



IAS/IFRS

Introduction

- AstraZeneca one of 7000 companies in EU required to move to report under IAS/IFRS
- First IFRS results – Q1, 2005
- Comparatives are also restated
 - Annual report for 2005 will include two years of IAS/IFRS comparatives
 - Date of IFRS opening balance sheet 1 January 2003

Information available

- Overview of status of standards, assumptions and most significant effects for AstraZeneca
- Revised accounting policies
- Restated financial statements for 2003 & H1 2004
- Reconciliations to UK GAAP
- Audit opinion

Standards & EU endorsement

- In July '03 all existing standards other than IAS32 & IAS39 endorsed by EU
- Revised standards from improvements project not yet endorsed
- Original IFRS1 endorsed but later revisions to standard still to be considered by EU
- IFRS2-IFRS5 issued by IASB, not yet endorsed by EU
- EU have issued revised IAS39 and likely to endorse this version
- Exposure draft issued by IASB on IAS19

Overview of impact

| | Full year 2003 | | % Change |
|---------------------------------------|----------------|--------|----------|
| | UK GAAP | IFRS | |
| | \$m | \$'m | |
| Operating profit | 4,111 | 4,007 | -2.5 |
| Net profit (after Minority Interests) | 3,036 | 3,014 | -0.7 |
| EPS | \$1.78 | \$1.76 | -1.1 |
| Net Assets | 13,257 | 13,209 | -0.4 |

Significant changes in policy

- Share-based payments
- Pensions (& similar employee benefits)
- Goodwill
- Intangibles
- Financial instruments
- Deferred tax

Share-based Payments (IFRS2)

- Accounting policy
 - Fair value charge calculated using the Black-Scholes model
 - Total costs spread over vesting period (3-5 years depending on scheme)
 - Charge adjusted to reflect actual & expected level of vesting
 - Full retrospective application
- Impact on 2003
 - Operating profit – charge \$154m
 - Deferred tax credit \$18m

Pensions (IAS19)

- Accounting policy (Defined benefit schemes)
 - Separate recognition required of operating & financing costs in income statement
 - Actuarial gains & losses are recognised immediately in the statement of recognised gains and losses*
- Impact for 2003
 - Operating profit – charge \$14m
 - Net interest – charge \$7m
 - Cumulative pension liability at 31 Dec 2003 \$1,528m
- * Subject to finalisation & endorsement of exposure draft

Goodwill (IFRS3)

- Accounting policy
 - Goodwill capitalised and subject to impairment review (annual & on indication of impairment)
 - IFRS3 has been applied from 1 January 2003
- Impact on 2003
 - Cessation of goodwill amortisation
 - Operating profit – increase of \$59m to SG&A

Intangibles (IAS38)

- Accounting policy
 - Where recognition criteria are met, intangible assets are capitalised and amortised over useful economic lives
- Impact on 2003

| | \$m |
|-------------------------------|----------|
| Acquisition of product rights | 18 |
| Product impairments | (7) |
| Internal software development | 43 |
| Amortisation | (51) |
| Net increase in income | 3 |

Financial Instruments (IAS39)

- Accounting policy
 - Initially recorded at fair value
 - Subsequent measurement depends on designation
- Impact on 2003
 - Profit before tax – decrease by \$21m

Taxation (IAS12)

- Accounting policy
 - Full provision made for temporary differences between taxation and accounting treatment
- Other impacts
 - Recognition of deferred tax assets and liabilities separately on the balance sheet
 - Change in methodology for DT on profit in stock
- Impact on 2003
 - Deferred tax asset increase- \$133m
 - Deferred tax liability increase - \$59m

Conclusion

- 2004 impact
 - Broadly similar
 - IAS39 will have a greater impact than in 2003
- Performance measures
 - EPS remains a core short term measure
 - Volatility may be caused by IAS39
 - Should not adjust EPS to eliminate intangible amortisation

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. This presentation contains 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.