ASTRA

NEWS RELEASE

Södertälje, Sweden, July 30, 1998

INTERIM REPORT JANUARY–JUNE 1998

* **During the second quarter of 1998 Astra's sales rose 15 percent to SEK 13,062 m. Pretax earnings rose 21 percent to SEK 4,313 m. Net earnings rose 19 percent to SEK 3,030 m.**

* **During the first half of 1998 the Group's sales rose 17 percent to SEK 25,157 m. Pretax earnings rose 18 percent to SEK 8,253 m. Net earnings rose 16 percent to SEK 5,828 m.**

* **New agreement with Merck & Co. gives Astra strategic freedom and control over operations in the U.S. and the right to buy out Merck's interest in 2008 or later.**

* **Atacand approved in the U.S.**

Sales

Astra's sales during the second quarter of 1998 amounted to SEK 13,062 (1997: 11,338) m., an increase of 15 percent compared with the corresponding period a year ago. Calculated at constant exchange rates[1] the increase was 18 percent.

Sales during the period January–June 1998 rose 17 percent to SEK 25,157 (21,471) m. Calculated at constant exchange rates the increase was also 17 percent. The highest sales increase was in the North American market, where sales rose 50 percent to SEK 9,520 (6,329) m. Of this total, Astra's share in half-owned Astra Merck, Inc. accounted for SEK 6,766 (4,026) m. The strong sales growth can be explained in part by changes in wholesale inventories in the U.S. for Prilosec (Losec), among other products.

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[1] Calculation of trends at constant exchange rates are based on the exchange rates that applied for the corresponding period in the preceding year.

Astra's sales in Europe during the first half of 1998 totaled SEK 12,500 (11,661) m., an increase of 7 percent. Among the major European markets, Astra's sales in local currency rose 6 percent in Germany, 30 percent in France and 14 percent in Italy. Astra's sales in the U.K. and Sweden were impacted to a high degree by parallel trade. Sales in the U.K. and Sweden fell by 18 percent and 2 percent, respectively.

In the Asian countries (including Japan), Astra's sales totaled SEK 1,335 (1,678) m., a decrease of 11 percent for comparable units.

SALES BY PRODUCT GROUP (SEK m.)	April–June 1998	April–June 1997	+/– percent		January–June 1998	January–June 1997	+/– percent		Full year 1997
Gastrointestinal	6,947	5,282	+32	(+33)	13,196	10,132	+ 30	(+28)	21,796
Cardiovascular	2,296	2,229	+ 3	(+ 7)	4,405	4,035	+ 9	(+11)	8,258
Respiratory	2,163	2,103	+ 3	(+ 7)	4,281	4,008	+ 7	(+ 9)	7,994
Pain control	937	943	– 1	(+ 3)	1,820	1,731	+ 5	(+ 6)	3,700
Other products	528	603	– 12	(– 9)	1,072	1,219	– 12	(– 10)	2,466
Astra Tech	190	178	+ 7	(+ 9)	383	346	+ 11	(+12)	691
TOTAL	13,062	11,338	+15	(+18)	25,157	21,471	+ 17	(+17)	44,904

Figures in parentheses refer to percentage change calculated at constant exchange rates.

Astra's sales of the antipeptic ulcer drug Losec during the first half of 1998 totaled SEK 13,034 (10,015) m., an increase of 30 percent. Total sales of Losec in the world market amounted to approximately SEK 20,400 (14,720) m. At the end of June, Losec MUPS (Multiple Unit Pellet System) was launched in Sweden, Denmark and Finland.

Sales of the asthma drug Pulmicort rose 8 percent to SEK 2,678 (2,480) m., of which sales in the U.S. amounted to SEK 166 m. Sales of Oxis, Astra's new long-acting bronchodilator, totaled SEK 131 (13) m.

Sales of the beta-blocker Seloken, Astra's largest product in the cardiovascular area, rose to SEK 1,614 (1,477) m., an increase of 9 percent. Sales of the vasodilator Plendil totaled SEK 1,251 (1,129) m., corresponding to an increase of 11 percent. The new antihypertensive agent Atacand was approved during the second quarter in the U.S., among other countries. The launch is expected to take place during the second half of 1998. Sales of Atacand totaled SEK 100 m.

