

AstraZeneca PLC

Restatement of financial information for H1 2004 and FY 2003 under International Accounting Standards and International Financial Reporting Standards.

Introduction

AstraZeneca currently prepares its primary financial statements under UK Generally Accepted Accounting Practice (UK GAAP). From 2005 onwards the Group will be required to prepare its consolidated financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)* as adopted by the European Union (EU). This change applies to all financial reporting for accounting periods beginning on or after 1 January 2005 and, consequently, AstraZeneca's first IFRS results will be its interim results for Q1 2005. The Group's first Annual Report under IFRS will be for 2005. As the Group publishes comparative information for two years in its Annual Report, the date for transition to IFRS is 1 January 2003, this being the start of the earliest period of comparative information.

To explain how AstraZeneca's reported performance and financial position are affected by this change, information previously published under UK GAAP is restated under IFRS in the attached appendices as follows:

- Appendix 1 - Accounting policies revised under IFRS
- Appendix 2 – Financial information for Q1, Q2 and H1 2004, together with reconciliations of profit and equity for H1 2004
- Appendix 3 – Financial information for Q1, Q2, Q3, Q4 and FY 2003, together with reconciliations of profit and equity for FY 2003
- Appendix 4 – Reconciliation of Equity at the transition date of 1 January 2003
- Appendix 5 – Audit Report of KPMG Audit Plc to AstraZeneca PLC

As noted below, these financial statements have been prepared on the basis of IFRSs expected to be available at 31 December 2005. These are subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance from the IASB and are therefore still subject to change. We will update our restated information for any such changes when they are made.

Basis of preparation

The financial information has been prepared in accordance with IFRS. The accounting policies applied are set out in Appendix 1 and these assume that, with the exception of IAS 39 "Financial Instruments: Recognition and Measurement", all existing standards in issue from the International Accounting Standards Board (IASB) will be fully endorsed by the EU. The accounting policy for financial instruments takes account of the proposed EU revisions to IAS 39 and complies with the amended IAS 39. The policies also assume that the exposure draft, which proposes amendments to IAS 19 'Employee Benefits', allowing actuarial gains and losses to be recognised in full through reserves, will be incorporated into IFRS and endorsed by the EU.

* References to IFRS throughout this document refer to the application of International Accounting Standards and International Financial Reporting Standards.

The status of standards and EU endorsement is as follows:

- Standards in issue at July 2003 were endorsed by the EU, with the exception of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39.
- The IASB has issued revisions to existing standards as part of its ‘Improvements Project’; the EU has not yet endorsed these revisions.
- The IASB has issued new standards (IFRS 2 “Share-based Payment” to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”) that will be mandatory from 2005; the EU has not yet endorsed IFRS 2 to IFRS 5.
- Subsequently the IASB revised IFRS 1 “First Time Adoption of International Financial Standards”. The revised version has not yet been endorsed by the EU.
- The EU has issued a revised version of IAS 39 and may endorse this rather than the full IASB standard. The potential impact of this is covered below.
- The IASB has issued an exposure draft on IAS 19 allowing actuarial gains or losses to be taken directly to reserves, as is required under FRS 17 “Retirement Benefits”. This revision, if converted to a standard and endorsed by the EU, will be effective for accounting periods commencing on or after 1 January 2006, with earlier adoption allowed.

The financial information for the full year ended 31 December 2003, as prepared on the above basis, has been audited by KPMG Audit Plc. Their audit report to AstraZeneca PLC is set out on pages 25 to 27. The quarterly information and the information for H1 2004 are unaudited. Subject to EU endorsement of outstanding standards and no further changes from the IASB this information is expected to form the basis for comparatives when reporting financial results for 2005, and for subsequent reporting periods.

Overview of impact

	H1 2004		FY 2003	
	UK GAAP \$m	IFRS \$m	UK GAAP \$m	IFRS \$m
Operating profit	2,190	2,104	4,111	4,007
Net profit (after Minority Interests)	1,634	1,604	3,036	3,014
EPS	\$0.97	\$0.95	\$1.78	\$1.76
Net assets	13,281	12,834	13,257	13,209

The most significant elements contributing to the change in financial information for 2003 and 2004 are:

- The inclusion of a fair value charge in respect of outstanding employee share options.
- The cessation of goodwill amortisation.
- Recalculation of the deferred tax asset in relation to profit on intra-group stock.
- The inclusion of financial instruments at fair value.
- The recognition, on the balance sheet, of employee benefit (largely pensions) liabilities together with associated pension fund assets.

Transitional arrangements

The rules for first time adoption of IFRS are set out in IFRS 1 “First-time Adoption of International Financial Reporting Standards”. In general a company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows a number of exceptions to this general principle to assist companies as they transition to reporting under IFRS. Where AstraZeneca has taken advantage of these exemptions they are noted below.

Changes in accounting policies

The changes in financial information noted above are as a result of AstraZeneca changing its accounting policies to comply with the requirements of IFRS. Significant changes in policy, together with associated transitional arrangements, are set out below.

A summary of the IFRS accounting policies is provided in Appendix 1. The resultant changes by standard are quantified in Appendix 2 for H1 2004, Appendix 3 for FY 2003 and Appendix 4 for the opening balance sheet at 1 January 2003.

IFRS 2 Share-based Payments

In accordance with IFRS 2, AstraZeneca has recognised a charge to income representing the fair value of outstanding employee share options granted to approximately 9,000 employees. The fair value has been calculated using the Black-Scholes options valuation model and is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting.

AstraZeneca also adopted the IFRS 1 optional transitional arrangements which allow companies that have previously disclosed the fair value charge, to apply IFRS 2 fully retrospectively to all options granted but not fully vested at the relevant reporting date. As a result, the share-based payment charge for 2003 includes all options granted and not fully vested at 31 December 2003, rather than only the value of options granted since 7 November 2002 (the effective date of IFRS 2). This approach is encouraged in the standard and gives a better indication of how past and future results are affected by IFRS 2.

