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**For Immediate Release**

**9 DECEMBER 1998**

**ASTRA AND ZENECA IN MERGER OF EQUALS  
TO CREATE A GLOBAL LEADER IN PHARMACEUTICALS**

- Global power and reach in sales and marketing - number three worldwide and strong presence in U.S. and Europe
- Strong R&D platform for innovation-led growth - number three in R&D spend
- Financial strength for strategic flexibility - combined market capitalisation of \$67 billion
- \$1.1 billion in annual pre-tax cost savings from the third anniversary of completion

The Boards of Astra and Zeneca announce that they have unanimously agreed the terms of an all share merger of equals to form AstraZeneca. Percy Barnevik is nominated as Chairman, Tom McKillop as Chief Executive and Sir David Barnes and Håkan Mogren as Deputy Chairmen. The Board of Directors will be drawn equally from Astra and Zeneca.

The terms of the Merger are based on the recent relative equity market capitalisations of the two companies. On completion of the Merger, Astra Shareholders will hold 46.5 per cent. and Zeneca Shareholders will hold 53.5 per cent. of the enlarged issued share capital of AstraZeneca, assuming acceptance of the Merger Offers in full.

Percy Barnevik said: "AstraZeneca combines the best of two innovative companies with successful track records of organic growth. AstraZeneca will have a strong base for considerable expansion, especially in research and development and geographical presence. I am convinced that we will see considerable growth in the years ahead."

Tom McKillop said: "Astra and Zeneca are a perfect fit in terms of highly complementary product portfolios as well as sales and marketing organisations. A similar management philosophy together with a strong science-based culture make the companies natural partners. AstraZeneca has strong potential for profitable innovation-led growth."

AstraZeneca would have had pro forma 1997 pharmaceutical sales of \$11.5 billion, total sales of \$15.9 billion and profit before tax of \$3.5 billion. The combined market capitalisation is approximately \$67 billion, based on the closing market prices as at 7 December 1998. The combined 1997 pharmaceutical R&D expenditure would have been \$1.9 billion, making it the industry's third largest.

AstraZeneca will have leading global positions focused on five key therapeutic areas: gastrointestinal (no. 1), cardiovascular (no. 5), respiratory (no. 4), oncology (no. 2), and local and general anaesthesia (no. 1). The scale of its combined global salesforce will enable AstraZeneca to leverage these positions.

AstraZeneca will be domiciled in the U.K. with corporate headquarters in London. The R&D headquarters will be in Sweden with major centres of excellence also in the U.K. and U.S. It is intended that AstraZeneca will be listed on the London, Stockholm and New York Stock Exchanges.

The Merger is expected to generate substantial operational efficiencies associated with the elimination of duplicate infrastructure, better asset utilisation and the effective exploitation of economies of scale. Management of the two companies estimate that annual pre-tax cost savings of \$1.1 billion are achievable from the third anniversary of the completion of the Merger, with more than two thirds of this amount expected to be achieved by the second anniversary. Whilst the Merger enhances AstraZeneca's growth opportunities for the future, the restructuring will result in the reduction of approximately 6,000 jobs worldwide over the three year period following completion of the Merger.

"This merger of equals forms a company capable of leading the pharmaceutical industry in the future. The strengthened strategic position of AstraZeneca will create successful conditions for our employees, customers and shareholders alike," said Håkan Mogren, Chief Executive of Astra.

"The platform of this merger of equals is our joint commitment to shareholder value, quality medical products, effective R&D, and our financial strength, together with a shared vision for the future," said Sir David Barnes, Chief Executive of Zeneca.

The Chairman of Astra, Bo Berggren, and the Chairman of Zeneca, Sir Sydney Lipworth, said: "The manner in which the two teams have worked together in bringing this merger into being and the combined strength which will be created give us enormous confidence in the future of AstraZeneca."

The following meetings for analysts, investors and the press are being held today. All times are local.