The decline in sales of other products was caused by the sale of Astra's generics division in Japan.

Earnings

Astra’s pretax earnings rose 21 percent during the second quarter of 1998, to SEK 4,313 (3,559) m. During the period January–June, pretax earnings totaled SEK 8,253 (7,014) m., an increase of 18 percent.

Net earnings rose 19 percent during the second quarter, to SEK 3,030 (2,549) m. During the first six months, net earnings rose 16 percent to SEK 5,828 (5,039) m.

Research and development expenditures rose 21 percent during the first half of the year, to SEK 4,822 (3,992) m. Operating earnings rose 14 percent and include SEK 1,536 (1,328) m. in depreciation.

The Group’s net financial income for the first half of the year increased to SEK 537 (260) m. Net interest income totaled SEK 550 (354) m. Financial exchange differences totaled SEK –13 (–94) m.

The effective tax rate during the first half of 1998 was 29 (28) percent of pretax earnings. Earnings per share amounted to SEK 3.55 (3.07).

Capital Expenditures and Financial Position

Astra’s capital expenditures totaled SEK 2,229 (1,972) m. during the first half of the year, of which SEK 1,116 (1,162) m. were in Sweden. The Group’s liquid assets at June 30, 1998, amounted to SEK 26,279 (19,305) m.

New Agreement with Merck & Co. in the U.S.

On July 1, 1998, Astra completed the previously announced restructuring of its relationship with Merck & Co., Inc., in the U.S. Under the agreement, Astra achieves strategic freedom and control of the operations in the U.S. market, as well as the right to buy out Merck’s interest in 2008 or later. The agreement enabled a combination on July 1, 1998, of the businesses of the former 50/50 joint venture Astra Merck, Inc. and Astra’s wholly owned subsidiary, Astra USA, Inc., forming a new U.S. limited partnership, Astra Pharmaceuticals, L.P.

Astra Pharmaceuticals, with headquarters in Wayne, Pennsylvania, and production and development facilities in Westborough, Massachusetts, had for the full year 1997 pro forma sales of approximately USD 2.7 bn, representing about 40 percent of Astra Group sales. The new entity has approximately 3,800 employees, including a 2,200-person sales force.

Astra expects the restructuring of the relationship with Merck to be accretive to Astra Group net earnings from 2000 after a modest initial dilution in 1998 and 1999. The combination of Astra Merck and Astra USA and the resultant opportunities to market products of both entities more effectively are expected to create revenue synergies. Also, it is expected that Astra Pharmaceuticals will benefit from cost savings of about USD 100 m. annually by 2000.

Under the new agreement, Merck will receive income based on sales of current and pipeline Astra Merck products and certain Astra USA products. Astra will have the right to buy out Merck's interest in these products in 2008, 2012 or 2016, except that Merck's interest in the gastrointestinal products Prilosec and perprazole will continue until 2017. The cash buyout will be based on a multiple of the prior three-year average of pretax income received by Merck for all products except Prilosec and perprazole, but will be no less than USD 4.4 bn in 2008.

If Astra merges with or is acquired by another company, Merck will continue to receive ongoing income from sales of then current and pipeline products, but Merck's right to income from compounds subsequently discovered or acquired will terminate and Merck will receive a payment of USD 675 m. to USD 1.5 bn. In addition, Merck could require Astra, in 2008, to purchase Merck's interest in sales of then current and pipeline products of Astra Pharmaceuticals (except Prilosec and perprazole) at a higher minimum.

Accounting and Taxation

Operations are being conducted in a new company, Astra Pharmaceuticals, L.P. (Limited Partnership), and will be fully consolidated by Astra.

The initial transaction amounts to SEK 11 bn. This includes a loan of USD 1.4 bn from Astra to Merck, which in the Astra Group accounts is treated as part of the acquisition cost. The transaction also includes the sale of shares in Astra Merck to Merck, the acquisition of the option to buy out Merck's interest, and other purchase considerations including restructuring costs.