The operating profit impact in 2003 is a charge of \$154m offset by a deferred tax credit of \$18m. For the six months ended 30 June 2004 there is a charge of \$64m and associated deferred tax charge of \$5m. The charge of \$154m in 2003 was disclosed in that year's Annual Report (page 118). The basis of calculation for deferred taxation is the difference between market price at the date of the financial statements and the option exercise price: as a result the tax effect will not correlate to the charge.

IAS 19 Employee Benefits

IAS 19 requires separate recognition of the operating and financing costs of defined benefits pensions (and similarly funded employee benefits) in the income statement. The standard permits a number of options for the recognition of actuarial gains and losses. AstraZeneca's policy is to recognise any variations in full immediately in the statement of recognised gains and losses, as would have been required under FRS 17.

The option to account for actuarial gains and losses in this way is part of an IASB exposure draft "Actuarial Gains and Losses, Group Plans and Disclosures". The draft, if adopted by the IASB and endorsed by the EU, will be effective from 1 January 2006 with earlier adoption allowed. Assuming the proposals are adopted, AstraZeneca's policy will be to apply the revised standard voluntarily from the transition date.

The cash funding of the plans, which may from time to time involve special payments, is designed, in consultation with independent qualified actuaries, to ensure that present and future contributions should be sufficient to meet future liabilities. As at 31 December 2003, the Group's main UK defined benefit fund, had a solvency ratio of 95%

The operating profit impact of the transition to IFRS in 2003 is an additional charge of \$14m, with a further \$7m charge to net interest and related tax credit of \$6m. For the six months

ended 30 June 2004, there is a credit to operating profit of \$10m, a charge of \$3m to net interest and related tax charge of \$2m.

The balance sheet impact of the implementation of this policy is to recognise a pension liability of \$1,405m in the Group's IFRS opening balance sheet at 1 January 2003, \$1,528m at 31 December 2003 and \$1,508m at 30 June 2004. The overall impact of implementation was to reduce net assets by \$963m at 1 January 2003 and by \$1,242m at 31 December 2003 and 30 June 2004.

If the option to recognise full actuarial gains and losses is not available the Group's policy will be to take advantage of the IFRS 1 exemption allowing full actuarial losses to be recognised at the date of transition and to recognise ongoing actuarial gains and losses using the 'corridor' method.

The Group's opening balance sheet would be unchanged, recognising a pension liability of \$1,405m. For the year to 31 December 2003, and the six months to 30 June 2004, there would be no additional charges in respect of actuarial gains and losses as the Group would have yet to have incurred gains and losses over the corridor.

IFRS 3 Business Combinations

IFRS 3 prohibits merger accounting and the amortisation of goodwill. The standard requires goodwill to be carried at cost with impairment reviews both annually and also when there are indications that the carrying value may not be recoverable.

Under the transitional arrangements of IFRS 1 a company has the option of applying IFRS 3 prospectively from the transition date to IFRS. AstraZeneca has chosen this option rather than to restate all previous business combinations (including the merger of Astra and Zeneca). The impact of IFRS 3 and associated transitional arrangements on AstraZeneca are as follows:

- all prior business combination accounting is frozen at the transition date; and
- the value of goodwill is frozen at 1 January 2003 and amortisation previously reported under UK GAAP for 2003 and 2004 is removed for IFRS restatements.

The operating profit impact in 2003 is a reduction in the amortisation charge of \$59m, the most significant element being the removal of amortisation previously charged on goodwill arising on the restructuring of the Merck joint venture in 1998. The operating profit impact for the six months ended 30 June 2004 is a credit to operating profit of \$27m. There are no associated tax impacts in either period.

IAS 32 & IAS 39 Financial Instruments

IAS 32 and IAS 39 address the accounting for, and financial reporting of, financial instruments. IAS 32 covers disclosure and presentation whilst IAS 39 covers recognition and measurement. The general principle of IAS 39 is that financial assets should be recognised at fair value and financial liabilities should be recognised at amortised cost although the IASB version has an option to fair value financial liabilities. Accounting for the movements in fair value is dependant on the designation of the relevant financial instrument. AstraZeneca has opted to apply these standards retrospectively as this gives a more meaningful view of our results and financial position.

The impact of the above is that gains recognised in the six months ended 30 June 2004 under UK GAAP are recognised earlier under IFRS. Most of the gains are reflected in the Group's IFRS opening balance sheet at the transition date.

As noted in *Basis of preparation* the EU has initiated development of a revised version of IAS 39 which excludes the option to fair value financial liabilities, and this has been used to prepare the attached restated results. If the full version of IAS 39 (as proposed by the IASB) were endorsed then our choice would be to include unsecured loans at fair value rather than at amortised cost. The consequent impact on the restated income statement would be as follows:

	H1 2004 \$m	FY 2003 \$m
Operating profit	-	-
Net finance costs	17	5
Taxation	(5)	(1)
Impact on Net profit	12	4

IAS 12 Income Taxes

IAS 12 requires separate disclosure of deferred tax assets and liabilities on the Group's balance sheet. An opening balance sheet adjustment has been made to reclassify an asset of \$851m. IAS 12 also changes the methodology used to calculate deferred tax on unrealised profit on intra-group sales. Consequently, the IFRS opening balance sheet at 1 January 2003 includes an additional deferred tax asset of \$37m. This is increased by \$86m through 2003 and by a further \$25m in the six months to 30 June 2004 with a corresponding reduction in the tax charge in these periods.

The standard further requires a deferred tax provision for all rolled over capital gains (rather than those expected to crystallise). The IFRS opening balance sheet includes a deferred tax liability of \$118m in respect of rolled over capital gains, which is not required under UK GAAP. The deferred tax liability increased by \$13m through 2003 and then reduced by \$41m in the six months to 30 June 2004.

IAS 38 Intangible Assets

Under IAS 38 the policy on intangible assets is to capitalise all such assets where they meet the criteria specified within IAS 38.

- In respect of internal product development expenditure, it is management's view that it is not possible to demonstrate with sufficient certainty that, prior to regulatory approval, these criteria are met. Consequently, AstraZeneca would not expect to capitalise internal development costs.
- In respect of internal development expenditure on software, it is management's view that some projects have met the criteria for capitalisation. Results have been adjusted to include both the capitalised costs and associated amortisation of these projects.
- The standard requires all externally acquired intangibles to be capitalised and the results have been adjusted to recognise a small number of products in early phase development that had been expensed under the previous accounting policy.