#### **Analysts and Investors Conference Call:**

8.30-8.55 a.m.      Analysts and investors call  
(London time)      (call-in number: + 46 8 440 7081, code 394234)

#### **Stockholm:**

10.00-11.30 a.m.      Press and analysts presentation

Location:              Konferenshallen Polstjärnan, Sveavägen 77

#### **London:**

2.15-3.30 p.m.      Analysts and investors presentation

3.45-4.30 p.m.      Press conference

Location:              The Brewery, Chiswell Street, EC1  
or via teleconference on: +44 171 645 3800 (analysts and investor presentation only)

In addition, the following meeting for analysts and investors is being held tomorrow, 10 December, in New York.

#### **New York:**

11.15-12.30 p.m.      Analysts and investors presentation

Location:              Crowne Plaza Manhattan Hotel, 1605 Broadway (at 49th Street)

## **Additional Merger Information**

The transaction is a merger of equals and will be effected by means of all share offers to be made by Zeneca for all the issued Astra A Shares and Astra B Shares. The new group will be named AstraZeneca. Pursuant to the Merger Offers, Astra Shareholders will receive, for each Astra A Share or Astra B Share, 0.5045 AstraZeneca Shares.

The Merger Offers will be subject to certain conditions, including (but not limited to) acceptance by more than 90 per cent. of the capital and votes of Astra Shareholders, approval of the Zeneca Shareholders, clearance by the European Commission and the U.S. anti trust authorities, listing of the new shares on the London, New York and Stockholm stock exchanges, there being no circumstances, in AstraZeneca's joint opinion, preventing or making substantially more difficult the Merger and the Merger Agreement not being terminated.

As a result of the differing dividend payment profiles of Astra and Zeneca, arrangements have been put in place in order to equalise the second interim dividend of Zeneca with the Astra dividend in respect of the 1998 financial year. As a consequence, Astra intends to recommend a dividend in respect of the 1998 financial year of SEK 1.90 per share, and Zeneca intends to propose a second interim dividend of 28 pence per share. These will be paid by reference to a common record date. If the exchange takes place prior to the record date, the shareholders will receive the dividend on their new AstraZeneca Share and not on their Astra or Zeneca Share. The future dividend policy of AstraZeneca will be agreed by the Board of AstraZeneca and will be communicated to shareholders following completion of the Merger.

It is intended that shareholders whose shares are registered in the Swedish book-entry clearing system will receive their dividends in Swedish kronor.

## **Board and Management**

AstraZeneca will be governed by a Board of Directors comprising fourteen members which will be drawn equally from Astra and Zeneca. AstraZeneca will be run by the Chief Executive, Tom McKillop, and his executive team. The Chief Executive will be responsible to the full Board for the running of the Merged Group. Percy Barnevik as non-executive Chairman will lead the Board and ensure that strategy and policy are reviewed and agreed.

The two Deputy Chairmen have extensive experience of the pharmaceutical industry and business in general. They will be available to advise and support the Chief Executive and will also undertake executive activities as requested by the Chief Executive. They will not be members of the executive management team.

The other executive directors of AstraZeneca will be Åke Stavling (Business Development and Integration), Jonathan Symonds (Chief Financial Officer), Claes Wilhelmsson (R&D) and Michael Pragnell (Agrochemicals). In addition, Astra and Zeneca will each nominate three non-executive directors to the Board of AstraZeneca. Astra will nominate Erna Möller, Lars Ramqvist and Marcus Wallenberg. Zeneca will nominate Sir Peter Bonfield, Karl von der Heyden and Dame Bridget Ogilvie.

## **Other Financial Information**

AstraZeneca expects to account for the Merger using merger accounting under U.K. GAAP.

As a result of Astra's previously announced restructuring of its joint venture with Merck in the US, upon consummation of the Merger, Merck will have no interest or rights in respect of any of Zeneca's products and no rights to payments in respect of products discovered or

acquired by AstraZeneca after the Merger. In connection with the Merger, AstraZeneca will pay Merck (i) a lump sum of approximately \$740 million and (ii) approximately \$950 million as a prepayment of the price for the option (which may be exercised by Merck in 2008 or Astra in 2010) for Merck's remaining interest in sales of products other than Prilosec and perprazole. Astra's option on Merck's interest in Prilosec and perprazole would become exercisable 2 years after the option.