Restructuring costs directly associated with the agreement are estimated at approximately USD 75 m. These costs include termination costs, closing of offices, etc.

An amount of approximately SEK 8 bn will be accounted for as goodwill in Astra's consolidated accounts. The goodwill will be amortized on a straight-line basis over a period of 20 years.

The operations of Astra Pharmaceuticals will be subject to taxation both in the U.S. and in Sweden. U.S. taxes will be deducted against Swedish tax.

Other

During the second quarter, Astra filed lawsuits in the U.S. against Andrx Pharmaceuticals, Inc., and against Genpharm, Inc., for patent infringement. The lawsuits are a result of Abbreviated New Drug Applications (ANDAs) filed by Andrx and Genpharm with the FDA concerning the two companies' intent to market generic omeprazole (Prilosec/Losec) products in the U.S. after the expiration of the substance patent, which occurs in April 2001. The basis of Astra's complaints is that the actions of Andrx and Genpharm infringe upon several other patents related to Prilosec, which provide protection to the year 2014.

Parent Company

The Parent Company's sales during the first half of 1998 totaled SEK 9,761 (8,898) m. Earnings before appropriations and taxes amounted to SEK 4,336 (2,474) m. Capital expenditures totaled SEK 1,122 (1,168) m. The Parent Company's liquid assets amounted to SEK 12,385 (7,068) m. on June 30.

Södertälje, Sweden, July 30, 1998

Håkan Mogren
President and CEO

This interim report has not been subject to special examination by the Company's auditors.

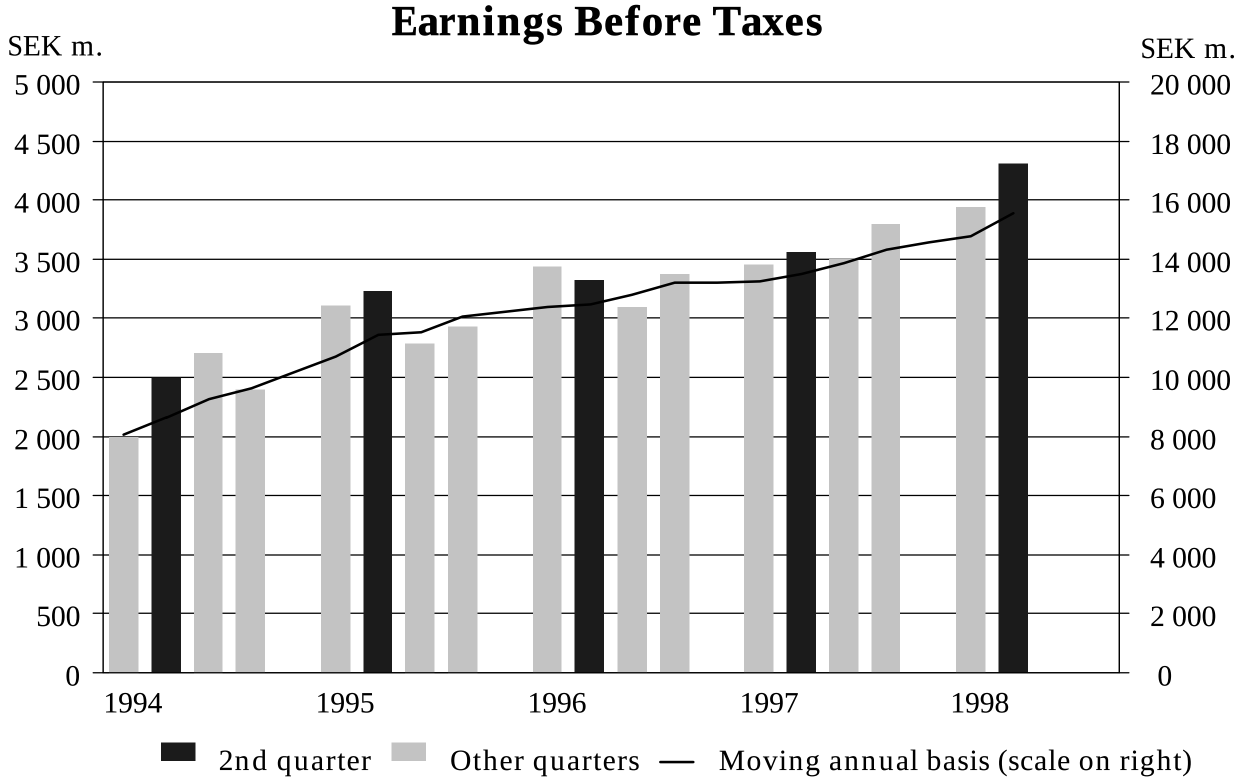
The interim report for the third quarter of 1998 will be published on November 2, 1998.