As part of the IFRS transition project intangibles previously recognised under UK GAAP and all phases of internal development expenditure were reviewed to determine whether the criteria in IAS 38 were met. In addition, management's assessment of costs incurred during phase IV trials was that they are better categorised as marketing and administrative expenditure reflecting the nature of this work. Consequently, when preparing the restated financial information these costs have been reclassified from research and development to selling, general and administrative expenditure as shown below.

The operating profit impact of all the above changes is summarised as follows:

	H1 2004	FY 2003
	\$m	\$m
Acquisition of products/rights	8	18
Product impairments	-	(7)
Phase IV costs reclassified	179	467
Total adjustment to Research and development	187	478
Internal software development	16	43
Amortisation of intangibles	(14)	(51)
Phase IV costs reclassified	(179)	(467)
Total adjustment to Selling, general and administrative expenses	(177)	(475)
Net Increase in Income	10	3

The associated tax impact of the above operating profit impacts is a credit of \$3m for 2003. There is no tax impact on the half year results for 2004.

Conclusion

The IFRS information in this release has been prepared under the basis of preparation set out above and, in particular, is subject to the completion of the EU endorsement process.

The most significant impacts of the transition to IFRS upon the restated financial information are a matter of the timing of profit recognition in the results. Net assets are impacted as a result of this timing, but there is no impact upon the underlying cash balances within the business.

Jonathan Symonds
Director

25 October 2004

The financial information presented contains details of the transitional adjustments required to restate the Group's financial information under IFRS. Future presentation of restated financial information may be in a different format.

The transitional adjustments presented have been calculated on the basis of the specific facts of the transaction and should not be used as indicators of future adjustments between UK GAAP and IFRS that will be required, due to the risk and uncertainty surrounding events in the future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In order to utilise the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, AstraZeneca is providing the following cautionary statement. These preliminary financial statements contain forward-looking statements with respect to the financial condition, results of operations and businesses of AstraZeneca. By their nature, forward-looking statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from that expressed or implied by these forward-looking statements. These factors include, among other things, the loss or expiration of patents, marketing exclusivity or trade marks; 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; taxation risks; the risk of substantial product liability claims; the impact of any failure by third parties to supply materials or services; the risk of delay to new product launches; the difficulties of obtaining and maintaining governmental approvals for products; and the risk of environmental liabilities.

Appendix 1 provides a summary of AstraZeneca's new Group accounting policies under IFRS. Where policies have changed under IFRS this is indicated by *.

Accounting Policies

Basis of accounting

As set out on page 1 in the Basis of Preparation, the restated financial information for the half year to 30 June 2004, the full year to 31 December 2003 and the opening balance sheet at 1 January 2003, have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The accounting policies assume that, with the exception of IAS 39 "Financial Instruments: Recognition and Measurement", all existing standards in issue from the International Accounting Standards Board (IASB) will be fully endorsed by the EU. The accounting policy for financial instruments takes account of the proposed EU revisions to IAS 39 and complies with the amended IAS 39. The policies also assume that the exposure draft, which proposes amendments to IAS 19 'Employee Benefits', allowing actuarial gains and losses to be recognised in full through reserves, will be incorporated into IFRS and endorsed by the EU.

Critical accounting policies

AstraZeneca's management considers the following to be the most important accounting policies in the context of the Group's operations.

Revenue

Turnover excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts. Turnover is recognised when the significant risks and rewards of ownership have been transferred to a third party.

Research and development*

Research expenditure is charged to income in the year in which it is incurred.

Internal development expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Regulatory and other uncertainties generally mean that such criteria are not met. Where, however the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Payments to in-license products and compounds from external third parties, generally taking the form of up-front payments and milestones, are capitalised and amortised over their economic lives from launch. Intangible assets relating to products in development (both internally generated and externally acquired) are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Business combinations and 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 is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Prior to 1 January 2003, goodwill was amortised over its estimated useful life; such amortisation ceased on 31 December 2002.

The Group's policy up to and including 1997 was to eliminate goodwill arising upon acquisitions against reserves. Under IFRS 1 and IFRS 3, such goodwill will remain eliminated against reserves until disposal or termination of the previously acquired business (including the planned disposal or termination when there are indications that the value of the goodwill has been permanently impaired), when the profit or loss on disposal or termination will be calculated after charging the gross amount, at current exchange rates, of any such goodwill through the income statement.

Employee Benefits*

The Group accounts for pensions and similar benefits (principally healthcare) under IAS 19 'Employee Benefits'. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised gains and losses.

Payments to defined contribution schemes are charged as an expense as they fall due.

Share based payments*

The fair value of employee share option plans is calculated using the Black-Scholes model. In accordance with IFRS 2 'Share-based Payments' the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

Other accounting policies

Foreign currencies

Profit and loss accounts in foreign currencies are translated into US dollars at average exchange rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates prevailing at the date of the Group balance sheet.

Exchange gains and losses on short term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit. In the consolidated financial statements exchange differences arising on consolidation of the net investments in subsidiaries, joint ventures and associates together with those on relevant foreign currency loans are taken directly to reserves via the statement of recognised gains and losses.

Taxation*

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary

differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future.

Tangible fixed assets

The Group's policy is to write off the difference between the cost of each tangible fixed asset and its residual value systematically over its estimated useful life. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to calculate average assets lives exactly. However, the total lives range from approximately 13 to 50 years for buildings, and three to 15 years for plant and equipment. All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable.

Leases

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under creditors due within, or creditors due after more than, 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 income statement as incurred.

Subsidiaries, associates and joint ventures*

A subsidiary is an entity controlled, directly or indirectly, by AstraZeneca PLC. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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 has the power to exert 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 profit less losses of all significant joint ventures and associates is included in the Group income statement on the 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.

Financial instruments*

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

- Investments (other than interests in joint ventures, associates and fixed deposits) and short-term investments (other than fixed deposits) are normally designated as available for sale. Where the exposure to a change in fair value of such an asset is

substantially offset by the exposure to a change in the fair value of derivatives, the asset is generally classified as fair value through profit or loss.