### **Proforma Summarised Profit and Loss Account Information For Year Ended 31 December 1997**

The unaudited pro forma summarised profit and loss account information set out below has been prepared to illustrate the effect on the profits of AstraZeneca as if the Merger and the Astra Merck restructuring had occurred on 1 January 1997. This information has been prepared for illustrative purposes only. Because of its nature, it cannot give a true picture of, and is not necessarily indicative of, the profits which would have been reported if the Merger and the Astra Merck restructuring had occurred on 1 January 1997.

	<b>Zeneca</b>	<b>Astra<sup>1</sup></b>	<b>Pro Forma</b>	<b>Pro Forma</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>\$m</b>
Sales	5194	4343	9537	15889
Research and development	(653)	(735)	(1388)	(2312)
Group operating profit	1083	1028	2111	3517
Net interest	(10)	(37)	(47)	(78)
Profit on ordinary activities before taxation	1081	991	2072	3452
Taxation	(345)	(259)	(604)	(1006)
Net income	730	732	1462	2436

<sup>1</sup> The Astra figures above have been restated in accordance with Zeneca's accounting policies and, in the above presentation, reflect the Astra Merck restructuring and the Merger as if these transactions had taken place on 1 January 1997.

### **Agrochemicals and Other Businesses**

Zeneca has a significant agrochemicals business which is a leader in its industry, and which ranked number three worldwide at the end of 1997. The Merger with Astra does not directly impact this business.

The Merger does not affect Zeneca's previous announcement that it is exploring the potential divestment of its Specialty Chemicals business.

In addition to the core pharmaceutical business, Astra owns Astra Tech, which is engaged in the research, development, manufacture and marketing of advanced medical devices for use in health care.

### **Timetable**

The formal documentation in relation to the Merger will be posted to shareholders at the earliest opportunity and the Merger Offers will be open for at least 20 business days thereafter. The consideration due under the Merger Offers will be sent to accepting Astra Shareholders as soon as reasonably practicable after the Merger Offers become unconditional in all respects.

An Extraordinary General Meeting of Zeneca Shareholders to consider the resolutions necessary to implement the Merger Offers and certain other matters set out in the Merger Agreement will be held at the earliest opportunity.

Astra is being advised by Morgan Stanley. Zeneca is being advised by Goldman Sachs; Credit Suisse First Boston de Zoete & Bevan Limited is acting as Zeneca's corporate broker.

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*This summary should be read in conjunction with the full text of this announcement.*

*The following foreign exchange rates have been used in this announcement, unless indicated - £/US\$: 1.666.*

*Morgan Stanley & Co. Limited ("Morgan Stanley"), which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Astra and no one else in connection with the Merger and will not be responsible to anyone other than Astra for providing the protections afforded to customers of Morgan Stanley, or for providing advice in relation to the Merger. The contents of this announcement have been approved by Goldman Sachs and Morgan Stanley solely for the purposes of Section 57 of the Financial Services Act 1986. Goldman Sachs International ("Goldman Sachs"), which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Zeneca and no one else in connection with the Merger and will not be responsible to anyone other than Zeneca for providing the protections afforded to customers of Goldman Sachs, or for providing advice in relation to the Merger.*

*No offer or invitation to acquire securities in Astra is being made now nor are offers being solicited. Any such offer or invitation will only be made in a documents to be published in due course and any such acquisition should be made solely on the basis of information contained in such documents. This press release is also not an offer of AstraZeneca Shares (or ADRs). No such shares or ADRs will be offered or sold in the United States unless they are registered or exempt from registration under the United States Securities Act of 1933. Any public offering of securities to be made in the United States would be so registered or exempt and would be made by means of documentation containing detailed information about AstraZeneca and management, as well as financial statements.*

*In order to utilise the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, Astra and Zeneca are providing the following cautionary statement.*

*This document contains certain forward-looking statements with respect to the financial condition, results of operations and the businesses of Astra and Zeneca and management's plans and objectives for AstraZeneca. These 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 those expressed or implied by these forward-looking statements and forecasts, such as the ability of Astra and Zeneca to integrate their large and complex businesses and realise synergies, difficulties of obtaining governmental approvals for new products, exposure to fluctuations in exchange rates for foreign currencies, the risk that R&D will not yield new products that achieve commercial success, the risk of substantial product liability claims, exposure to environmental liability, the impact of competition, price controls and price reductions and inflation and the risk of loss or expiration of patents and tradema.*