Copies of this interim report will be dispatched to Astra's stockholders.

TREND IN FIGURES

CONSOLIDATED EARNINGS STATEMENT (SEK m.)	April–June 1998	April–June 1997	+/– percent	January–June 1998	January–June 1997	+/– percent	Full year 1997
Sales	13,062	11,338	+ 15	25,157	21,471	+ 17	44,904
Operating expenses	(9,052)	(7,976)	+ 13	(17,452)	(14,825)	+ 18	(31,392)
Operating exchange gains/losses	(78)	25	–	11	103	–	32
Operating earnings	3,932	3,387	+ 16	7,716	6,749	+ 14	13,544
Financial income	304	220	+ 38	638	429	+ 49	959
Financial expenses	(44)	(39)	+ 13	(88)	(75)	+ 17	(141)
Financial exchange gains/losses	121	(13)	–	(13)	(94)	–	(60)
Net financial income/expenses	381	168	+127	537	260	+107	758
Minority interests in earnings	0	4	–	0	5	–	3
Earnings before taxes	4,313	3,559	+ 21	8,253	7,014	+ 18	14,305
Taxes	(1,283)	(1,010)	+ 27	(2,425)	(1,975)	+ 23	(4,104)
NET EARNINGS	3,030	2,549	+ 19	5,828	5,039	+ 16	10,201
Earnings per share (SEK)	1.84	1.55	+ 19	3.55	3.07	+ 16	6.21

Earnings Before Taxes



SALES—LARGEST DRUGS (SEK m.)	January–June 1998	1997	Percentage change		Full year 1997
Losec	13,034	10,015	+ 30	(+28)	21,526
Pulmicort	2,678	2,480	+ 8	(+10)	4,922
Seloken	1,614	1,477	+ 9	(+10)	3,162
Plendil	1,251	1,129	+ 11	(+15)	2,241
Xylocaine	914	893	+ 2	(+ 3)	1,915
Rhinocort	633	638	– 1	(+ 1)	1,267
Bricanyl	615	636	– 3	(0)	1,275
Imdur	439	439	0	(+ 2)	913
Marcaine	314	334	– 6	(– 3)	670
Ramace	245	257	– 5	(– 2)	488

Figures in parentheses refer to percentage change at constant exchange rates.

CONDENSED CONSOLIDATED BALANCE SHEET (SEK m.)	June 30, 1998	Dec. 31, 1997	June 30, 1997
Noncurrent assets	25,486	24,987	23,561
Inventories and current receivables	13,573	12,814	12,188
Liquid assets	26,279	24,479	19,305
ASSETS	65,338	62,280	55,054
Stockholders' equity	48,885	46,015	40,852
Provisions	6,382	6,399	5,217
Liabilities	10,071	9,866	8,985
STOCKHOLDERS' EQUITY AND LIABILITIES[1]	65,338	62,280	55,054
[1] Of which, interest-bearing provisions and liabilities	3,199	3,500	2,986

OTHER	June 30, 1998	Dec. 31, 1997	June 30, 1997
Return on capital employed (%)	27	26	28
Return on stockholders' equity (%)	27	27	29
Equity ratio (%)	75	74	74
Number of shares, millions	1,643.2	1,643.2	1,643.2

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