- Fixed deposits, comprising principally funds held with banks and other financial institutions, and short-term borrowings and overdrafts are classified as loans and receivables and held at amortised cost.
- Derivatives, comprising interest rate swaps, foreign exchange contracts and options and embedded derivatives, are classified as held for trading.
- Long-term loans are generally held at amortised cost. Where the long term loan is hedged, generally by an interest rate swap, and the hedge is regarded as effective, the carrying value of the long term loan is adjusted for changes in fair value.

Changes in the fair value of financial instruments are dealt with as follows:

- For available for sale assets, exchange losses and impairments are taken to the income statement. All other changes in fair value are taken to reserves. On disposal of the related asset, the accumulated changes in fair value recorded in reserves are included in the gain or loss recorded in the income statement.
- For long term loans effectively hedged, assets at fair value through profit and loss and assets held for trading, all changes in fair value are recognised in the income statement.

Contingent liabilities

Through the normal course of business, AstraZeneca is involved in legal disputes the settlement of which may involve cost to the Group. Provision is made where an adverse outcome is probable and associated costs can be estimated reliably.

AstraZeneca is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when there is a present obligation and where it is probable that expenditure on remedial work will be required and that a reliable estimate can be made of the cost.

Inventories

Inventories are stated at the lower of cost or net realisable value. The first in, first out or an average method of valuation is used. For finished goods and work in progress, cost includes directly attributable costs and certain overhead expenses (including depreciation). Selling expenses and certain other overhead expenses (principally central administration costs) are excluded. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

IFRS transitional arrangements and early adoption

When preparing the Group's IFRS balance sheet at 1 January 2003, the date of transition, the following optional exemptions from full retrospective application of IFRS accounting policies have been adopted:

- Business combinations – the provisions of IFRS 3 have been applied prospectively from 1 January 2003; and
- Employee benefits – the accumulated actuarial gains and losses in respect of employee defined benefit plans have been recognised in full through reserves

In addition the Group has chosen to restate comparative information with respect to IAS 32, IAS 39 and IFRS 2.

The Group has also opted to adopt the proposed amendment to IAS 19 early, allowing actuarial gains or losses to be charged to reserves in the period they arise.

Consolidated Income Statement

	For the quarter ended		For the six months
	31 Mar 2004 unaudited \$m	30 Jun 2004 unaudited \$m	ended 30 Jun 2004 unaudited \$m
Sales	5,074	5,288	10,362
Cost of sales	(1,158)	(1,251)	(2,409)
Distribution costs	(42)	(44)	(86)
Research and development	(857)	(888)	(1,745)
Selling, general and administrative expenses	(2,003)	(2,162)	(4,165)
Other operating income	38	109	147
Operating profit	1,052	1,052	2,104
Net finance costs	30	(13)	17
Income from associates	2	3	5
Profit before tax	1,084	1,042	2,126
Taxation*	(285)	(230)	(515)
Profit for the period	799	812	1,611
Attributable to:			
Equity holders of the Company	797	807	1,604
Minority interest	2	5	7
	799	812	1,611
Earnings per \$0.25 Ordinary Share	\$0.47	\$0.48	\$0.95
Diluted earnings per \$0.25 Ordinary Share	\$0.47	\$0.48	\$0.95

* The tax charge for the quarter ended 30th June 2004 includes a non-recurring credit of \$30m in respect of rolled over capital gains arising from the disposal of Zeneca Specialties in 1999.

Consolidated Balance Sheet

	At 31 Mar 2004 unaudited \$m	At 30 Jun 2004 unaudited \$m
ASSETS		
Non-current assets		
Property, plant and equipment	7,556	7,537
Goodwill and Intangible assets	2,910	2,919
Other investments	58	133
Deferred tax assets	1,683	1,843
	<u>12,207</u>	<u>12,432</u>
Current assets		
Inventories	3,099	3,138
Trade and other receivables	4,555	4,701
Short term investments	3,386	2,573
Cash and cash equivalents	814	1,499
	<u>11,854</u>	<u>11,911</u>
Total assets	<u>24,061</u>	<u>24,343</u>
LIABILITIES		
Current liabilities		
Short term borrowings and overdrafts	(72)	(102)
Current instalments of loans	-	-
Other creditors	(7,675)	(6,855)
	<u>(7,747)</u>	<u>(6,957)</u>
Non-current liabilities		
Loans	(305)	(1,053)
Deferred tax liabilities	(1,699)	(1,655)
Retirement benefit obligations	(1,528)	(1,508)
Provisions	(283)	(268)
Other liabilities	(84)	(68)
	<u>(3,899)</u>	<u>(4,552)</u>
Total liabilities	<u>(11,646)</u>	<u>(11,509)</u>
Net assets	<u>12,415</u>	<u>12,834</u>
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	420	419
Share premium account	477	521
Other reserves	1,866	1,875
Retained earnings	9,556	9,923
	<u>12,319</u>	<u>12,738</u>
Minority equity interests	96	96
Total equity and reserves	<u>12,415</u>	<u>12,834</u>

Consolidated Cash Flow Statement

	For the quarter ended		For the six
	31 Mar	30 Jun	months ended
	2004	2004	30 Jun 2004
	unaudited	unaudited	unaudited
	\$m	\$m	\$m
Cash flows from operating activities			
Operating profit before taxation	1,052	1,052	2,104
Depreciation and amortisation	302	303	605
Increase in working capital	(163)	(215)	(378)
Other non-cash movements	91	(7)	84
Cash from operating activities	1,282	1,133	2,415
Interest paid	(5)	(14)	(19)
Tax paid	(266)	(447)	(713)
Net cash inflow from operating activities	1,011	672	1,683
Cash flows from investing activities			
Acquisitions and disposals	(265)	776	511
Purchases of property, plant and equipment	(290)	(293)	(583)
Disposals of property, plant and equipment	6	5	11
Purchase of intangible assets	(10)	(85)	(95)
Purchase of fixed asset investments	(5)	(2)	(7)
Interest received	12	74	86
Dividends received	2	2	4
Net cash inflow/(outflow) from investing activities	(550)	477	(73)
Cash flows from financing activities			
Proceeds from issue of share capital	28	44	72
Purchase of treasury shares	(608)	(360)	(968)
Repayment of borrowings	-	731	731
Dividends paid	(5)	(897)	(902)
Other	-	(2)	(2)
Net cash outflow from financing activities	(585)	(484)	(1,069)
Net increase/(decrease in cash and cash equivalents)	(124)	665	541
Cash and cash equivalents at beginning of the period	872	742	872
Exchange rate effects	(6)	(10)	(16)
Cash and cash equivalents at the end of the period	742	1,397	1,397
Cash and cash equivalents consists of:			
Cash and cash equivalents	814	1,499	1,499
Overdrafts	(72)	(102)	(102)
	742	1,397	1,397

