEK to 382.00 SEK. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for Ordinary Shares.

### Details of Executive Directors' service contracts

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

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

## Appendix 2: Summary of the Proposed Changes to AstraZeneca PLC's Articles of Association (the "Articles")

### Treasury Shares

The current Articles were adopted on 25 April 2002, since when The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 have been introduced. Accordingly, it is proposed that new Articles be adopted to give the Company the flexibility to hold and use treasury shares.

A summary of the principal changes between the current Articles and the proposed new Articles are set out below:

Current Article No.	New Article No.	Change
7.2	7.2	The pre-emption provisions in Section 89 of the Companies Act 1985 apply to the sale of treasury shares in the same way as to issues of equity securities. However, the wording used in the current Articles giving the Board the power to disapply statutory pre-emption rights does not cover treasury shares. Therefore, a provision extending this power to treasury shares has been added.
28	28	A provision has been added recognising that the Company has the power to hold any of its own shares that it may purchase as treasury shares.
12.1(a), 30 (a), 53.1(b), 97.1(d),	12.1(a), 30 (a), 53.1(b), 97.1(d),	Amendments have been made to exclude treasury shares from counting towards certain shareholder quorums, votes or benchmarks.
–	117(h)	Article 117 gives the Board power to capitalise profits or reserves of the Company with the authority of an ordinary resolution. This provision has been added to give the Company as much flexibility as possible in respect of treasury shares held by the Company, should the Board decide to capitalise profits or reserves of the Company.

A copy of the proposed new Articles of Association will on the day of the AGM be available for inspection at the Hotel Ibis London Earls Court (formerly called the Paragon Hotel), 47 Lillie Road, London from 10.45 am (BST) and at The Globe Arena, Stockholm from 11.45 am (local time) until the conclusion of the AGM.



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