Statement of Recognised Gains & Losses

	For the quarter ended		For the six months
	31 Mar 2004	30 Jun 2004	ended 30 Jun
	unaudited	unaudited	2004
	\$m	\$m	unaudited
			\$m
Net profit for the period	797	807	1,604
Foreign exchange adjustments on consolidation	(94)	(126)	(220)
Tax on foreign exchange adjustments	(33)	17	(16)
Actuarial gains and losses, net of tax	(3)	(3)	(6)
Recognised gains and losses for the period	667	695	1,362

Reconciliation of Profit**For the six months ended 30 June 2004**

	Previously reported under UK GAAP	IFRS 2 Share Based Payments	IAS 19 Employee Benefits	IFRS 3 Business Combinations	IAS 32 / IAS 39 Financial Instruments	IAS 12 Income Tax	Other	Total effect of transition to IFRS	Restated under IFRS unaudited
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Sales	10,362	-	-	-	-	-	-	-	10,362
Cost of sales	(2,365)	(1)	3	-	(47)	-	1	(44)	(2,409)
Distribution costs	(86)	-	-	-	-	-	-	-	(86)
Research and development	(1,923)	(19)	6	-	-	-	191	178	(1,745)
Selling, general and administrative expenses	(3,968)	(44)	1	27	-	-	(181)	(197)	(4,165)
Other operating income	170	-	-	-	(23)	-	-	(23)	147
Operating profit	2,190	(64)	10	27	(70)	-	11	(86)	2,104
Net finance costs	52	-	(3)	-	(31)	-	(1)	(35)	17
Income from associates	5	-	-	-	-	-	-	-	5
Profit before tax	2,247	(64)	7	27	(101)	-	10	(121)	2,126
Taxation	(606)	(5)	(2)	-	31	67	-	91	(515)
Profit for the period	1,641	(69)	5	27	(70)	67	10	(30)	1,611
Attributable to:									
Equity holders of the Company	1,634	(69)	5	27	(70)	67	10	(30)	1,604
Minority interest	7	-	-	-	-	-	-	-	7
	1,641	(69)	5	27	(70)	67	10	(30)	1,611
Earnings per \$0.25 Ordinary Share	\$0.97	(0.04)	-	0.02	(0.04)	0.04	-	(0.02)	\$0.95
Diluted earnings per \$0.25 Ordinary Share	\$0.97	(0.04)	-	0.02	(0.04)	0.04	-	(0.02)	\$0.95

Reconciliation of Equity

Previously reported under UK GAAP	Opening balance sheet adjustment	IFRS 2 Share Based Payments	IAS 19 Employee Benefits	IFRS 3 Business Combinations	IAS 32 / IAS 39 Financial Instruments	IAS 12 Income Tax	Other	Total effect of transition to IFRS	Restated under IFRS unaudited
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
As at 30 June 2004									
ASSETS									
Non-current assets									
Property, plant and equipment	7,526	11	-	-	-	-	-	11	7,537
Goodwill and intangible assets	2,741	143	-	27	-	-	8	178	2,919
Other investments	145	(87)	-	-	(5)	-	80	(12)	133
Deferred tax assets	0	1,514	(4)	-	7	326	-	1,843	1,843
	10,412	1,581	(4)	27	2	326	88	2,020	12,432
Current assets									
Inventories	3,138	-	-	-	-	-	-	-	3,138
Trade and other receivables	6,564	(1,540)	-	(20)	-	(303)	-	(1,863)	4,701
Short term investments, cash and cash equivalents	3,984	200	-	-	(112)	-	-	88	4,072
	13,686	(1,340)	-	(20)	(112)	(303)	-	(1,775)	11,911
Total assets	24,098	241	(4)	(20)	(110)	23	88	245	24,343
LIABILITIES									
Current liabilities									
Short term borrowings, overdrafts and current instalments of loans	(102)	-	-	-	-	-	-	-	(102)
Other creditors	(7,519)	1,137	-	-	25	-	(498)	664	(6,855)
	(7,621)	1,137	-	-	25	-	(498)	664	(6,957)
Non-current liabilities									
Loans	(1,035)	-	-	-	(18)	-	-	(18)	(1,053)
Retirement benefit obligations	0	(1,528)	-	20	-	-	-	(1,508)	(1,508)
Provisions	(2,105)	113	-	-	27	42	-	182	(1,923)
Other liabilities	(56)	(11)	-	-	-	-	(1)	(12)	(68)
	(3,196)	(1,426)	-	20	9	42	(1)	(1,356)	(4,552)
Total liabilities	(10,817)	(289)	-	20	34	42	(499)	(692)	(11,509)
Net assets	13,281	(48)	(4)	-	27	65	(411)	(447)	12,834
EQUITY									
Capital and reserves attributable to equity holders									
Share capital	419	-	-	-	-	-	-	-	419
Share premium account	521	-	-	-	-	-	-	-	521
Other reserves	1,875	-	-	-	-	-	-	-	1,875
Retained earnings	10,380	(58)	(4)	-	27	65	(411)	(457)	9,923
	13,195	(58)	(4)	-	27	65	(411)	(457)	12,738
Minority equity interests	86	10	-	-	-	-	-	10	96
Total equity and reserves	13,281	(48)	(4)	-	27	65	(411)	(447)	12,834

Consolidated Income Statement

	For the quarter ended				For the
	31 Mar 2003 unaudited \$m	30 Jun 2003 unaudited \$m	30 Sep 2003 unaudited \$m	31 Dec 2003 unaudited \$m	year ended 31 Dec 2003 audited \$m
Sales	4,735	4,436	4,803	4,875	18,849
Cost of sales	(1,184)	(1,073)	(1,177)	(1,029)	(4,463)
Distribution costs	(36)	(39)	(41)	(46)	(162)
Research and development	(708)	(700)	(725)	(879)	(3,012)
Selling, general and administrative expenses	(1,641)	(1,782)	(1,857)	(2,113)	(7,393)
Other operating income	18	40	70	60	188
Operating profit	1,184	882	1,073	868	4,007
Net finance costs	11	31	4	10	56
Income from associates	-	1	-	1	2
Profit before tax	1,195	914	1,077	879	4,065
Taxation	(247)	(253)	(311)	(218)	(1,029)
Profit for the period	948	661	766	661	3,036
Attributable to:					
Equity holders of the Company	943	659	759	653	3,014
Minority interest	5	2	7	8	22
	948	661	766	661	3,036
Earnings per \$0.25 Ordinary Share	\$0.56	\$0.38	\$0.44	\$0.38	\$1.76
Diluted earnings per \$0.25 Ordinary Share	\$0.56	\$0.38	\$0.44	\$0.38	\$1.76

Consolidated Balance Sheet

	At 31 Mar 2003 unaudited \$m	At 30 Jun 2003 unaudited \$m	At 30 Sep 2003 unaudited \$m	At 31 Dec 2003 audited \$m
ASSETS				
Non-current assets				
Property, plant and equipment	6,736	7,016	7,169	7,547
Goodwill and intangible assets	2,883	2,962	2,964	3,027
Other investments	14	15	14	133
Deferred tax assets	1,384	1,438	1,425	1,514
	<u>11,017</u>	<u>11,431</u>	<u>11,572</u>	<u>12,221</u>
Current assets				
Inventories	2,532	2,765	2,689	3,022
Trade and other receivables	4,162	4,115	4,595	4,420
Short term investments	3,645	3,092	3,443	3,127
Cash and cash equivalents	1,512	1,093	1,031	1,024
	<u>11,851</u>	<u>11,065</u>	<u>11,758</u>	<u>11,593</u>
Total assets	<u>22,868</u>	<u>22,496</u>	<u>23,330</u>	<u>23,814</u>
LIABILITIES				
Current liabilities				
Short term borrowings and overdrafts	(54)	(55)	(85)	(152)
Current instalments of loans	(302)	-	-	-
Other creditors	(7,681)	(6,483)	(6,887)	(6,406)
	<u>(8,037)</u>	<u>(6,538)</u>	<u>(6,972)</u>	<u>(6,558)</u>
Non-current liabilities				
Loans	(328)	(323)	(304)	(303)
Deferred tax liabilities	(1,414)	(1,468)	(1,607)	(1,758)
Retirement benefit obligations	(1,357)	(1,370)	(1,343)	(1,528)
Provisions	(328)	(351)	(321)	(395)
Other liabilities	(41)	(48)	(50)	(63)
	<u>(3,468)</u>	<u>(3,560)</u>	<u>(3,625)</u>	<u>(4,047)</u>
Total liabilities	<u>(11,505)</u>	<u>(10,098)</u>	<u>(10,597)</u>	<u>(10,605)</u>
Net assets	<u>11,363</u>	<u>12,398</u>	<u>12,733</u>	<u>13,209</u>
EQUITY				
Capital and reserves attributable to equity holders				
Share capital	429	428	427	423
Share premium account	403	428	434	449
Other reserves	1,884	1,875	1,866	1,857
Retained earnings	8,582	9,596	9,928	10,391
	<u>11,298</u>	<u>12,327</u>	<u>12,655</u>	<u>13,120</u>
Minority equity interests	65	71	78	89
Total equity and reserves	<u>11,363</u>	<u>12,398</u>	<u>12,733</u>	<u>13,209</u>

Consolidated Cash Flow Statement

	For the quarter ended				For the year ended 31 Dec 2003 audited \$m
	31 Mar 2003 unaudited \$m	30 Jun 2003 unaudited \$m	30 Sep 2003 unaudited \$m	31 Dec 2003 unaudited \$m	
Cash flows from operating activities					
Operating profit before taxation	1,184	882	1,073	868	4,007
Depreciation and amortisation	275	284	343	391	1,293
(Increase)/decrease in working capital	(360)	49	(433)	(336)	(1,080)
Other non-cash movements	78	(276)	81	194	77
Cash from operating activities	1,177	939	1,064	1,117	4,297
Interest paid	(17)	(2)	(9)	(11)	(39)
Tax paid	(252)	(510)	(245)	121	(886)
Net cash inflow from operating activities	908	427	810	1,227	3,372
Cash flows from investing activities					
Acquisitions and disposals	52	680	(354)	320	698
Purchases of property, plant and equipment	(310)	(291)	(320)	(361)	(1,282)
Disposals of property, plant and equipment	4	13	9	11	37
Purchase of intangible assets	(36)	(72)	(29)	(156)	(293)
Purchase of fixed asset investments	-	-	-	(120)	(120)
Interest received	17	42	22	36	117
Dividends received	-	1	-	1	2
Net cash inflow/(outflow) from investing activities	(273)	373	(672)	(269)	(841)
Cash flows from financing activities					
Proceeds from issue of share capital	-	26	5	15	46
Purchase of treasury shares	(129)	(182)	(221)	(622)	(1,154)
Repayment of borrowings	(11)	(308)	(18)	(8)	(345)
Dividends paid	(11)	(770)	(1)	(451)	(1,233)
Other	(2)	-	(2)	1	(3)
Net cash outflow from financing activities	(153)	(1,234)	(237)	(1,065)	(2,689)
Net increase/(decrease) in cash and cash equivalents	482	(434)	(99)	(107)	(158)
Cash and cash equivalents at beginning of the period	968	1,458	1,038	946	968
Exchange rate effects	8	14	7	33	62
Cash and cash equivalents at the end of the period	1,458	1,038	946	872	872
Cash and cash equivalents consists of:					
Cash and cash equivalents	1,512	1,093	1,031	1,024	1,024
Overdrafts	(54)	(55)	(85)	(152)	(152)
	1,458	1,038	946	872	872

Statement of Recognised Gains & Losses

	For the quarter ended				For the year ended 31 Dec 2003 audited \$m
	31 Mar 2003 unaudited \$m	30 Jun 2003 unaudited \$m	30 Sep 2003 unaudited \$m	31 Dec 2003 unaudited \$m	
Net profit for the period	943	659	759	653	3,014
Foreign exchange adjustments on consolidation	104	493	187	479	1,263
Tax on foreign exchange adjustments	26	3	12	25	66
Foreign exchange on deferred tax on unrealised profit on intra-group sales	5	9	4	(15)	3
Actuarial gains and losses, net of tax	(18)	(19)	(19)	(111)	(167)
Recognised gains and losses for the period	1,060	1,145	943	1,031	4,179

Reconciliation of Profit

For the year ended 31 December 2003	Previously reported under UK GAAP \$m	IFRS 2 Share Based Payments \$m	IAS 19 Employee Benefits \$m	IFRS 3 Business Combinations \$m	IAS 32 / IAS 39 Financial Instruments \$m	IAS 12 Income Tax \$m	Other \$m	Total effect of transition to IFRS \$m	Restated under IFRS \$m
Sales	18,849	-	-	-	-	-	-	-	18,849
Cost of sales	(4,469)	(2)	(2)	-	11	-	(1)	6	(4,463)
Distribution costs	(162)	-	-	-	-	-	-	-	(162)
Research and development	(3,451)	(42)	(5)	-	-	-	486	439	(3,012)
Selling, general and administrative expenses	(6,856)	(110)	(7)	59	4	-	(483)	(537)	(7,393)
Other operating income	200	-	-	-	(12)	-	-	(12)	188
Operating profit	4,111	(154)	(14)	59	3	-	2	(104)	4,007
Net finance costs	89	-	(7)	-	(24)	-	(2)	(33)	56
Income from associates	2	-	-	-	-	-	-	-	2
Profit before tax	4,202	(154)	(21)	59	(21)	-	-	(137)	4,065
Taxation	(1,143)	18	6	-	5	82	3	114	(1,029)
Profit for the period	3,059	(136)	(15)	59	(16)	82	3	(23)	3,036
Attributable to:									
Equity holders of the Company	3,036	(136)	(14)	59	(16)	82	3	(22)	3,014
Minority interest	23	-	(1)	-	-	-	-	(1)	22
	3,059	(136)	(15)	59	(16)	82	3	(23)	3,036
Earnings per \$0.25 Ordinary Share	\$1.78	(0.08)	(0.01)	0.03	(0.01)	0.05	-	(0.02)	\$1.76
Diluted earnings per \$0.25 Ordinary Share	\$1.78	(0.08)	(0.01)	0.03	(0.01)	0.05	-	(0.02)	\$1.76

Reconciliation of Equity

As at 31 December 2003	Previously reported under UK GAAP \$m	Opening balance sheet adjustment \$m	IFRS 2 Share Based Payments \$m	IAS 19 Employee Benefits \$m	IFRS 3 Business Combinations \$m	IAS 32 / IAS 39 Financial Instruments \$m	IAS 12 Income Tax \$m	Other \$m	Total effect of transition to IFRS \$m	Restated under IFRS \$m
ASSETS										
Non-current assets										
Property, plant and equipment	7,536	8	-	-	-	-	-	3	11	7,547
Goodwill and intangible assets	2,884	80	-	-	59	-	-	4	143	3,027
Other investments	220	(32)	-	-	-	(7)	-	(48)	(87)	133
Deferred tax assets	-	1,288	18	76	-	(1)	133	-	1,514	1,514
	10,640	1,344	18	76	59	(8)	133	(41)	1,581	12,221
Current assets										
Inventories	3,022	-	-	-	-	-	-	-	-	3,022
Trade and other receivables	5,960	(1,125)	-	(369)	-	-	(46)	-	(1,540)	4,420
Short term investments, cash and cash equivalents	3,951	213	-	-	-	(13)	-	-	200	4,151
	12,933	(912)	-	(369)	-	(13)	(46)	-	(1,340)	11,593
Total assets	23,573	432	18	(293)	59	(21)	87	(41)	241	23,814
LIABILITIES										
Current liabilities										
Short term borrowings, overdrafts and current instalments of loans	(152)	-	-	-	-	-	-	-	-	(152)
Other creditors	(7,543)	891	-	90	-	-	-	156	1,137	(6,406)
	(7,695)	891	-	90	-	-	-	156	1,137	(6,558)
Non-current liabilities										
Loans	(303)	-	-	-	-	-	-	-	-	(303)
Retirement benefit obligations	-	(1,405)	-	(123)	-	-	-	-	(1,528)	(1,528)
Provisions	(2,266)	70	-	47	-	6	(13)	3	113	(2,153)
Other liabilities	(52)	(5)	-	-	-	-	-	(6)	(11)	(63)
	(2,621)	(1,340)	-	(76)	-	6	(13)	(3)	(1,426)	(4,047)
Total liabilities	(10,316)	(449)	-	14	-	6	(13)	153	(289)	(10,605)
Net assets	13,257	(17)	18	(279)	59	(15)	74	112	(48)	13,209
EQUITY										
Capital and reserves attributable to equity holders										
Share capital	423	-	-	-	-	-	-	-	-	423
Share premium account	449	-	-	-	-	-	-	-	-	449
Other reserves	1,857	-	-	-	-	-	-	-	-	1,857
Retained earnings	10,449	(27)	18	(279)	59	(15)	74	112	(58)	10,391
	13,178	(27)	18	(279)	59	(15)	74	112	(58)	13,120
Minority equity interests	79	10	-	-	-	-	-	-	10	89
Total equity and reserves	13,257	(17)	18	(279)	59	(15)	74	112	(48)	13,209

Reconciliation of Equity

As at 1 January 2003	Previously reported under UK GAAP \$m	IFRS 2 Share Based Payments \$m	IAS 19 Employee Benefits \$m	IFRS 3 Business Combinations \$m	IAS 32 / IAS 39 Financial Instruments \$m	IAS 12 Income Tax \$m	Other \$m	Effect of Transition to IFRS \$m	Restated under IFRS \$m
ASSETS									
Non-current assets									
Property, plant and equipment	6,597	-	-	-	-	-	8	8	6,605
Goodwill and intangible assets	2,807	-	-	-	-	-	80	80	2,887
Other investments	46	-	-	-	-	-	(32)	(32)	14
Deferred tax assets	-	1	396	-	3	888	-	1,288	1,288
	9,450	1	396	-	3	888	56	1,344	10,794
Current assets									
Inventories	2,593	-	-	-	-	-	-	-	2,593
Trade and other receivables	4,845	-	(274)	-	-	(851)	-	(1,125)	3,720
Short term investments, cash and cash equivalents	4,688	-	-	-	213	-	-	213	4,901
	12,126	-	(274)	-	213	(851)	-	(912)	11,214
Total assets	21,576	1	122	-	216	37	56	432	22,008
LIABILITIES									
Current liabilities									
Short term borrowings, overdrafts and current instalments of loans	(516)	-	-	-	-	-	-	-	(516)
Other creditors	(7,699)	-	53	-	-	-	838	891	(6,808)
	(8,215)	-	53	-	-	-	838	891	(7,324)
Non-current liabilities									
Loans	(328)	-	-	-	-	-	-	-	(328)
Retirement benefit obligations	-	-	(1,405)	-	-	-	-	(1,405)	(1,405)
Provisions	(1,773)	-	267	(2)	(67)	(119)	(9)	70	(1,703)
Other liabilities	(34)	-	-	-	-	-	(5)	(5)	(39)
	(2,135)	-	(1,138)	(2)	(67)	(119)	(14)	(1,340)	(3,475)
Total liabilities	(10,350)	-	(1,085)	(2)	(67)	(119)	824	(449)	(10,799)
Net assets	11,226	1	(963)	(2)	149	(82)	880	(17)	11,209
EQUITY									
Capital and reserves attributable to equity holders									
Share capital	429	-	-	-	-	-	-	-	429
Share premium account	403	-	-	-	-	-	-	-	403
Other reserves	1,889	-	-	-	-	-	-	-	1,889
Retained earnings	8,451	1	(963)	(2)	149	(92)	880	(27)	8,424
	11,172	1	(963)	(2)	149	(92)	880	(27)	11,145
Minority equity interests	54	-	-	-	-	10	-	10	64
Total equity and reserves	11,226	1	(963)	(2)	149	(82)	880	(17)	11,209

Special Purpose Audit Report of KPMG Audit Plc to AstraZeneca PLC ('the Company') on its Preliminary International Financial Reporting Standards ("IFRS") Financial Statements

Appendix 5

We have audited the accompanying consolidated preliminary IFRS balance sheet of AstraZeneca PLC ("the Company") as of 31 December 2003, the related consolidated preliminary IFRS profit and loss account, statement of recognised gains and losses and cash flows for the year then ended and the related accounting policy note ("the preliminary IFRS financial statements") set out on pages 7 to 11 and pages 18 to 21 inclusive but excluding quarterly or half year information.

Respective responsibilities of directors and KPMG Audit Plc

The directors of the Company have accepted responsibility for the preparation of the preliminary IFRS financial statements which have been prepared as part of the Company's conversion to IFRS. Our responsibilities, as independent auditors, are established in the United Kingdom by the Auditing Practices Board, our profession's ethical guidance and the terms of our engagement.

Under the terms of engagement we are required to report to you our opinion as to whether the preliminary IFRS financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation set out in the accounting policies note to the preliminary IFRS financial statements. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information accompanying the preliminary IFRS financial statements and consider whether it is consistent with the preliminary IFRS financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary IFRS financial statements.

Our report has been prepared for the Company solely in connection with the Company's conversion to IFRS. Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG Audit Plc will accept no responsibility or liability in respect of our report to any other party.

Special Purpose Audit Report of KPMG Audit Plc to AstraZeneca PLC ('the Company') on its Preliminary International Financial Reporting Standards ("IFRS") Financial Statements

Appendix 5

Basis of audit opinion

We conducted our audit having regard to Auditing Standards issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the preliminary IFRS financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the preliminary IFRS 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 preliminary IFRS 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 preliminary IFRS financial statements.

Emphasis of matters

Without qualifying our opinion, we draw your attention to the following matters:

- The accounting policies note to the preliminary IFRS financial statements explains why there is a possibility that the accompanying preliminary IFRS financial statements may require adjustment before their inclusion as comparative information in the IFRS financial statements for the year to 31 December 2005 when the Company prepares its first set of IFRS financial statements.
- Moreover, as described in the accounting policies note to the preliminary IFRS financial statements, as part of its conversion to IFRSs, the Company has prepared the preliminary IFRS financial statements for the year ended 31 December 2003 to establish the financial position, results of operations and cash flows of the Company necessary to provide the comparative financial information expected to be included in the Company's first complete set of IFRS financial statements as at 31 December 2005. The preliminary IFRS financial statements do not themselves include comparative financial information for the prior period.
- We also draw your attention to the fact that we have not audited the consolidated preliminary IFRS balance sheet of the Company, the related preliminary IFRS income statement, statement of recognised gains and losses and cash flows and the related accounting policy note for the four quarters ended 31 March, 30 June, 30 September and 31 December 2003 or the two quarters ended 31 March 2004 and 30 June 2004 or the half year ended 30 June 2004.

Special Purpose Audit Report of KPMG Audit Plc to AstraZeneca PLC ('the Company') on its Preliminary International Financial Reporting Standards ("IFRS") Financial Statements

Appendix 5

Opinion

In our opinion, the accompanying preliminary IFRS financial statements for the year-ended 31 December 2003 have been prepared, in all material respects, in accordance with the basis set out in the accounting policies note, which describes how IFRS have been applied under IFRS 1, including the assumptions made by the directors of the Company about the standards and interpretations expected to be effective, and the policies expected to be adopted, when they prepare the first complete set of IFRS financial statements of the Company for the year to 31 December 2005.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 October 2004

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